

To Whom It May Concern,

Our client is applying for a loan under the Payroll Protection Program ("PPP"). To assist with the loan application, we are providing payroll reports reflecting payrolls processed through Engage PEO -- a Certified Professional Organization (CPEO) under Section 3511 of the Internal Revenue Code.

As a CPEO, Engage has the responsibility to report federal taxes and wages to the Internal Revenue Service ("IRS") under the Engage Federal Employer Identification Number. This includes IRS Forms 940, 941, W-2 and W-3. Individual client information is reported to the IRS on a Schedule R, which is filed electronically with Engages' 940 and 941 returns. The Schedule R includes specific information for each of Engages' clients, including the client's name, FEIN, and taxable wage information.

Due to the aggregate filing of IRS Forms 941 and 940 and associated Schedule R for CPEOs, individual client 941 and 940 returns are not filed with the IRS. To address this, the Small Business Administration and the U.S Treasury Department issued guidance through Frequently Asked Questions (FAQ's) published April 23, 2020. Question #10 of the FAQ states as follows:

**Question 10:** What if an eligible borrower contracts with a third-party payer such as a payroll provider or a Professional Employer Organization (PEO) to process payroll and report payroll taxes?

**Answer:** SBA recognizes that eligible borrowers that use PEOs or similar payroll providers are required under some state registration laws to report wage and other data on the Employer Identification Number (EIN) of the PEO or other payroll provider. In these cases, payroll documentation provided by the payroll provider that indicates the amount of wages and payroll taxes reported to the IRS by the payroll provider for the borrower's employees will be considered acceptable PPP loan payroll documentation. Relevant information from a Schedule R (Form 941), Allocation Schedule for Aggregate Form 941 Filers, attached to the PEO's or other payroll provider's Form 941, Employer's Quarterly Federal Tax Return, should be used if it is available; otherwise, the eligible borrower should obtain a statement from the payroll provider documenting the amount of wages and payroll taxes. In addition, employees of the eligible borrower will not be considered employees of the eligible borrower's payroll provider or PEO.

The reports provided by our client meet the obligation set forth in Question 10. There are no requirements within the PPP loan program that clients must supply Forms 941 for eligibility.

Should you have any additional questions, please feel free to contact Engage PEO at 727-565-2950.

Reference: [www.treasury.gov/policy-issues/cares/assistance-for-small-businesses](http://www.treasury.gov/policy-issues/cares/assistance-for-small-businesses) Paycheck Protection Program; PAYCHECK PROTECTION PROGRAM LOANS Frequently Asked Questions (FAQs)

Attachments: Letter from the National Association of Professional Employer Organizations (NAPEO); Page 6 and 23 of SMALL BUSINESS ADMINISTRATION 13 CFR Part 120 [Docket No. SBA-2020-0015] RIN 3245-AH34 Business Loan Program; Paycheck Protection Program

Attachment 1 - Letter from the National Association of Professional Employer Organizations (NAPEO)



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Alexandria, Virginia 22314

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www.napeo.org

To Whom It May Concern:

This loan applicant is a client of a professional employer organization (PEO). PEOs provide payroll, employee benefits, human resources, and compliance assistance services to more than 175,000 small business clients with more than 3.7 million employees nationwide. PEOs “co-employ” their clients’ employees. The employees are paid on the PEO’s federal employer identification number (FEIN), not the client’s. Therefore, a PEO client applying for a loan through the Paycheck Protection Program (PPP) will not have a Form 941. The Interim Final Rules (the IFR) issued by the Small Business Administration on April 2, 2020 do not require tax documents, including Forms 941, to verify payroll amounts for PPP loan purposes.

Indeed, the IFR makes clear that lenders are not limited in the types of documentation they can use to determine eligibility or amount for PPP loan purposes. Specifically, the IFR provides:

*Borrowers must submit such documentation as is necessary to establish eligibility such as payroll processor records, payroll tax filings, or Form 1099-MISC, or income and expenses from a sole proprietorship. For borrowers that do not have any such documentation, the borrower must provide other supporting documentation, such as bank records, sufficient to demonstrate the qualifying payroll amount. (SBA IFR section 3.b.(iv).II.)*

**As you can see, the IFR does not require Form 941s to establish eligibility. Payroll processor records and other such supporting documentation are sufficient.**

In accordance with these regulations, the PEO has provided an authenticated payroll record to assist you, the lender, in confirming the client employer’s eligibility for the loan, and the loan amount.

A handwritten signature in black ink, appearing to read "Patrick J. Cleary", is written over a horizontal line.

Patrick J. Cleary  
President & CEO

- A. A small business concern as defined in section 3 of the Small Business Act (15 USC 632), and subject to SBA's affiliation rules under 13 CFR 121.301(f) unless specifically waived in the Act;
  - B. A tax-exempt nonprofit organization described in section 501(c)(3) of the Internal Revenue Code (IRC), a tax-exempt veterans organization described in section 501(c)(19) of the IRC, Tribal business concern described in section 31(b)(2)(C) of the Small Business Act, or any other business; and
- ii. You were in operation on February 15, 2020 and either had employees for whom you paid salaries and payroll taxes or paid independent contractors, as reported on a Form 1099-MISC.

You are also eligible for a PPP loan if you are an individual who operates under a sole proprietorship or as an independent contractor or eligible self-employed individual, you were in operation on February 15, 2020.

**You must also submit such documentation as is necessary to establish eligibility such as payroll processor records, payroll tax filings, or Form 1099-MISC, or income and expenses from a sole proprietorship. For borrowers that do not have any such documentation, the borrower must provide other supporting documentation, such as bank records, sufficient to demonstrate the qualifying payroll amount.**

instance, entities should also understand the nature and purpose of their PPP customer relationships to develop customer risk profiles. Such entities will also generally have to identify and report certain suspicious activity to the U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN). If such entities have questions with regard to meeting these requirements, they should contact the FinCEN Regulatory Support Section at [FRC@fincen.gov](mailto:FRC@fincen.gov). In addition, FinCEN has created a COVID-19-specific contact channel, via a specific drop-down category, for entities to communicate to FinCEN COVID-19-related concerns while adhering to their BSA obligations. Entities that wish to communicate such COVID-19-related concerns to FinCEN should go to [www.FinCEN.gov](http://www.FinCEN.gov), click on "Need Assistance," and select "COVID19" in the subject drop-down list.

**Each lender's underwriting obligation under the PPP is limited to the items above and reviewing the "Paycheck Protection Application Form." Borrowers must submit such documentation as is necessary to establish eligibility such as payroll processor records, payroll tax filings, or Form 1099-MISC, or income and expenses from a sole proprietorship. For borrowers that do not have any such documentation, the borrower must provide other supporting documentation, such as bank records, sufficient to demonstrate the qualifying payroll amount.**