

# Sunset Review of the Professional Employer Organization Registration Act

The following provides basic information for the Business and Labor Interim Committee's sunset review of Title 58, Chapter 59, Professional Employer Organization Registration Act (Act). For more detailed information, please review the Act or contact the Office of Legislative Research and General Counsel.

**What is a PEO?** A person who provides services such as payroll, human resource compliance, risk management, and benefits administration to a client through a coemployment relationship.

**Illustration:** A PEO hires a client's employees and then leases the employees back to the client. The PEO and client sign a professional employer agreement that allocates and shares employer responsibilities between the PEO and client.

**How does Utah regulate PEOs? Registration:** Utah regulates PEOs primarily through registration. A person generally must register to engage in practice as a PEO. To register, a person:

- submits an application to DOPL
- pays a fee (\$2,010 as of 1/13/06).

Registrations expire annually on September 30.

**Required filings:** A PEO annually files information with DOPL, with some exceptions, including:

- certain identifying information, e.g., names, addresses, EIN
- ownership information
- management information.

**Miscellaneous requirements:** The Act imposes various other requirements including:

- a quarterly review of a PEO's records and statement by a CPA that all federal, state, and local taxes; workers' compensation premiums; and employee benefit plan premiums are paid (must be provided to a client upon request)
- requirements related to the professional employer agreement and the coemployment relationship
- requirements related to retirement, welfare, and health benefit plans
- requirements related to securing workers' compensation benefits and unemployment insurance coverage
- requirements related to licensing, registration, or certification of employees
- others

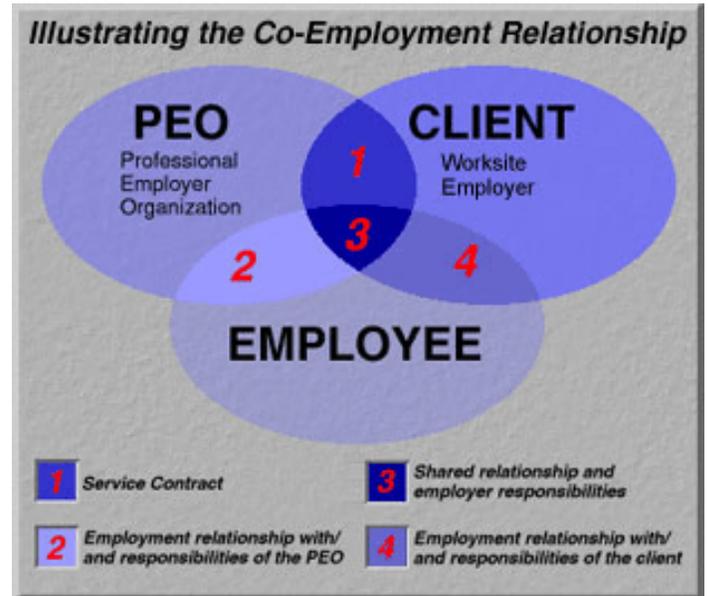
The Act clarifies the affect of the Act on other laws and the relationship amongst the PEO, client, and employees. The Act also clarifies that by regulating PEOs the State makes no guarantee nor waives any right, claim, or defense.

**Utah statistics for PEOs? Number of PEOs:** As of June 2006, there are 75 PEOs registered with DOPL. DOPL reports 17 new applications annually.

**Complaints:** Since 1996 there have been 56 complaints filed with DOPL under the Act such as unauthorized practice(22), financial responsibility(5), incompetence/negligence(3), and others. Complaints have been resolved in a variety of ways including: administrative sanctions(11), administrative hearings(9), unfounded(9), no jurisdiction(6), voluntary compliance(5), consolidation to another case(4), verbal warning(4), and others. Source: DOPL email June 1, 2006

**How does Utah compare to other states?** PEOs operate in all 50 states. At least 29 states have either a registration or licensing act. Two states have recognition statutes. Two states have specific certification requirements. Other states may have legislative references to the PEO or employee leasing industry but do not have comprehensive registration or licensing requirements. Source: NAPEO 2006

**Key legislative history of the Act?** **1993:** Licensing act enacted and previous registration act repealed  
**1994, 1997:** Miscellaneous changes  
**1999:** Terminology changed to PEO and miscellaneous changes



Source: National Association of Professional Employer Organizations, <http://www.napeo.org/peoindustry/coemployers.cfm> (visited 6/14/06)

**2002:** Sunset date extended for 5 years and miscellaneous changes

**2003:** Changed to a registration act.