

South Carolina Department of Consumer Affairs

PEO Continuing Education Seminar

August 7, 2006

South Carolina Bar Building
950 Taylor Street
Columbia, South Carolina

Agenda

- 9:00 - 9:15 AM **Registration**
- 9:15 - 9:30 AM **Welcome**
Brandolyn Thomas Pinkston
Administrator - South Carolina Department of Consumer Affairs
- 9:30 - 10:20 AM **Workers Compensation Commission Issues**
Gary Thibault
Executive Director - S.C. Workers' Compensation Commission
- 10:20 - 11:10 AM **Workers' Compensation and Professional Employer Organizations**
Lewis Lancaster
Regulatory Services Manager - National Council on Compensation Insurance
- 11:10 - 11:25 AM **Break**
- 11:25 - 12:15 PM **Internal Revenue Service Updates and New Programs for 2006 and 2007**
Tom Sheaffer
Tax Specialist - Internal Revenue Service
- 12:15 - 1:45 PM **Lunch (On Your Own)**
- 1:45 - 2:35 PM **Outrage, Enforcement, Law**
PEOs, Business Ethics, and the Court of Public Opinion
Karim Fidel, Esquire
General Counsel - Strategic Outsourcing, Inc.
- 2:35 - 3:25 PM **The Do's and Don'ts of South Carolina Withholding Tax**
Bonnie Register
Revenue Supervisor - South Carolina Department of Revenue
- What is a Certificate of Compliance?**
Samantha McKay
Problems Resolution Office Supervisor - South Carolina Department of Revenue
- 3:25 - 3:40 PM **Break**
- 3:40 - 4:30 PM **South Carolina PEO Laws and Regulations**
Elliott F. Elam, Jr., Esquire
Consumer Advocate - South Carolina Department of Consumer Affairs
- Hana P. Williamson*
Staff Attorney - South Carolina Department of Consumer Affairs
- Timmie Gibson*
Auditor - South Carolina Department of Consumer Affairs



**2006
South Carolina
Professional Employer Organization
Continuing Professional Education
Seminar**

Monday, August 7, 2006

SPEAKERS' BIOGRAPHIES

Gary R. Thibault

Gary R. Thibault was appointed executive director of the South Carolina Workers' Compensation Commission in June 2005. He is responsible for the administration and operation of the Commission and serves at the pleasure of the seven Commissioners acting as the board of directors of the agency.

As executive director, Mr. Thibault oversees the work of the Commission's five functional departments: (1) Administration, (2) Claims & Mediation, (3) Information Services, (4) Insurance & Medical Services, and (5) Judicial. Each department is under the supervision of a director and is organized into one or more operational divisions.

Prior to being named to his present position, he was director of the Commission's Department of Insurance & Medical Services. In that capacity he developed a new hospital payment system based on diagnosis-related groups, as well as a new physician payment system based on the (then) Health Care Financing Administration's resource based relative value scale, providing a systematic and thorough method for setting prices and determining appropriate payment levels. Before joining the Commission in 1988, he served as vice president, administration at Colite Industries, West Columbia, South Carolina, and before that as executive director of the Three Rivers Health Systems Agency, Inc.

Mr. Thibault is a graduate of the University of South Carolina, where he obtained Master of Business Administration and Master of Public Administration degrees. He is also an alumnus of the Institute of Comparative Political & Economic Systems, Georgetown University, Washington, DC.

Lewis Lancaster

Lewis Lancaster has over 15 years insurance industry experience, including over twelve years experience with NCCI. During his tenure with NCCI, he determined eligibility for employers applying for coverage in the assigned risk market. He also worked as a trainer for the Customer Operations division for over seven years. Additionally, he was a project manager for over two years managing investment projects.

He is currently a Regulatory Services Manager in NCCI's Regulatory Assurance department. In this position, Lewis is responsible for preparing national and state item filings and providing technical support to regulators, carriers, employers and agents on NCCI manual rules.

Lewis Lancaster is a graduate of Florida State University with a Bachelor of Science degree in Economics and a minor in Computer Science. Lewis earned the Associate in Risk Management professional designation in 1999.

Kerim Fidel

Kerim Fidel has been General Counsel for Strategic Outsourcing, Inc. since 2000. Prior to that, he was General Counsel at another large PEO. Kerim received his law degree from University of Illinois.

Thomas (Tom) A. Sheaffer

Personal: Married 32 years to wife Terri. Have 2 children, Scott and Melissa. All of us happily live in the Upstate of South Carolina in Fountain Inn. We have lived in South Carolina for 23 years.

School: Graduate of the University of South Carolina with a B.S. in Management and Economics (dual majors.)

Work History: Currently with the IRS since 2001 as a Senior Tax Specialist. While with the IRS I have been responsible for building Partnerships and Coalitions with IRS Stakeholders. Most of this experience has been in the Wage and Investment Division, which serves taxpayers filing Form 1040 (W-2 recipients and Pensioners.) During this time I have:

1. Helped write the current Volunteer Tax Preparation Training Manual and contributed to the Online Training component of the manual (Link and Learn) at irs.gov,
2. Facilitated the creation of 3 EITC Coalitions in the Upstate of SC preparing over 2,000 tax returns for low income wage earners annually,
3. Served on the International Military Volunteer Return Preparation Team training military "volunteers" on in Korea and Japan,
4. Appeared on numerous TV and radio programs throughout the state each year explaining changes and "hot topics" in tax law.

Currently I am the Industry Liaison for South Carolina in the Small Business/Self Employed unit.

Prior to the IRS, I worked 25 years as a multi-unit supervisor for Shoney's largest franchise, TPI restaurants.

Bonnie Register

Bonnie Register is a Revenue Supervisor over the Withholding Section of the Processing and Document Management Services division at the South Carolina Department of Revenue. She has been with the agency for 9½ years and in her current position for 6½ years. In addition to the normal supervisory duties, she also teaches Withholding Workshops at the agency.

Samantha McKay

Samantha McKay is currently the Problems Resolution Office Supervisor with the South Carolina Department of Revenue. She has been employed with the agency for 18 years. The Problems Resolution Office is a staff of seven working to resolve various tax problems. Along with Certificate of Compliance they work to resolve returned checks, process federal data, and research miscellaneous tax issues.

Samantha is a graduate of Midlands Technical College and the University of South Carolina. She is married to Thurmond Williams and they have one child.



**2006
South Carolina
Professional Employer Organization
Continuing Professional Education
Seminar**

Monday, August 7, 2006

WORKERS' COMPENSATION COMMISSION UPDATE

GARY R. THIBAUT

(To be provided by speaker)



**2006
South Carolina
Professional Employer Organization
Continuing Professional Education
Seminar**

Monday, August 7, 2006

WORKERS' COMPENSATION AND PROFESSIONAL
EMPLOYER ORGANIZATIONS

LEWIS LANCASTER



Workers Compensation and Professional Employer Organizations (PEO)

August 7, 2006
Columbia, South Carolina
Lewis Lancaster

Agenda

- What is NCCI?
- Historical Background
- Policy Types
- Industry Activity
- NCCI Rules and Standards
- Issues
- ncci.com





National Council on Compensation Insurance (NCCI) Overview

3

© Copyright 2006 National Council on Compensation Insurance, Inc. All Rights Reserved.

NCCI - What We Are

- Nation's largest information company serving the workers' compensation community
- A rating, statistical and data management organization providing services on behalf of state insurance departments, insurance companies, employers, agents and other stakeholders
- We are funded primarily by our affiliated insurance carriers, not by employers



NCCI – What We Do

- Collect and analyze data
- Develop rate and advisory loss cost filings
- Maintain the workers' compensation infrastructure of classifications, rules, plans, and forms
- Analyze proposed and enacted legislation
- Produce individual employer experience ratings
- Provide residual market management

What is a Professional Employer Organization (PEO)?

- An entity or group of entities that provides workers to its client(s) through a PEO Arrangement for a fee pursuant to an agreement, written or otherwise
- Without limitation a PEO may also be referred to as a labor contractor, employee leasing company, lessor or other similarly administered arrangement

What is a PEO Arrangement?

- PEO Arrangement involves one entity obtaining or leasing any or all of its workers from another entity under contract or agreement, written or otherwise
- Include, but are not limited to:
 - Full-Service PEO Arrangements
 - Arrangement that involves the allocation of employment responsibilities among two or more entities
 - PEO contractually agrees to perform specified employer responsibilities with regard to leased workers

Historical Background

- Increase in use of PEO Arrangements in the 1980s and 1990s
- National Association of Insurance Commissioners (NAIC) Model Employee Leasing Regulation in 1991
- 2002 report by the International Association of Industrial Accident Boards (IAIABC) and the NAIC

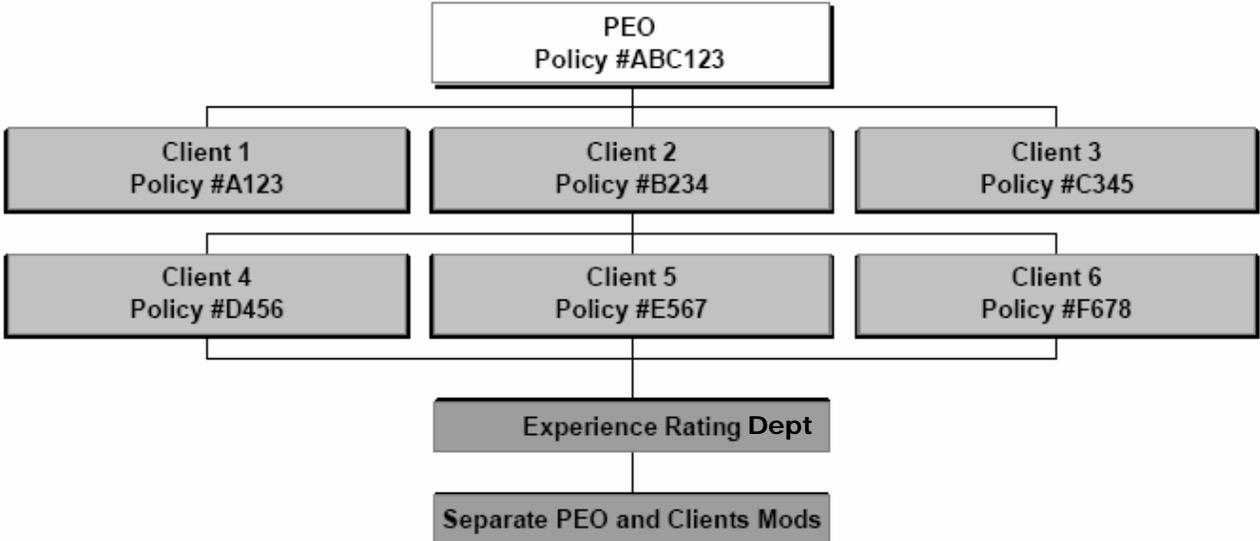
PEO Industry Activity

- NAIC PEO Model Law Working Group
 - Developing new/revised Model Regulation
 - Policy issuance
 - Master Policy
 - Multiple Coordinated Policy
 - Current Challenges

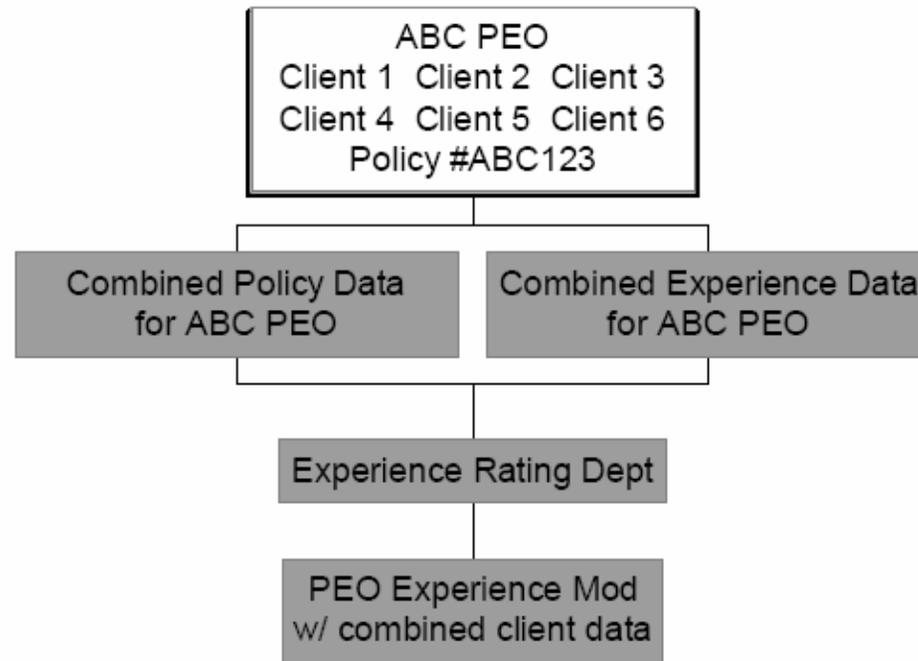
NCCI Rules and Standards for PEO's

- Item B-1276 – Employee Leasing Arrangements
- Item RM-W-8027 – Rule 4-B-Professional Employer Organization (PEO) Arrangements – Residual Market Only

Multiple Coordinated Policy (MCP)



Master Policy



PEO General Issues

- Splitting a PEO's clients between the voluntary market and residual market

PEO General Issues

- Clarify status of Administrative Service Organizations (ASO), Human Resource Outsourcing (HRO), and others

PEO General Issues

- Use of the Alternate Employer Endorsement
(WC 00 03 01 A)

PEO Experience Rating/Data Reporting Issues

- Former PEO client obtaining coverage without separated leasing experience

PEO Experience Rating/Data Reporting Issues

- Application of Experience Rating Modification when client leaves a PEO Arrangement

PEO Assigned Risk Issues

- Assignment of all of a PEO's clients to the same carrier

PEO Assigned Risk Issues

- Impact on client policies when PEO's MCP policy cancels

PEO Assigned Risk Issues

- Obtaining necessary information to properly review applications for PEO Arrangements

Experience Rating

- While a Client is Included in a PEO Arrangement
 - Master Policy
 - MCP
- Upon Termination of a Client's PEO Arrangement
 - Master Policy
 - MCP

Experience Rating - For a PEO Arrangement – Master Policy

Client	PEO
<ol style="list-style-type: none"> 1. For master policies covering the client's leased employees, the PEO's experience rating modifications apply. 2. For policies covering the client's non-leased employees, separate experience rating modifications apply, subject to premium eligibility requirements. These modifications will include all the client's experience, if any, prior to the leasing arrangement. 3. If the client does not qualify for experience rating based on its prior experience, a unity (1.00) factor applies to: <ul style="list-style-type: none"> • The policy covering the client's non-leased employees • Subsequent policies, until the client is eligible for an experience rating modification 	<ol style="list-style-type: none"> 1. The PEO's experience rating modifications apply to the master policies as well as any other policy of the PEO. 2. If the PEO does not qualify for experience rating, a unity (1.00) factor applies to: <ul style="list-style-type: none"> • The master policy and any other of the PEO's policies • Subsequent policies, until the PEO is eligible for an experience rating modification

Experience Rating - For a PEO Arrangement – MCP Basis

Client	PEO
<p>1. The client's experience rating modifications apply to:</p> <ul style="list-style-type: none"> • The client's policy under the MCP • Any other policies covering the client's non-leased employees. <p>These modifications will include the client's experience prior to the leasing arrangement, if any.</p> <p>2. Subsequent experience rating modifications will include the client's experience for leased and non-leased employees developed during the leasing arrangement, and apply as detailed in 1. above.</p> <p>3. If the client does not qualify for experience rating, a unity (1.00) factor applies to:</p> <ul style="list-style-type: none"> • The client's policy under the MCP • Any other policies covering the client's non-leased employees • Subsequent policies, until the client is eligible for an experience rating modification 	<p>1. The PEO's experience rating modifications apply to the policies covering the PEO's direct employees.</p> <p>2. If a PEO does not qualify for experience rating, a unity (1.00) factor applies to:</p> <ul style="list-style-type: none"> • All of the PEO's policies • Subsequent policies, until the client is eligible for an experience rating modification.

Experience Rating – Termination of a PEO Arrangement – Master Policy

If insurer able to furnish data

Client	PEO
<p>1. The rating organization will calculate the client's experience rating modification using the data reported on the NC2745 Form. This modification will include experience for the client's leased and non-leased (if any) employees during the experience period.</p> <p>Note: The PEO's experience rating modification applies to the client's new policy until the rating organization calculates the client's own experience-rating modification.</p> <p>2. The client's new experience rating modification will apply to the client's policy retroactive to the inception of the policy.</p> <p>3. If the client isn't eligible for experience rating based on the client's experience for leased and non-leased employees during the experience period, a unity (1.00) factor will apply to the client's policy until the client is eligible for an experience rating modification.</p>	<p>The rating organization will revise the PEO's experience rating modification to remove the former client's data as reported on the NC2745 Form.</p>

NC 2745 Form

- Workers Compensation Experience Rating for Former Clients of Labor Contractors
- Purpose of Form
 - Obtain PEO and Client Information
 - Payroll
 - Losses
 - Determine eligibility
- Submitted to NCCI by the carrier that provided coverage for the year being reported

Experience Rating – Termination of a PEO Arrangement – Master Policy

If insurer unable to furnish data

Client	PEO
<ol style="list-style-type: none"> 1. Then an experience rating modification is calculated for the client using experience developed: <ul style="list-style-type: none"> • Prior to the employee leasing arrangement • From policies covering non-leased employees 2. If an experience rating modification cannot be developed, the PEO's experience rating modification applies to the client's policy until the client is eligible for its own experience rating modification. However, the PEO's experience rating modification cannot apply for more than three years. 3. After three years, a unity (1.00) factor will apply to a client not eligible for experience rating. 	<p>The client's experience remains in the PEO's experience rating modification.</p>

Experience Rating – Termination of a PEO Arrangement – MCP Basis

- Established NCCI Manual rules apply to develop an experience rating modification for the client when it leaves a PEO Arrangement covered on a multiple coordinated policy basis.

Classification Procedures

- **Employee Leasing, Labor Contractors and Temporary Labor Services**
 1. Workers assigned to clients must be classified the same as direct employees of the client performing the same or similar duties.
 2. If the client has no direct employees performing the same or similar duties, leased employees are classified as if they were direct employees of the client entity.

Example

Code 8017 is applicable to the leased worker assigned as a cashier.

Code 7380 is applicable to the leased worker assigned as a delivery truck driver

PEO Web Section at ncci.com

Access the PEO pages from the Industry Information section on ncci.com

The screenshot shows the NCCI website's navigation menu. The 'Industry Information' dropdown is open, and 'Professional Employer Organizations' is highlighted with a black oval. The website header includes 'NCCI Holdings, Inc.' and navigation tabs for 'Services & Tools', 'Industry Information', 'Data Reporting', 'Residual Markets', 'Events', and 'Training'. The left sidebar contains 'Log In', 'Sign Out', 'Current Features', 'E-MAIL NOTIFICATIONS', 'CLASSIFICATION UPDATES', and 'ASSIGNED CARRIER CONFERENCE 2006'. The main content area is divided into sections: 'MY Preferences', 'MY Services & Tools', 'MY Risk/Underwriting', 'MY Data Reporting Tools', 'MY Manuals/Circulars', 'MY Residual Market Tools', and 'MY Market Evaluation'. The 'Professional Employer Organizations' link is located under the 'Industry Reports' sub-section of the 'MY Risk/Underwriting' category.

PEO Web Section at ncci.com

Links to each information category are found after the main header on each page in the site.

NCCI Holdings, Inc.

Services & Tools | Industry Information | Data Reporting | Residual Markets | Events | Training

Professional Employer Organizations Print Page | Font Size + - | E-Mail Page

Home > Industry Info > Professional Employer Organizations

Professional Employer Organizations

PEOs & WC Industry | PEO State Guide | Data Reporting Guidelines | General FAQs | Data FAQs | Related Circulars | Forms | Assigned Risk Application Tips | Industry Sites

Welcome to the Professional Employer Organizations (PEO) section of ncci.com. Formerly known as the Employee Leasing section, here you'll find convenient access to essential resources that will keep you informed about employee leasing issues as they relate to workers compensation policy issuance and data reporting.

Read the latest on industry activities and challenges. Get answers to commonly asked questions related to policy issuance, experience rating, data reporting, and Assigned Risk applications. Access information on data reporting guidelines and tips for completing assigned risk applications. There is also information on the types of PEO policies, and specific rules and requirements for each state.

Use the links above to access comprehensive information, and check back often for the latest news and updates.

Questions? Please contact [Customer Service](#) for questions about PEO/Employee Leasing Arrangements

Log In

Sign Out

Industry Information

- Overview
- NCCI Videos
- Terrorism and WC
- Research and Outlook
- Actuarial Results and Updates
- Regulatory Activities
- Industry Reports

Professional Employer Organizations

PEO Web Section at ncci.com

PEO and the WC Industry contains discussion papers on industry trends and challenges.

PEOs and the WC Industry

[PEOs & WC Industry](#) | [PEO State Guide](#) | [Data Reporting Guidelines](#) | [General FAQs](#) | [Data FAQs](#) | [Related Circulars](#) | [Forms](#) | [Assigned Risk Application Tips](#) | [Industry Sites](#)

Discussion Papers

Creating Workable Standards for PEOs

By Mona Carter, NCCI National Policy Executive

Over the past decade, more and more small and medium-sized businesses have retained Professional Employee Organizations (PEOs) to take charge of traditional personnel functions—running benefits administration, payroll, risk management and other employment-related services. This article examines the issues driving discussions that will attempt to clarify the role and responsibilities of PEOs—particularly with regard to workers compensation insurance.

Policy Models for PEO/Employee Leasing Arrangements

The type of policy issued depends on the statutes, regulations or manual rules of each state. In some states there are no specific rules allowing the insurer or common law to determine the type of policy that is issued. There are three common types of PEO/Employee Leasing policies in use today. This discussion paper provides a definition and visual display of each policy type.

PEO Web Section at ncci.com

PEO State Guide shows policy issuance and reporting requirements at the state level.

EMPLOYEE LEASING ARRANGEMENTS ¹ POLICY, REPORTING, AND RATING REQUIREMENTS AS OF JANUARY 1, 2006	
STATE	SOUTH CAROLINA
NCCI Filing(s)	Item RM-W-8027 (Circular Plan 2005-10)
Policy Requirements (voluntary market)	Insurer determines the “employer” for purposes of policy issuance. Client may secure coverage for leased workers through a policy in its name. The employee leasing company and its client(s) may secure coverage through an MCP (multiple coordinated policy) or through a master policy. ³
Policy Requirements (residual market)	The employee leasing company and its client(s) obtaining coverage for leased workers must secure coverage on an MCP basis.
Policy Reporting Requirement (voluntary and residual markets)	The one-digit Employee Leasing Policy Type Code must be reported on the Header Record (Record Type 01). Refer to Part Three—Policy Information Page of <i>Workers Compensation Policy Data Reporting Manual</i> for details.

Industry Information

- Overview
- NCCI Videos
- Terrorism and WC
- Research and Outlook
- Actuarial Results and Updates
- Regulatory Activities
- Industry Reports
- Professional Employer Organizations** 
- Industry Links



PEO Web Section at ncci.com

Data reporting guidelines are provided for each PEO policy model

Policy Key Data Elements:

Header Record (Record Type Code 01)

Policy Type ID Code – Plan Indicator:
1—Voluntary Policy **or**
2—Normal Assigned Risk Policy

Employee Leasing Policy Type Code: 2—
Employee Leasing Policy (Master Policy)—
Employee Leasing Company and Client
Companies

Name Record (Record Type Code 02) – Primary Name

Insured Name:
PEO Name (Primary Name)

**Professional Employer Organization or
Client Company Code:**
P—Professional Employer Organization Company
Name

Federal Employer Identification Number:
PEO FEIN (Primary FEIN)

Name Link Identifier:
001

Continuation Sequence Number:
001

Name Link Counter Identifier:
00 (For Up to 999 Names)

PEO Web Section at ncci.com

General FAQs provide answers to common PEO questions

PEO Frequently Asked Questions

[PEOs & WC Industry](#) | [PEO State Guide](#) | [Data Reporting Guidelines](#) | [General FAQs](#) | [Data FAQs](#) | [Related Circulars](#) | [Forms](#) | [Assigned Risk Application Tips](#) | [Industry Studies](#)

Click on the questions below for details

[Q1: What is a Professional Employer Organization \(PEO\)?](#)

[Q2: What is a client?](#)

[Q3: What is a leased worker?](#)

[Q4: What is a direct worker?](#)

[Q5: What is a PEO arrangement?](#)

[Q6: How is workers compensation insurance coverage written for a PEO and its leased workers ?](#)

[Q7: What is a temporary services arrangement?](#)

[Q8: What is the difference between a temporary services arrangement and a PEO arrangement?](#)

PEO Web Section at ncci.com

Data Reporting FAQs provide answers to questions about PEO policy and unit statistical data reporting.

PEO Data Reporting FAQs

[PEOs & WC Industry](#) | [PEO State Guide](#) | [Data Reporting Guidelines](#) | [General FAQs](#) | [Data FAQs](#) | [Related Circulars](#) | [Forms](#) | [Assigned Risk Application Tips](#) | [Industry Sites](#)

Click on the categories below for details.

- [Policy Data Reporting FAQs](#)
- [Unit Statistical Data Reporting FAQs](#)

Policy Data Reporting FAQs

Click on the questions below for details

[Q1: How do I indicate a policy is a PEO/Employee Leasing Policy?](#)

[Q2: What are the differences between PEO/Employee Leasing Policy Type Codes 2, 3, and 4?](#)

[Q3: What are the reporting guidelines for PEO/Employee Leasing Policies?](#)

[Q4: Am I required to report the name of each Client Company covered on a PEO/Employee Leasing Policy?](#)

PEO Web Section at ncci.com

Links to PEO-related circulars in one convenient location.

Related Circulars

[PEOs & WC Industry](#) | [PEO State Guide](#) | [Data Reporting Guidelines](#) | [General FAQs](#) | [Data FAQs](#) | [Related Circulars](#) | [Forms](#) | [Assigned Risk Application Tips](#) | [Industry Sites](#)

🔒 = User ID and Password Required

Circular 🔒 [GA-2006-01](#): Georgia--Item 01-GA-2006--Professional Employer Organization (PEO) Arrangements GA-2006-01 2/15/2006

Circular 🔒 [PLAN-2005-10](#): Item RM-W-8027—Rule 4-B—Professional Employer Organization (PEO) Arrangements

Circular 🔒 [POLS-2005-06](#): New Professional Employer Organization/Client Code Field

PEO Web Section at ncci.com

Links to National and State Employee Leasing forms and instructions,
as well as Assigned Risk specific forms.

Forms

Employee Leasing

 [Instructions for completing the Employee Leasing form.](#)

 [National Employee Leasing Form NC2745](#)

 [Virginia Employee Leasing Form VA1271](#)

 [Florida Employee Leasing Form FL1372](#)

[^ top](#)

Assigned Risk Specific Forms

 [WCIP Professional Employer Organization \(PEO\) Supplemental Application](#)

 [WCIP Professional Employer Organization \(PEO\) Client Supplemental Application](#)

PEO Web Section at ncci.com

Helpful information for completing Assigned Risk PEO applications.

Tips for Completing Assigned Risk Professional Employer Organization (PEO) Arrangement Applications

[PEOs & WC Industry](#) | [PEO State Guide](#) | [Data Reporting Guidelines](#) | [General FAQs](#) | [Data FAQs](#) | [Related Circulars](#) | [Forms](#) | [Assigned Risk Application Tips](#) | [Industry Sites](#)

The following are situations/items that, if not completed or provided, may delay binder issuance to eligible employers:

- Appropriate supplemental PEO applications.
- Copy of PEO registration and/or license.
- Signed copy of the PEO contract for each client obtaining workers compensation and employers liability insurance.
- Proper submission of the initial or deposit premium. **Refer to NCCI's *Workers Compensation Insurance Plan State Instruction Pages* for state-specific rules.**
- Correct corporate officer titles, ownership percentage, class codes, and duties, even if the corporate officer is being excluded from coverage.
- Complete physical location, nature of business, class code, and payroll for the leased workers.
- Applications that are not signed by the executive officer, partners, LLC member, owner, or person authorized to legally bind coverage.
- Only states that have approved the same PEO rules can be combined on the same application.

PEO Web Section at ncci.com

Links to related sites that provide supplemental information.

Industry Sites

PEOs & WC Industry | PEO State Guide | Data Reporting Guidelines | General FAQs | Data FAQs |
Related Circulars | Forms | Assigned Risk Application Tips | **Industry Sites**

Industry related sites providing information on Professional Employer Organizations (PEO) and workers compensation.

- NAIC - <http://www.naic.org/>
- NAIC - State Insurance Department web sites:
http://www.naic.org/state_contacts/sid_websites.htm
- The Workers Compensation service center - <http://workerscompensation.com/>
- National Association of Professional Employers Organizations: <http://www.napeo.org/>
- International Association of Industrial Accident Boards and Commissions: <http://www.iaabc.org/>

PEO Web Section at ncci.com

What's Ahead?

- Phase II of PEO Web section redesign scheduled for 2006
- PEO State Chart—existing content will be updated, and new information added
- Links from individual state pages to supplemental information, e.g. Status of Item Filings Circular for pending filings in the state

Questions...





**2006
South Carolina
Professional Employer Organization
Continuing Professional Education
Seminar**

Monday, August 7, 2006

INTERNAL REVENUE SERVICE UPDATES
AND NEW PROGRAMS FOR 2006 AND 2007

TOM SHEAFFER

**Internal Revenue Service
Updates
and
New Programs for 2006 and
2007**

Tom Sheaffer

Thomas.a.sheaffer@irs.gov

803-253-3031



Employers' Annual Federal Tax Program

New Form 944

FILE JUST ONE, CONSIDER IT DONE!

Program Overview

Internal Revenue Service
Office of Taxpayer Burden Reduction



Office of Taxpayer Burden Reduction (TBR)

- Recognizing the need to address burden placed on Taxpayers, the Office of Taxpayer Burden Reduction was created in 2002.
- Since 2002, TBR has worked to eliminate over 200 million hours of taxpayer burden through a number of initiatives.

Annual Filing Program – Form 944

Purpose:

To reduce burden on the smallest of small business taxpayers by establishing new rules and processes that allows certain employers to file their Employment Tax (ET) returns annually, as well as pay the ET due with their return.



History of Prior “Form 941 Annualization” Efforts

- This Program originates from work with the Redleaf National Institute.
- Annualization of Form 941 has been studied numerous times in the past.

Program Implementation Timeline

- Project team work began November 2003.
- Program implementation: Jan. 1, 2006.
First return due: Jan. 31, 2007.

Annual Filing Eligibility

- **Eligible Employers:** Those whose total annual ET liability is \$1,000 or less.
- **Mail Notification by IRS:** Eligible small employers will be sent written notification that they are to file Form 944. Letters will go out around the 1st of February to newly eligible Form 944 filers.
- **Other Qualifiers:** New employers can self-identify as Form 944 eligible when applying for their EIN, provided they expect to have a tax liability of \$1000 or less (Approx. \$4,000 or less in annual wages) for the year.

Annual Filing Requirements

- Identified employers must file Form 944, Employer's Annual Federal Tax Return by 1/31 each year for the preceding year's tax liability. Form 944 filers will not file any Forms 941 for that calendar year.
- Form 944 filers can pay their Annual Employment Tax by 1/31 of each year, unless they are required to make deposits.

Attention:

DO NOT file Form 944, Employer's ANNUAL Federal Tax Return, unless the IRS has sent you notice telling you to file it. DO NOT FILE FORM 944 BEFORE JANUARY 2007.

Most employers must file Form 941, Employer's QUARTERLY Federal Tax Return.

If you think you qualify to file Form 944, call the IRS at 1-800-829-0115.



Deposit Requirements

- **Important Advisory:** If the employer's business grows during the year and the total tax liability is \$2,500 or more, the employer must make Federal Tax Deposits (FTD) in accordance with the deposit rules to avoid any failure to deposit penalties. The employer will still file the Form 944 for the year.

Deposit Requirements (Cont'd)

Tax Liability	Deposit Requirement
<p>Total annual tax liability is less than \$2500</p>	<p>No Federal Tax Deposits are required to be made and the total amount can be paid with the return.</p>
<p>Total annual tax liability is \$2500 or more for year but less than \$2500 for a quarter</p>	<p>Taxpayer can make a deposit for any quarter where the ET liability is less than \$2500 as follows:</p> <p>Jan - Mar: FTD due 4/30/0X</p> <p>Apr - Jun: FTD due 7/31/0X</p> <p>Jul – Sept: FTD due 10/31/0X</p> <p>Oct – Dec: FTD or TP can pay with the return by 1/31/0Y</p>
<p>\$2500 or more per quarter</p> 	<p>Taxpayer must deposit per the current monthly, semi-weekly or daily FTD requirements</p> <p style="text-align: right;">11</p>

Deposit Requirements (Cont'd)

- A special provision is made for Form 944 filers who are changed to Form 941 in a subsequent year.
- These filers will be considered to have timely deposited their January ET, provided they deposit the total amount for January and February by March 15th. No FTD penalty will be assessed for any amount accrued for the month of January 2007.

Special Circumstances – “Opt Out” Situations

- Form 944 designated employers who believe their businesses will grow to more than \$1,000 in total ET for the calendar year should contact the IRS no later than April 1st to be re-established as a Form 941 quarterly filer for the current year.
- Taxpayers who wish to electronically file Forms 941 quarterly should also contact the IRS by April 1st of the calendar year to be returned to a Form 941 filing requirement.

NOTE: Work is underway to provide a Form 944 e-file option as well.



Events Making An Employer Ineligible For Annual Filing in a Subsequent Year

- Employer exceeds threshold amount of \$1,000 ET liability for the year

Note: Employer will be sent a notice advising them that they have been returned to a Form 941 quarterly filing.

Benefits of the Form 944 Annual Filing Program

- Employers can file a single return rather than up to four per year.
- In total, this will save small employers millions of hours in return preparation.
- Most small employers can make a single payment with their return unless they are required to make deposits (for example their business grows during the year).

Project Contact

- Project Email Address: sbse.form.944.program@irs.gov
- With an implementation date of January 2006, the new Form 944 is available on IRS.gov at: <http://www.irs.gov/pub/irs-pdf/f944.pdf>
- News release IR-2006-2 is available at: <http://www.irs.gov/irs/article/0,,id=152458,00.html>

IRS TAXPAYER BURDEN REDUCTION INITIATIVE

The New Form 940 for 2006:
“Plain & Simple”



Project Purpose

To reduce taxpayer burden and increase voluntary compliance by redesigning Form 940 and reengineering the processing.

History of Form 940 Redesign

- Began May 2004
- Led by office of Taxpayer Burden Reduction (TBR)
- IRS team of experts
 - Input from internal & external stakeholders
 - Partnered with DOL, NASWA & Treasury
- Plain language document



History of Form 940 Redesign

- Developed objective
- Defined scope of project
 - Redesign 940, 940EZ, 940 PR
 - Simplify instructions
 - Ensure optical scanning
- Line-by-line review – “who uses data?”
- Reviewed internal processing
- Began redesign

The new Form 940 for 2006 – “Plain & Simple”

- Combined Forms 940 & 940EZ
 - No more need to determine which to use
 - All advantages of 940EZ retained
 - Reduced burden for over one million current “long form” filers
- Set up in logical sequence from taxpayer’s point of view
 - Administrative-type questions first
 - Most commonly answered questions next
 - Adjustments and more complex issues follow
 - Fill out only lines that apply; skip those that don’t

The new Form 940 for 2006 – “Plain & Simple”

- Information organized into 8 segments
 - Taxpayers can complete one segment at a time
 - Breaks major task into smaller ones
- Large **X** at place for signature
 - Reduces chance of omission
- Instructions on form – every line explained
 - Form and instructions guide you through math calculations

The new Form 940 for 2006 – “Plain & Simple”

- New check boxes in top right corner
 - No more A, B, C, questions
 - Will promote accuracy, reduce unnecessary correspondence



Type of Return (Check all that apply)

a. Amended

b. Successor employer

c. No payments to employees in 2006.

d. Final: Business closed or stopped paying wages

The new Form 940 for 2006 – “Plain & Simple”

- No more hand-written explanations of exempt payments required
 - Check boxes capture exempt payments

4. Payments exempt from FUTA tax

4

<input type="checkbox"/> Fringe benefits	<input type="checkbox"/> Retirement/Pension	<input type="checkbox"/> Other
<input type="checkbox"/> Group term life insurance	<input type="checkbox"/> Dependent care	

The new Form 940 for 2006 – “Plain & Simple”

- New section for computing adjustments
 - Replaced old Part II, lines 1-6 with new Part 3 (lines 9, 10 & 11)

9. If ALL of the FUTA wages you paid were excluded from state unemployment tax (line 7 x .054 = line 9) Then go to line 12.	9	•
10. If SOME of the FUTA wages you paid were excluded from state unemployment tax, OR you paid ANY state unemployment tax late (after the due date for filing Form 940), fill out the worksheet in the instructions. Enter the amount from line 7 of the worksheet onto line 10.	10	•
11. If credit reduction applies , enter the amount from line 3 of Schedule A (Form 940)	11	•

The new Form 940 for 2006 – “Plain & Simple”

- New worksheet for computing adjustments
 - Worksheet, with decision points, guides you through computation if you have late payments or exempt employees
 - No more requirement to submit computations with return; you keep with your records

The new Form 940 for 2006 — “Plain & Simple”

Need help? Call us at 1-800-829-4933 or visit our web site at www.irs.gov.

Worksheet

Use this worksheet to figure your credit if:

▶ some of the wages you paid were excluded from state unemployment tax, OR

▶ you paid any state unemployment tax late.

For this worksheet, do not round your figures.

Before you can properly fill out this worksheet, you will need to gather this information:

- Taxable FUTA wages (from line 7 of Form 940)
- The amount of state unemployment taxes you paid on time (ON TIME means that you paid the state unemployment taxes on or before the due date for filing the Form 940.)
- The amount of state unemployment taxes you paid late (LATE means after the due date for filing Form 940.)

1. Maximum allowable credit — Enter line 7 from Form 940 here: x .054 = line 1

Compute your credit:

2. Credit for timely state unemployment tax payments — How much did you pay on time?

- If line 2 is equal to or more than line 1, STOP here. You have completed the worksheet. Enter zero on line 10 of Form 940.
- If line 2 is less than line 1, continue the worksheet.

3. Additional credit — Were ALL of your assigned experience rates 5.4% or more?

- If yes, enter zero on line 3. Then go to line 4 of this worksheet.
- If no, fill out the computations below. List ONLY THOSE STATES for which your assigned experience rate for all or part of the calendar year was less than 5.4%.

State	Computation rate	Taxable state unemployment wages at assigned experience rate	Additional credit
	$.054 - \text{XXX (assigned rate)} = \text{computation rate}$		
1	<input type="text"/>	<input type="text"/>	<input type="text"/>
2	<input type="text"/>	<input type="text"/>	<input type="text"/>
3	<input type="text"/>	<input type="text"/>	<input type="text"/>
4	<input type="text"/>	<input type="text"/>	<input type="text"/>
5	<input type="text"/>	<input type="text"/>	<input type="text"/>

If you need more lines, use another sheet and include those additional credits in the total. Total Enter the total onto line 3.

4. Subtotal (Line 2 + line 3 = line 4)

- If line 4 is equal to or more than line 1, STOP here. You have completed the worksheet. Enter zero on line 10 of Form 940.
- If line 4 is less than line 1, continue this worksheet.

5. Credit for paying state unemployment taxes late

5a. What is your remaining allowable credit? (Line 1 - line 4 = line 5a)

5b. How much state unemployment tax did you pay late?

5c. Which is smaller, line 5a or line 5b? Enter the smaller number here.

5d. Your allowable credit for paying state unemployment taxes late (Line 5c x .90 = line 5d)

- If line 6 is equal to or more than line 1, STOP here. You have completed the worksheet. Enter zero on line 10 of Form 940.
- If line 6 is less than line 1, continue this worksheet.

6. Your FUTA credit (Lines 4 + line 5d = line 6)

7. Your adjustment (Lines 1 - line 6 = line 7)

Do not attach this worksheet to your Form 940. Keep it for your records.



The new Form 940 for 2006 – “Plain & Simple”

- New Schedule A
 - Part 1 for multi-state employers
 - Simplifies the process - Just check the boxes to tell us where you were required to pay state unemployment tax
 - Part 2 for credit reduction information
 - Will simplify computation, increase processing accuracy, and reduce unnecessary taxpayer correspondence



The new Form 940 for 2006 – Schedule A - “Plain & Simple”

Schedule A (Form 940) for 2006: Multi-State Employer and Credit Reduction Information

Department of the Treasury — Internal Revenue Service



999999

OMB No. 1545-0020

About this schedule:

- You must fill out Schedule A, Form 940 (Employer's Annual Federal Unemployment Tax Return) if you were required to pay your state unemployment tax in **more than one state** or if you paid wages in any state that is subject to **credit reduction**.
- Attach Schedule A to your Form 940 and file it with your return.

For more information, read the instructions for Schedule A (Form 940).

Part 1: Fill out this part if you were required to pay state unemployment taxes in more than one state. If any states do NOT apply to you, leave them blank.

1. Check the box for every state in which you were required to pay state unemployment tax this year. For a list of state names and their abbreviations, see the instructions for Schedule A (Form 940).

<input type="checkbox"/> AK	<input type="checkbox"/> CO	<input type="checkbox"/> GA	<input type="checkbox"/> HI	<input type="checkbox"/> IA	<input type="checkbox"/> IL	<input type="checkbox"/> IN	<input type="checkbox"/> KS	<input type="checkbox"/> KY	<input type="checkbox"/> LA	<input type="checkbox"/> MA	<input type="checkbox"/> ME	<input type="checkbox"/> MI	<input type="checkbox"/> MN	<input type="checkbox"/> MO	<input type="checkbox"/> MS	<input type="checkbox"/> MT	<input type="checkbox"/> NH	<input type="checkbox"/> NJ	<input type="checkbox"/> NY	<input type="checkbox"/> OH	<input type="checkbox"/> OK	<input type="checkbox"/> OR	<input type="checkbox"/> PA	<input type="checkbox"/> RI	<input type="checkbox"/> SC	<input type="checkbox"/> SD	<input type="checkbox"/> TN	<input type="checkbox"/> TX	<input type="checkbox"/> UT	<input type="checkbox"/> VA	<input type="checkbox"/> VT	<input type="checkbox"/> WA	<input type="checkbox"/> WI	<input type="checkbox"/> WV
-----------------------------	-----------------------------	-----------------------------	-----------------------------	-----------------------------	-----------------------------	-----------------------------	-----------------------------	-----------------------------	-----------------------------	-----------------------------	-----------------------------	-----------------------------	-----------------------------	-----------------------------	-----------------------------	-----------------------------	-----------------------------	-----------------------------	-----------------------------	-----------------------------	-----------------------------	-----------------------------	-----------------------------	-----------------------------	-----------------------------	-----------------------------	-----------------------------	-----------------------------	-----------------------------	-----------------------------	-----------------------------	-----------------------------	-----------------------------	-----------------------------

Part 2: Fill out this part to tell us about wages you paid in any state that is subject to credit reduction. If any lines do NOT apply, leave them blank.

2. If you paid wages in any of three states ...

2a-b. (Name of State) Total taxable FUTA wages paid in (state)	2a.	<input type="text"/>	x .00x = line 2b	2b.	<input type="text"/>
2c-d. (Name of State) Total taxable FUTA wages paid in (state)	2c.	<input type="text"/>	x .00x = line 2d	2d.	<input type="text"/>
2e-f. (Name of State) Total taxable FUTA wages paid in (state)	2e.	<input type="text"/>	x .00x = line 2f	2f.	<input type="text"/>
2g-h. (Name of State) Total taxable FUTA wages paid in (state)	2g.	<input type="text"/>	x .00x = line 2h	2h.	<input type="text"/>
2i. (Name of State) Total taxable FUTA wages paid in (state)	2i.	<input type="text"/>	x .00x = line 2j	2j.	<input type="text"/>

3. Total credit reduction (Lines 2b+ 2d+ 2f+ 2h+ 2j) = line 3

Enter the amount from line 3 onto line 11 of Form 940.



Instructions for Schedule A (Form 940) for 2006: Multi-State Employer and Credit Reduction Information

Specific Instructions: Completing Schedule A (Form 940)

Part 1: Fill out this part if you were required to pay state unemployment taxes in more than one state.

1. Check the box for every state in which you were required to pay state unemployment taxes this year.

Note: Make sure that you have applied for a state unemployment number for your business. If you do not have an unemployment account number from a state in which you paid wages, contact the local state office to receive one and enter *Applied For* on the appropriate line for the state.

For ease of reference, here is a list of the states and territories and their 2-letter postal abbreviations:

State	Postal Abbreviation	State	Postal Abbreviation
Alabama	AL	Montana	MT
Alaska	AK	Nebraska	NE
Arizona	AZ	Nevada	NV
Arkansas	AR	New Hampshire	NH
California	CA	New Jersey	NJ
Colorado	CO	New Mexico	NM
Connecticut	CT	New York	NY
Delaware	DE	North Carolina	NC
District of Columbia	DC	North Dakota	ND
Florida	FL	Ohio	OH
Georgia	GA	Oklahoma	OK
Hawaii	HI	Oregon	OR
Illinois	IL	Pennsylvania	PA
Indiana	IN	Puerto Rico	PR
Iowa	IA	Rhode Island	RI
Kansas	KS	South Carolina	SC
Kentucky	KY	South Dakota	SD
Louisiana	LA	Tennessee	TN
Maine	ME	Texas	TX
Maryland	MD	Utah	UT
Massachusetts	MA	Vermont	VT
Michigan	MI	Virginia	VA
Minnesota	MN	Washington	WA
Mississippi	MS	West Virginia	WV
Missouri	MO	Wisconsin	WI
		Wyoming	WY

Part 2: Fill out this part to tell us about wages you paid in any state that is subject to credit reduction.

2. You are subject to credit reduction, if you paid wages in any state listed.

If you paid wages in any states that are subject to credit reduction, fill the lines where the states are listed.

In the first box, enter the total taxable FUTA wages that you paid in that state. (Note: The FUTA wage base for all states is \$7,000.) **Do not use your state unemployment wages here.**

Then multiply the total taxable FUTA wages by the number shown.

Enter your answer in the box at the end of the line.

3. Total credit reduction

To calculate the total credit reduction,

line 2b
line 2d
line 2f
line 2h
line 2j
+ line 2j
line 3

Then enter the amount from line 3 onto line 11 of Form 940.

Example:

You paid wages to 3 employees in State A. State A is subject to credit reduction at a rate of .003 (3%). Because you paid wages in a state that is subject to credit reduction, you must fill out Part 2 of Schedule A. (Form 940).

Since the FUTA wage base is \$7,000 for each employee, the total FUTA wage base for you is \$21,000.00.

\$7,000.00 FUTA wage base for each employee
x .003 = .021
x \$21,000.00 Total FUTA wage base = \$441.00

In Part 2, State A is listed on line 2b. In the box for 2b, write \$21,000.00. **Do not use your state unemployment wages here.**

\$21,000.00 Total taxable FUTA wages you paid in State A
x .003 = .063
x \$63.00 Total credit reduction for State A shown on the form on line 2b.

In this case, you would write \$63.00 on line 3 and then enter that amount on line 11 of Form 940.

Attach Schedule A to Form 940 when you file your return.

The new Form 940 for 2006 – “Plain & Simple”

- Form 940-V Payment Voucher removed from form
 - Less likelihood of being detached
 - Will expedite processing, prevent unnecessary correspondence

The new Form 940 for 2006 – “Plain & Simple”

- Form will be optically scanned
 - More accurate and efficient
 - Reduces chance of errors



Next Steps

- Completed design phase
- On track for 2006 release of new Form
- Working with software developers to ensure consistent format
- Processing of new Form 940 begins in January, 2007

Project Contact

Lisa McLane, Technical Project Manager,
Office of Taxpayer Burden Reduction
Phone: (202) 622-4138
Email: Lisa.A.McLane@irs.gov



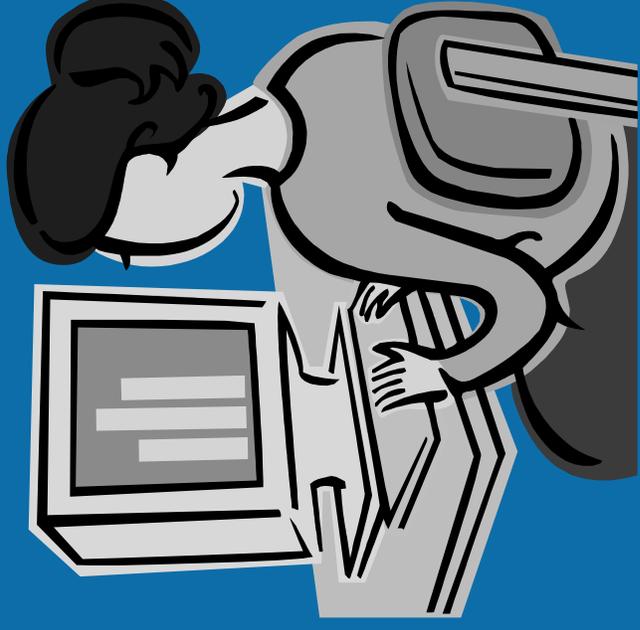
IRMS

Tracking of significant local issues and national/international issues identified by stakeholders.



Electronic Services

- Authorized IRS e-file providers
- Payroll Service Providers
- Web Based Services
- Telefile Discontinued
- Newsletters





IRS Resources

- [Compliance & Enforcement](#)
- [Contact My Local Office](#)
- [e-file](#)
- [Forms and Publications](#)
- [Frequently Asked Questions](#)
- [News](#)
- [Taxpayer Advocacy](#)
- [Where To File](#)

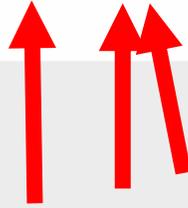
The Electronic IRS: File, Pay....and More



The number of electronic options available is increasing every year, helping to reduce your burden and improve the timeliness and accuracy of tax returns. Within IRS.gov, you can accomplish many things electronically through one single source. The Electronic IRS is a gateway to the many IRS electronic options available.

For Individual Taxpayers...

- [E-file your 2005 tax return thru October 16th](#)
- [Electronic Filing Options](#)
- [Pay Electronically using EFTPS, Electronic Funds Withdrawal or Credit Card](#)
- [Check on your refund with "Where's My Refund?"](#)
- [Calculate the appropriate withholding on your W-4](#)
- [Find out how to obtain copies of your tax return](#)
- [Find an Authorized e-file Provider](#)
- [Obtain Forms and Publications](#)
- [Compute EITC Eligibility](#)
- [Determine your 2004 Earned Income - Online Option for Hurricane Victims](#)
- [Will You Owe Alternative Minimum Tax? \(AMT\) Assistant](#)



For Large Business Taxpayers...

- [File business returns electronically](#)
- [Pay electronically using EFTPS, Electronic Funds Withdrawal or Credit Card](#)

For Small Business Taxpayers...

- [Discover e-file options for the self-employed or small business owner](#)
- [Find an Authorized e-file Provider](#)
- [Pay electronically using EFTPS, Electronic Funds Withdrawal or Credit Card](#)
- [Sign up for paying electronically using EFTPS](#)
- [File W-2s electronically](#)
- [Obtain an Employer Identification Number \(EIN\)](#)
- [Small Business/Self-Employed Online Classroom](#)
- [Subscribe to Retirement News for Employers](#)

For Tax Professionals...

- [Electronic payment options](#)
- [Find e-file information designed for tax professionals](#)
- [Participate in Tax Talk Today live web casts](#)
- [Register for e-services](#)
- [Apply to become an Authorized e-file Provider](#)
- [Review current and past IRS documents in the Electronic Reading Room](#)
- [Access phone representatives through e-Help Services](#)
- [Subscribe to a variety of electronic alerts and newsletters](#)
- [Submit Information Returns through the FIRE program](#)

For Software Companies...

- [Obtain specifications for integrating electronic e-file services](#)
- [Register to receive electronic alerts](#)
- [Review requirements for electronic filing and paying software](#)
- [Download schemas, guidelines, sample files, test cases for electronic filing](#)
- [Access phone representatives through e-Help Services](#)

For Tax-Exempt Organizations...

- [Discover e-file options for charities and non-profits](#)
- [Pay electronically using EFTPS, Electronic Funds Withdrawal or Credit Card](#)
- [Learn if you are required to file electronically](#)
- [File W-2s electronically](#)
- [Find an Authorized e-file Provider](#)
- [Download forms and publications](#)
- [Subscribe to an email newsletter](#)

E Services

For payers of income subject to backup withholding, Taxpayer Identification Number (TIN) Matching is available to you.



E Services from Social Security

www.ssa.gov/bsowelcome.htm



productive and accurate service.

Government Launches **Financial Education Website** for easy access to information about money — how to

www.socialsecurity.gov

What you can do Online

New Rules for Getting a Social Security Card

Social Security News

- Social Security Delivers the Most Popular Baby Names for 2005
- Social Security Trustees release their 2006 Report
- Commissioner Barnhart Unveils New Disability Determination Process
- Public Warned about Identity Theft E-mail Scam
- Social Security has released its FY 2007 and Revised FY 2006 Annual Performance Plan
- Social Security announces the 2006 Cost of Living Adjustment
- On Sunday, August 14th, Social Security Marked its 70th Anniversary
- Apply here for extra help with prescription drug costs
- Rennett fraud, waste and abuse | MnRP

Social Security Online

The Official Website of the U.S. Social Security Administration



Seguro Social en Español

Need BIG Text?

How to Contact Us About Us Careers with Us

Tuesday, Aug 01, 2006 09:44:32 Last Updated Monday Jul 24, 2006 18:30:08

Questions about: Go

Search Other Languages



Resources

- Your Social Security Statement
- Forms | Publications
- Actuarial resources, History, Research & Data
- Freedom of Information Act
- Social Security's Financing, Planning & Budget | International
- Our Program Rules | EEO Data for No Fear Act | Rulemaking
- Regional & Other Social Security Websites
- Request a Social Security Speaker

Information for:

- The Press | Congress
- Employers | The Self-Employed
- Women | Kids | Schools
- Demographic Groups | Immigrants
- Attorneys & Representatives
- Health & School Professionals

Latest Information on Veterans Affairs Data Security

Retirement

- [Plan your retirement](#) | [Calculate your benefits](#)
- [Do you qualify?](#) | [Apply for retirement benefits](#)
- [Already receiving benefits](#)

Medicare

- [New Medicare Prescription Drug Plan](#)
- [No Penalty for 2006 if you Qualify for Extra Help with Medicare Prescription Drug Costs](#)

Disability and SSI

- [Do you qualify?](#) | [Apply for disability benefits](#)
- [Already receiving benefits](#) | [Ticket to Work](#)
- [Adults disabled before age 22](#)
- [More disability information](#)

Widows, widowers & other survivors

- [Report a death](#)
- [Quality and apply](#)
- [Already receiving benefits](#)

Need help paying for prescription drugs? Apply Here!



What You Can Do Online

Updated: 06/26/06

If you get benefits, you can

- [Change your address or telephone number.](#)
- [Get a replacement Medicare Card.](#)
- [Request a Proof of Income letter.](#)
- [Get a letter that verifies your Social Security benefit information.](#)
- [Get a Form 1099/1042S -- Social Security Benefit Statement.](#)

Find out if you qualify for ...

- [extra help with your Medicare prescription drug costs](#)
- [Social Security benefits](#)
- [extra help with your Medicare prescription drug costs](#)

Estimate your future benefits

- [Request a Social Security Statement](#)
- [Use our online business services](#)
- [If you have a password](#)

Other Things You Can Do Online

Apply for

- [Social Security benefits](#)
- [extra help with your Medicare prescription drug costs](#)

What You Can Do Online

Updated: 06/26/06

If you have a password, you can

- [Check your information and benefits.](#)
- [See the contact direct deposit Medicare and payment information we have on](#)

Hours of Operation:
times ET)
 weekdays 5 AM - 1 AM
 Saturday 5 AM - 11 PM
 Sunday 8 AM - 11:30 PM

M - 11 PM on these holidays:
 New Year's Day
 Independence Day
 Thanksgiving Day
 Christmas Day

Hours for all other holidays are:
 Monday - 1 AM

Find Office Locator
 Enter your ZIP code to locate the closest Social Security Office. **Available**
 weekdays (except 2 AM - 3 AM)
 Saturday 5 AM - 11 PM
 Sunday 8 AM - 11:30 PM
 Monday 5 AM - 11 PM

Business Services Online

Social Security Online

www.socialsecurity.gov

Home Questions? Contact Us

Search

GO



BSO Information

- [Navigation](#)
- [Online Security Policy](#)
- [The Privacy Act and the Freedom of Information Act](#)
- [Contact Us](#)

News

- [Wage News](#)
- [Electronic Records Express News](#)
- [eData News](#)
- [SSN Verification for Employers](#)
- [Consent Based SSN Verification](#)

Online Services Availability

Monday-Friday
5 AM - 1 AM

Saturday
5 AM - 11 PM

Sunday
8 AM - 11:30 PM

Welcome to Business Services Online

BSO is a suite of applications enabling organizations and authorized individuals to conduct business with, and submit confidential information to, the Social Security Administration. You must be registered to use any service included in BSO.

Not yet registered? Select an application below to learn how to register.

Begin by selecting a BSO application:

- [Wage Reporting](#)
- [Electronic Records Express](#)
- [eData](#)

Wage Reporting

[Información para el Empleador en Español](#)

Report wages, check status, view the processing status, errors and error notices for wage files, verify SSNs Online, update your account information, or if you need to [complete your phone registration](#), select Login.

Informational links

- ▶ [BSO Electronic W-2 Filing Handbook](#)
- ▶ [Video - Software demonstration](#)
- ▶ [Tutorial](#)
- ▶ [Employer Information](#)
- ▶ [Suite of Services](#)
- ▶ [Apply For EIN](#)

Login

Forms of Taxpayer Identification Numbers:

- Social Security Numbers
 - SSN
- Employer Identification Numbers
 - EIN
- Adoption Taxpayer Identification Numbers
 - ATIN
- Individual Taxpayer Identification Numbers
 - ITIN

Social Security Numbers

- To apply you need evidence of your identity, age, and U.S. citizenship or lawful alien status.
- Is not always an indication of legal work status.
- Can be matched in the IRS or SSA system.

- tax processing number only available for certain nonresident and resident aliens, their spouses, and dependents who cannot get a Social Security Number (SSN).
- 9-digit number, beginning with the number "9", formatted like an SSN (NNN-NN-NNNN).

Penalties!

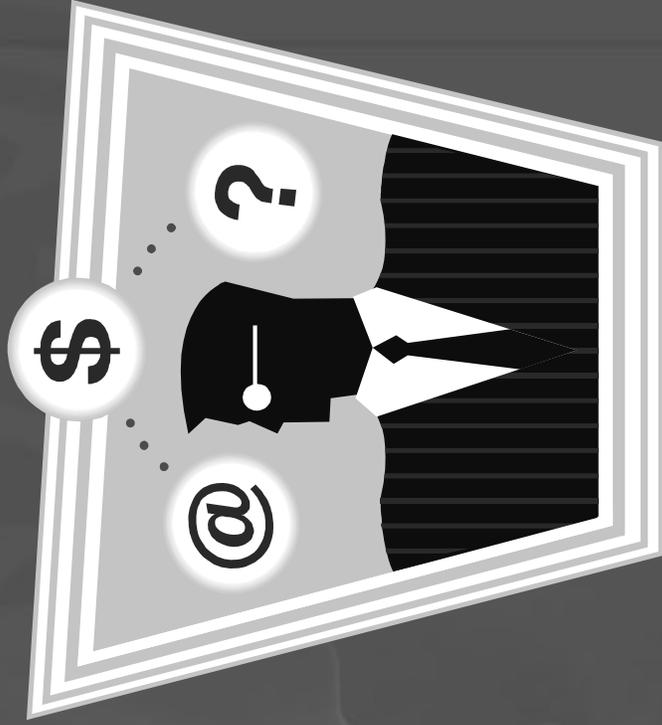
- Mismatched TIN numbers.
- Notification requirements.
- Backup Withholding.



Non Resident Alien Withholding

- Resident vs. Nonresident Alien
- Rates
- Requirements

Questions?



Local Contacts:

- Leslie Hoover
 - Leslie.Hoover@irs.gov
 - 803.253.3336
- Tom Sheaffer
 - Thomas.a.sheaffer@irs.gov
 - 803.253.3031



**2006
South Carolina
Professional Employer Organization
Continuing Professional Education
Seminar**

Monday, August 7, 2006

**OUTRAGE, ENFORCEMENT, LAW
PEOs, BUSINESS ETHICS, AND THE COURT OF PUBLIC OPINION**

KERIM FIDEL, ESQUIRE

OUTRAGE, ENFORCEMENT, LAW

PEOs, BUSINESS ETHICS,
and the
COURT of PUBLIC OPINION



Agenda

- Current (post-Enron) climate
 - How public opinion about commercial behavior is influencing agency enforcement and legislation
- Some current issues of interest to PEOs



Outrage, enforcement, law

- The “business ethics cycle”
 - Public outrage
 - Enforcement actions
 - Statutory changes
 - Trickle down to the rest of the community



Whatever Happened With The Spitzer Enforcements?

- Arguably much more important and effective than SOX from a legal standpoint
 - Insurance commission kickbacks
 - Mutual fund fees
- What about failing to fund or taking away pensions?
 - Note current proposal in Congress would permit companies not to disclose underfunding to participants



Principle 1

Profit motives are good . . .

- Public still identifies w/ Gordon Gecko
- “Business Ethics” assumes ok to be capitalist



Principle 1.1

We like to see the mighty fall

- Tyco
- Leona Helmsly (“only the little people pay taxes”)
- Martha Stewart
- Oil companies/“windfall profits” tax
- “Big Box” legislation



Principle 2

Say the right things

- SOX/Federal Sentencing Guidelines “ethics” requirements
 - SOX focuses on integrity of financials
 - Also fair dealings
- Windfall for business ethics “experts”



Is it meaningful?

A sales executive persuades a customer to help inflate sales numbers by accepting goods that can be returned later. The sales person, in turn, asks another employee to help cover up the arrangement. The second employee considers reporting the problem, but doesn't, lies to an FBI agent, threatens a whistleblower, and eventually goes to prison . . .

(Scenario paraphrased from course described in Business Ethics Online)



How about our industry?

Exhibit B: Ethical Conduct Guidelines Example Form

An ESAC member must maintain and promote to its internal staff ethical conduct guidelines in accordance with ESAC's Standards of Ethical Conduct. An example statement follows: As a Professional Employer Organization, (PEO Name) is **committed to operating with the highest ethics and honesty** and in compliance with the laws of the state(s) and nation in which we conduct business. Every owner and employee shall manage the affairs of (PEO Name) in an **honest, trustworthy and ethical** manner so as to benefit clients and worksite employees in the performance of (PEO Name's) employer functions and financial responsibilities. (PEO Name) shall not affiliate with any entity that does not maintain these standards. If any employee has reason to believe that these standards are not being maintained by (PEO Name), he/she is encouraged to consult with appropriate management, to file a complaint in accordance with the complaint resolution procedure contained in the Employee Handbook, or to contact the Employer Services Assurance Corporation (ESAC).

(Source: ESAC web site, emphasis supplied)



Principle 3

People are expected to rat

- Retaliation claims
 - 33% of EEOC charges
 - Routine w/ work comp, wage cases
 - Supreme Court creates easier standard
 - Retaliation can be less serious conduct than discrimination
- Ken Lay trial retaliation evidence
- SOX – hotline requirement



Principle 4

No plausible deniability

- “10,000 foot” defense
 - Used to be common
 - Juries stopped buying it
- SOX attestation requirements



Principle 5

Your advisors are adverse

- Destruction of Arthur Andersen
 - Auditors won't take a fall for you
 - Require intimate disclosures
 - Require projections/speculation
 - Could disclose in litigation
- Attorney-client privilege under attack
 - SOX might require disclosure
- Conundrum for management – transparency/good advice vs. creating issues



Principle 6

Perfection not required (but hedge your bets)

- Ovitz/Disney shareholder case (public outrage)
 - \$114 mil severance package for 14 months of unsuccessful work
 - “Fell significantly short of the best practices of ideal corporate governance” but not actionable breach/waste
- Mounting pressure on chief executive compensation
 - Grasso/NYSE debacle (Spitzer enforcement)
 - \$48 mil deferred comp give-back, but single-handedly depressed profits by 50%, 500% overpayment, & \$140 mil pension
- Rise of the \$1 CEO
 - Note Google “we are not evil”



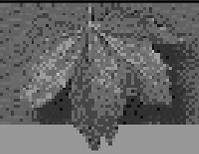
PEOs & “SUTA Dumping”

- Only CA really had a law regarding “unity of enterprise” pre-2003
- Most states that knew about it were complacent
- “Outrage” resulted in
 - Enforcement first
 - Change of law next



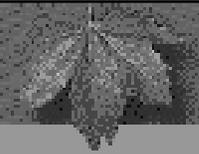
PEOs & client noncompliance

- Examples:
 - Failure to pay Overtime
 - EEO or retaliation violation
 - Safety violation
 - Hiring of undocumented (or fraudulently documented) employees
- Ethical vs. legal considerations



Degrees of “moral” pressure

- Do nothing
- Informal advice
- Formal advice
- Refusal to comply w/ instruction
- Termination of contract (EEOC wants this)
- Turn them in to authorities



“Stakeholder” analysis

- **PEO**
 - Wants to retain business
 - Wants to encourage compliance/add value
 - Doesn't want liability
- **Client**
 - Wants to continue its practices
 - Should want to stay out of jail
- **Employees**
 - Want their legal rights/fair treatment
 - Want to work (documented or not)
- **Government**
 - Wants compliance (expects perfection)
- **PEO industry**
 - Wants good PR



No clear answers!

- Each scenario has different nuances
 - Severity of violation
 - Degree of harm
 - Direct risk to PEO
 - Value of client relationship
 - Realistic chance of achieving compliance
- Can't please everyone



**2006
South Carolina
Professional Employer Organization
Continuing Professional Education
Seminar**

Monday, August 7, 2006

THE DO'S AND DON'TS OF SOUTH CAROLINA
WITHHOLDING TAX

BONNIE REGISTER

The Do's and Don'ts of South Carolina Withholding Tax

Bonnie Register
South Carolina Department of Revenue
August 7, 2006

www.sctax.org



South Carolina Withholding Statistics

> 100,000 Withholding accounts

Per month:

- ◆ 3600 telephone calls taken
- ◆ 1200 pieces of mail received
- ◆ Approximately \$285 million received from withholding agents



Tax Rate

The tax rate for South Carolina is a graduated rate from 2-7%.

- The rate is built into the Withholding tax tables.
- The tax tables can be found on our website and in your Withholding booklet.



W-4's

- ◆ The W-4 is a federal form.
- ◆ SC does not have a separate W-4 form. We accept the federal form.
- ◆ No W-4 provided by employee...
Withhold at the zero exemption rate



W-4's

Claiming a different number of exemptions for state withholding?

- ◆ Complete a separate W-4
- ◆ Write "*For state purposes only*" on top
- ◆ Don't claim more exemptions for the state than you claim for federal purposes.



W-4's

You are required to send a copy of a W-4 to the South Carolina Department of Revenue when:

- ◆ An employee claims 10 or more exemptions

or

- ◆ You believe the exemption certificate is incorrect.



Withholding Returns

What: WH-1605 and WH-1606

When: File quarterly

How: Thru the Internet – eWithholding
Over the Telephone – TeleFile
By Mail – Paper return (WH-1605
or WH-1606)



Withholding Returns

WH-1605 --- The return that is filed for the 1st, 2nd and 3rd quarters of the year.

WH-1606 --- The 4th Quarter/Annual return that is filed as the final return for the year.



Due Dates for Returns

For the WH-1605:

1 st quarter	Jan-Feb-Mar	April 30 th
2 nd quarter	Apr-May-Jun	July 31 st
3 rd quarter	Jul-Aug-Sep	Oct 31 st



Due Dates for Returns

For the WH-1606:

4th Qtr/Annual return Oct-Nov-Dec

Due the last day of February



Withholding Payments

When: Follow federal due dates

How: Internet – eWithholding when
filing a quarterly return

Internet – ePAY

Telephone – EFT

Mail – check with a payment
coupon (WH-1601)



eWithholding

Use eWithholding to file a quarterly return (WH-1605 or WH-1606).

- File a return with no payment.
- File a return with a payment.



eWithholding – Payment Methods

- ◆ EFW – Electronic Funds Withdrawal (Bank Draft)
- ◆ Credit Card – Visa or MasterCard



ePAY

When is the ePAY system used??

To make payments ONLY.



You cannot file a return using ePAY!



What's New

- ◆ 24 or more Withholding payments in a year must pay electronically
(effective January 1, 2006)
- ◆ May pay by EFT (Electronic Funds Transfer) or by ePAY

SC Code of Law Section 12-8-1520(D)



Key Points to Remember...

Always reference your South Carolina Withholding account number when filing a return, making a payment, contacting us by phone or sending correspondence.



Key Points to Remember...

If you receive a notice stating that you have failed to file a return for a quarter, the *best* way to file the return is by using the eWithholding system or the TeleFile system.



For Assistance



By telephone:

Withholding Section	898-5383
eWithholding Questions	898-5111
TeleFile Questions	898-5111
ePAY Questions	898-5111
EFT Questions	898-5740
Registration Questions	898-5872



For Assistance

From the Internet:

www.sctax.org

www.scbos.com



Basic Withholding Workshop

- ◆ Learn the basics.
- ◆ Classes held several times per year.
- ◆ Register online.
- ◆ It's Free!





**2006
South Carolina
Professional Employer Organization
Continuing Professional Education
Seminar**

Monday, August 7, 2006

WHAT IS A CERTIFICATE OF COMPLIANCE?

SAMANTHA MCKAY

What is a Certificate of Compliance (COC)?

- **12-6-5510 A Certificate of Compliance from the department to the effect that a tax has been paid, that a return has been filed, or that information has been supplied as required by the provisions of this chapter is prima facie evidence that the tax has been paid, that the return has been filed, or that the information has be supplied.**

Who may request a Certificate of Compliance?

- Type entities making request**
 - Corporations, Partnerships, Sole proprietorship, Limited Liability Corporation**
- Authorized persons**
 - Third Party**
 - Power of Attorney**
- Nexus**
 - Questionnaire**

How to request a Certificate of Compliance.

- Completing the C-268 form**
 - Mailing address**
- Application fee**
 - \$60.00**
- No fax request accepted**
- First come first served**
 - Walk ins**
- Currently no online application process**
- Processing time 10 business days**

Some uses for a Certificate of Compliance

- ***Business Loans***
- ***Sell or purchase of Assets***
- ***Secretary of State***
- ***Consumer Affairs***

How long the request is valid?

- **Secretary of State**

- Per our agreement 90 days

- **Sale of assets**

- Per Revenue Procedure #03-5 / 30 days

- **New request**

- After 90 days

Contacts

- ***Jennifer Boston.....803 898 5729***
email: Bostonj@sctax.org
- ***Melissa Keisler.....803 898 5358***
email: Keislem@sctax.org
- ***Website: www.sctax.org***

**QUESTIONNAIRE REGARDING ACTIVITIES
IN SOUTH CAROLINA**

for the Period(s) ended in 1986 to Present

COMPLETE AND RETURN TO:

John W. Rogers
Audit Services
DEPARTMENT OF REVENUE
P.O. Box 125
Columbia, SC 29214

OR FAX: (803) 898-5685

IF YOU HAVE ANY QUESTIONS, CONTACT JOHN ROGERS (803)898-5664.

PART 1 – GENERAL INFORMATION

1. Exact corporation name

2. Address of principal office

3. State and date of incorporation

4. Federal identification number

5. Have you ever filed returns with the South Carolina Department of Revenue? If yes, years or periods.

	Yes	No	Periods
Corporation Income Tax	___	___	_____
Sales/Use Tax	___	___	_____
Withholding Tax	___	___	_____
Highway Use Tax	___	___	_____

6. Are you included in a consolidated South Carolina tax return?

Yes ___ No ___

7. Nature of business (products or service)

PART 2 - FINANCIAL INFORMATION:

1. Amount of gross receipts derived from South Carolina customers (last three years)

20___ \$_____

20___ \$_____

20___ \$_____

2. List names and address of your three largest customers in South Carolina

a.

b.

c.

In Part 3, please indicate the correct response to the questions presented. For each “yes” answer, please attach an explanation or document. **Unless otherwise indicated, all answers, will be considered to consistently apply to each tax year or period on the first page of this questionnaire.**

PART 3 – GENERAL OPERATIONS

1. Did or does the company have an office, agency, warehouse, or other place of business in SC? Yes___ No___

2. Did or does the company own or lease property in SC? Yes___ No___

3. Did or does the company store goods or other property, in a public or private warehouse or other type facility in S.C.? Yes___ No___

4. Did or does the company have employees, agents or independent contractors soliciting sales in S.C. (Disregard domicile of employee) Yes___ No___

5. Did or does the company deliver its products to customers in S.C. in company owned vehicles? Yes___ No___

6. Did or does your company bring material or property into South Carolina for use or consumption in the performance of a service or to fulfill a construction contract? Yes___ No___
7. While present in South Carolina, did or do company employees or representatives:
- distribute product samples to physicians, retailers, or other entities for no charge? Yes___ No___
 - sell products in their possession? Yes___ No___
 - perform services? Yes___ No___
 - receive payments from customers? Yes___ No___
 - investigate customer credit? Yes___ No___
 - approve or accept customer orders? Yes___ No___
8. While present in South Carolina, did or do company employees or representatives:
- provide training to customers prior to sale? Yes___ No___
 - provide training to customers after the sale? Yes___ No___
 - arrange or conduct seminar or lectures? Yes___ No___
 - conduct research or testing? Yes___ No___
 - perform any engineering or design functions? Yes___ No___
 - offer technical assistance to customers? Yes___ No___
 - perform repairs on company product? Yes___ No___
 - install company product? Yes___ No___
9. While present in South Carolina, did or do company employees or representatives:
- authorize credits for unsaleable products? Yes___ No___
 - forward complaints or problems to out-of-state locations for resolution? Yes___ No___
 - write up complaints on a form for submission to an out-of-state location? Yes___ No___
 - provide assistance and help in resolving complaints or problems? Yes___ No___
 - perform inspections of outdated/damaged products? Yes___ No___

10. While present in South Carolina, did or do company employees or representatives:

- set up product displays? Yes___ No___
- replace products from goods on hand? Yes___ No___
- remove unsaleable product from store shelf? Yes___ No___
- verify destruction of customer product? Yes___ No___
- visit reclamation facilities to inspect unsaleable products? Yes___ No___
- visit reclamation facilities to authorize credits or refunds for unsaleable products? Yes___ No___

11. Does the company have an affiliate doing business in South Carolina? If so, explain relationship and activities of affiliate as related to company. Yes___ No___

12. Does or did your company license intangibles, such as patents, trademarks, service marks, or trade names to an entity who uses them in South Carolina? Yes___ No___

13. Did or does the company receive royalties for licensed intangibles from the entity who uses them in SC? Yes___ No___

INDEPENDENT CONTRACTORS

1. Does your firm engage independent contractors, agents or dealers to perform any activity in South Carolina? Yes___ No___

If YES, Describe activities, provide name and address of the parties. Also provide copies of agreement with these parties.

When signing this form, it is important that the information contained be correct and complete. To willfully furnish a false or fraudulent statement to the Department is a crime.

Signature of Officer: _____
Title: _____
Telephone Number: _____
Date: _____

General Instructions

Purpose of Form. This form is used to request a Certificate of Tax Compliance letter to establish that a taxpayer has filed all returns based on all information available.

Filing the Request. Mail your request to the Department at the address listed or contact our office at 803-898-5729 (**Faxed request cannot be processed**).

SOUTH CAROLINA DEPARTMENT OF REVENUE
TAX COMPLIANCE OFFICER
COLUMBIA, SOUTH CAROLINA 29214-0027

If you are sending your request by any type express mail courier service, send it to:

SOUTH CAROLINA DEPARTMENT OF REVENUE
TAX COMPLIANCE OFFICER
301 GERVAIS STREET
COLUMBIA, SOUTH CAROLINA 29214

Specific Instructions

Section 1 - Requestor Information. Enter the name, current mailing address, daytime telephone number and fax number of the person making the request.

NOTE: A Certificate of Tax Compliance covering tax types with a quarterly or annual filing requirement cannot be issued prior to verifying filing of all returns and payment of all liabilities. A Certificate of Tax Compliance covering tax types with a monthly filing requirement will be issued through the most current period processed.

Section 2 - Taxpayer Information. Enter the full name of the taxpayer as shown on the tax return, current mailing address, and applicable identification numbers. The taxpayer's federal employer identification number or social security number is required on all requests. **If the entity is disregarded, the Certificate of Compliance will be issued in the name of the owner.**

Section 3 - Person to Receive Certificate. Indicate on this form the person(s) to receive the Response. The response can be mailed to the taxpayer or to anyone authorized by the taxpayer to receive this information. The results may be sent to the authorized person by fax only when authorized by the original request. Enter the full name and address of the person to receive the response. If more than one person is to receive the information, attach a list of the full names and addresses of the persons to receive this request.

Section 4 - Payment. An administrative fee of \$60.00 should be attached to the application. Failure to attach the payment will delay processing your request. Each business requires a separate request and payment.

A Certificate of Tax Compliance will indicate that the taxpayer has filed all returns and paid all taxes through the periods indicated. If a taxpayer is not in compliance, then (1) the Department will inform the taxpayer of the reasons for non-compliance, and/or (2) the Department will send a letter stating that the taxpayer is not in compliance to the party indicated in Section 3 of this form.

NOTE:

- The Certificate of Compliance letter is good for 30 days following date of issue.
- The Certificate of Compliance request should be processed in approximately 10 business days.

Signature of Requestor

Individuals. You must sign and date the request. If a joint return is involved, either husband or wife must sign.

Corporations. Generally, this request can be signed by: (1) an officer having legal authority to bind the corporation, (2) any person designated by the board of directors or other governing body, or (3) any officer or employee upon written request signed by any principal officer and attested by the secretary or other officer.

Partnership. Generally, this request can be signed by any person who was a general partner of the partnership during the tax period covered by this request.

***Third Party or Other Requestor.** You must sign and date the request. A valid power of attorney must be signed by the taxpayer and attached to this request. If the power of attorney is not properly signed and dated, your request will be returned.



**2006
South Carolina
Professional Employer Organization
Continuing Professional Education
Seminar**

Monday, August 7, 2006

SOUTH CAROLINA PEO LAWS AND REGULATIONS

OVERVIEW OF 2005 STATUTORY CHANGES

1. Any controlling person must have at least two years' experience working directly under the supervision of a current licensee or have two years of other related industry experience as approved by the Department before the initial license is issued. Section 40-68-40(G).

Exemption:

- license holders who filed applications with the Department before September 30, 2005.
 - non-resident restricted licenses under section 40-68-90.
2. A licensee or a controlling person must notify the Department within 30 days of any felony conviction or civil judgment. Section 40-68-30.
 3. Continuing professional education
 4. Whenever a PEO executes an agreement with a client company, a written explanation of the agreement must be personally delivered to each assigned employee within 10 days after executing the agreement.
 5. Prior to enrollment of assigned employees to any insurance or benefit plan, the plan information must be provided to assigned employees. Such information must, at a minimum, include:
 - (a) the type of coverage;
 - (b) the identity of each insurer for each type of coverage;
 - (c) the amount of benefits provided for each type of coverage and to whom or whose behalf benefits are to be paid;
 - (d) the policy limits on each insurance policy;
 - (e) other information, such as applicable deductibles or co-payments;
 - (f) name and address of the insurance agent or broker responsible for securing the policy of insurance.
 6. The licensee shall notify the client company and the Department in writing about a discontinuance and replacement of any health or workers' compensation insurance coverage no later than ten business days after the discontinuance and before offering any replacement policy. Section 40-68-110.

7. The licensee shall notify the client company and the Department in writing about a discontinuance and replacement of any health or workers' compensation insurance coverage no later than ten business days after the discontinuance and before offering any replacement policy.
8. Under the previous version of Section 40-68-120, licensees had to notify within thirty days the South Carolina Employment Security Commission of the start and termination of the licensee's relationship with a client company. The 2005 amendment adds the requirement to notify this Department as well. Simply copying the Department with your letter to the ESC will suffice.
9. Section 40-68-150 was amended so that a PEO may not offer a self-funded, self-insured or other employee benefit plan not licensed by the South Carolina Department of Insurance, unless the program is maintained by the client company individually for the sole benefit of participating co-employees of the client company.

This provision recognizes the fact that a PEO may enter into a client relationship with a company that already has a benefit plan that a PEO otherwise could not offer. To the extent that the client company wishes to continue the plan it had before it entered into a relationship with a PEO, it may do so.

10. Several new provisions were added to section 40-68-160 dealing with disciplinary actions. In addition to existing grounds for disciplinary action, the Department may now bring a disciplinary action against a person for the following new reasons:
 - (a) knowingly or without sufficient inquiry maintain, sponsor, offer, endorse or otherwise proffer self-insured, self-funded or other employee benefit plans that are not licensed withy the South Carolina Department of Insurance;
 - (b) adverse final actions by any state or federal regulatory agency for violations within the scope or control of the licensee;
 - (c) failure to inform the Department in writing within thirty days of an adverse final action by a state or federal regulatory agency.
11. When a complaint is filed against a PEO regarding any insurance issue, the Department of Insurance shall investigate the complaint.

12. Upon finding a violation, the Department may now, in addition to existing disciplinary actions, issue a cease and desist order. Upon revocation or suspension of a license, the licensee may not solicit any new clients or enter into additional contracts for professional employer services.

13. In addition to be able to take a disciplinary action against a licensee, the Department may now take action also against a person engaging in professional employer services without a license. Section 40-68-160.

14. Under the new law, any person affected by a disciplinary action taken by the Department or by a denial, revocation or suspension of a license may request a hearing before the South Carolina Administrative Law Court (ALC). Hearings are no longer before the Administrator of the Department of Consumer Affairs or a hearing officer hired by the Department.
 - The hearings before the ALC are conducted under the S.C. Administrative Procedure Act and the ALC rules of procedure.

OVERVIEW OF THE 2006 CHANGES IN PEO REGULATIONS

Regulations 28-905 through 28-995 were replaced in 2006 by Regulation 28-1000.

Purpose

- reconcile the regulation with 2005 statutory changes
- remove redundancy
- address pending issues

Overview of major changes

1. An applicant must cure all deficiencies in its application within 90 days from the date of the letter notifying the applicant of the deficiency or the application will be denied as incomplete. Regulation 28-1000(B)(2).
 - The letter notifying the applicant of deficiencies will be sent by a certified mail.
 - Communication is important. As long as the PEO attempts to cure deficiencies, the 90-day period is tolled.
 - Problem if a PEO does not respond at all.
 - Cure: Re-file a new application accompanied by a non-refundable fee.
2. If the Department determines that an applicant is not qualified for licensure, it shall notify the applicant in writing, citing specific reasons for that determination.

Any person aggrieved by the decision shall be entitled to a contested case hearing before the Administrative Law Court. Regulation 28-1000-(B)(5).

- Hearing must be requested in writing no later than 30 days from the issuance of such determination.
 - Filing fee of \$100.00 with the ALC.
 - Forms and additional information available on www.scalc.net.
3. Assessment on gross South Carolina payroll
 - New date: August 1 of every even-numbered year; delinquent after August 31.
 - Late penalty fee of \$150.00 for every thirty days or portion thereof it is late.
 - Subject to disciplinary action if late more than 60 days.

4. Documentation submitted to demonstrate net worth

- In addition to license applications, all PEOs must submit annual audited financial statements within 120 days of the licensee’s fiscal year end. Regulation 28-1000 (F) adopted in 2006.

Comparison of the reporting requirement under the old and the new regulation.

OLD REGULATION	NEW REGULATION
The Department could accept, in lieu of audited financial statements, “ <u>Independent Auditor’s Report on Agreed-Upon Procedures</u> ” to document the net worth at the time of an <u>initial or renewal application</u> .	<u>Audited</u> financial statements required.
PEOs with gross South Carolina payroll of less than \$7.5 million could satisfy their annual reporting requirement by submitted <u>annual reviewed financial statements</u> .	All PEOs must submit audited financial statements on an annual basis regardless of the South Carolina payroll.

- Quarterly attestation report consists of
 - current quarter’s balance sheet and income statement
 - attestation that all insurance premiums and any other employee benefits have been paid
 - attestation that working capital is sufficient to meet ongoing obligations
 - attestation that all applicable taxes have been paid
 - for restricted licenses, attestation that the PEO has not employed more than 40 leased employees during the preceding quarter
- New Form PEO-13.
- Applicant without sufficient operating history must meet the net worth requirements and present a business plan and pro forma financial statements reviewed by a CPA.

5. Quarterly Financial Reporting and the maintenance of Sufficient Working Capital

- New Form PEO-13
- Quarterly financial statements due within 75 days after the end of each quarter
- Late reporting fee \$150.00 for every thirty days or portion thereof they are late
- Subject to disciplinary action if late more than 60 days

6. Restricted License

- Changed from an annual license to a two-year license.
- \$500 license fee for 2 years.
- Licensee must provide quarterly reports to show that the holder continues to qualify for a restricted license. Form PEO-13 has a portion called **Restricted License Affidavit of Employee Count**.
- Notification of Limited Operations eliminated.
- Legislative effort to be able to licence holders of Limited Operations permit as restricted license holders. S.1272.

7. Reporting of Change of Status

- Regulation 28-1000 (L) replaced the previous regulation 28-995.
- The Department will develop forms for the reporting of changes in status of licensed companies and controlling persons, changes of contact persons, change of business address, etc.
- Until then, notify the Department by a letter.
- The Department may charge a filing fee not to exceed \$50.00.

FINANCIAL NET WORTH - AUDITED FINANCIAL STATEMENTS

Original and Renewal License Application

- An applicant for original or renewal license must demonstrate a net worth of at least \$50,000 by providing the Department with audited financial statements.
- The statements must be submitted in the name of the PEO applicant unless the applicant is a member of a PEO group.

(A group of at least two but not more than five PEOs that are majority-owned by the same entity may be licensed as a PEO group. The PEO group may satisfy the reporting and financial requirements on a consolidated basis. Section 40-68-80.)
- The statements must reflect the net worth as of a date not earlier than six months before the date on which the application is submitted. (§ 40-68-40(F)).

Initial license applicant without sufficient operating history

- An applicant for an initial license who has not had sufficient operating history to have audited financial statements based upon at least twelve months operating history
 - must meet the net worth requirement and
 - present a business plan and pro forma financial statements reviewed by a CPA.
 - Audited financial statements to be submitted within 180 days after the end of its 1st fiscal year. (Regulation 28-1000 E (5).)

SELECTED INSURANCE COMPLIANCE ISSUES

1. General

- Any insurance product offered by a PEO in South Carolina must be issued by an insurer licensed by the South Carolina Department of Insurance.
- All insurance products offered by a PEO in South Carolina must be fully insured.
- Workers' compensation and health benefit affidavits of insurance must be signed by the licensed South Carolina insurer. Only original affidavits may be submitted to the Department.
- Workers' compensation and health benefit affidavits of insurance affidavits must be signed by the insurance carrier. Affidavits executed by insurance agents, brokers or third party administrators are not acceptable unless there is a written authorization from the insurance company that that person can make attestations on behalf of the insurance company.

2. Workers' compensation insurance

- No self-insured plans allowed for PEOs.
- Only an original of workers' compensation certificate of insurance will be accepted by the Department.

The certificate must bear the name of the licensee as it appears on a PEO application, not the name of the parent company or a subsidiary.

3. Health benefit plans

- Employee health benefit plans provided by a licensed insurance provider, including the use of the third party administrators, must comply with applicable South Carolina and federal laws, including ERISA. Section 40-68-120(F).
- No licensee may maintain, sponsor, offer, endorse or otherwise proffer self-insured, self-funded, or other plans for health benefits that are not licensed with the S.C. Department of Insurance. Section 40-68-120(F).

**CONTRACT BETWEEN A LICENSEE AND A CLIENT COMPANY
MINIMUM WAGE PROVISION**

- A contract between a licensee and a client company must provide that the licensee assumes responsibility for the payment of wages to the assigned employees without regard to payments by the client to the licensee. § 40-68-70(A)(2).

The Department will not approve a contract between a PEO and a client company where the PEO reserves the right to pay assigned employees only a minimum (or otherwise lower than contracted for) wage in case of the client's company default.

CONTINUING PROFESSIONAL EDUCATION

1. Key management personnel must attend 8 hours of continuing professional education (CPE) each year starting with the license year that began on October 1, 2005.
 - if the PEO is a sole proprietorship or partnership, key personnel means any controlling person.
 - if the PEO is a corporation, key personnel means any person who both
 - (i) possesses the power to direct or cause the direction of the management of a company seeking to offer PEO services in this State; and
 - (ii) is directly responsible for the day-to-day management of the company's operations in this State.

2. Up to eight hours of CPE may be carried forward from one year to the next year.

For the license year beginning October 1, 2005, up to eight hours of CPE taken in the preceding twelve months may be carried forward.

3. Qualified courses:
 - courses offered at meeting of NAPEO and CAPEO
 - courses offered by the S.C. Department of Consumer Affairs
 - continuing education hours from other professions, such as law, accounting, human resources, as long as they are reasonably related to employment
 - courses provided by private companies, as long as they are reasonably related to employment
 - in-house education programs

4. Approval:

- Courses must be approved by the Department and/or CPE panel.
- Submit course outline, certificate of completion or other documentation of attendance
- CPE panel members: Joel Duncan (Selective HR Solutions), Kerim Fidel (Strategic Outsourcing), Steven Ivester (Ideal Business Solutions), Chuck Schellenger (PeopLease).
-

5. Penalty:

- expiration of a license
- license may be renewed without penalty within 30 days after its expiration, if the licensee completes CPE requirements.
-

6. New Form PEO-05 - CPE Compliance Form

SOUTH CAROLINA PEO FEE CHART

1. Application fees

Single PEO:	\$200.00
Group PEO:	\$300.00
Controlling Person:	\$100.00

2. Licensing fees

A. Initial single PEO license

1 st year of the 2-year term:	\$2,000.00
2 nd year of the 2-year term:	\$1,000.00

B. Initial PEO group license

1 st year of the 2-year term:	\$4,000.00
2 nd year of the 2-year term:	\$3,500.00

C. Renewal license

Single PEO license:	\$1,500.00
PEO group license:	\$3,000.00

D. Restricted license

Initial and renewal	\$500.00
---------------------	----------

3. LATE FEES:

Late renewal application fee:	\$500.00
Late quarterly report fee:	\$150.00 for every 30 days or portion thereof it is late
Late assessment fee:	\$150.00 for every 30 days or portion thereof it is late

28-1000. Professional Employer Organizations.

A. Definitions.

- (1) "Biennium" means the two-year licensing cycle which ends on September 30 of every odd-numbered year.
- (2) "Co-employer" means either a professional employer organization or a client company, as defined in Section 40-68-10 (2) and (10).
- (3) "Co-employment relationship" means a relationship which is intended to be an ongoing relationship rather than a temporary or project specific one, wherein the rights, duties, and obligations of an employer which arise out of an employment relationship have been allocated between co-employers pursuant to a professional employer agreement and the Professional Employer Organization Act, S.C. Code Ann. Section 40-68-10 et seq.
- (4) "Temporary help services" means services consisting of a person:
 - (a) recruiting and hiring its own employees;
 - (b) finding other organizations that need the services of those employees;
 - (c) assigning those employees to perform work at or services for the other organizations to support or supplement the other organizations' workforces, or to provide assistance in special work situations such as, but not limited to, employee absences, skill shortages, seasonal workloads, or to perform special assignments or projects; and
 - (d) customarily attempting to reassign the employees to other organizations when they finish each assignment.

B. Application Procedure; Application Form; Fees; Denial of Application; Request for Hearing.

- (1) Applicants for licensure as a professional employer organization or as a controlling person shall file a completed application on forms provided by the Department. An application is complete when all items on the application have been fully answered, all required documentation has been submitted and the applicable fees as specified in Section 40-68-30 have been paid.
- (2) An applicant must cure all deficiencies in its application as noted by the Department within 90 days from the date of the letter notifying the applicant of the deficiency or the application will be denied as incomplete. Applicants who have not cured all deficiencies within 90 days of the notification will be required to re-file with the Department a new application accompanied by a non-refundable application fee.
- (3) Any entity applying for licensure as a professional employer organization or professional employer organization group, must be validly organized in the State of South Carolina, or otherwise appropriately registered as a foreign entity with the South Carolina Secretary of State.
- (4) The burden of showing qualification for licensure shall be on the applicant.

(5) If the department determines that an applicant is not qualified for licensure, it shall notify the applicant in writing, citing the specific reason for that determination. Any person aggrieved by the decision shall be entitled to a contested case hearing before the Administrative Law Court provided the hearing is requested in writing no later than 30 days from the issuance of such determination pursuant S.C. Code Ann. Sections 1-23-310, 40-68-160 and Rule 11 of the Rules of Procedure for the Administrative Law Court.

C. License Renewal Procedures; Inactive License Renewal.

In the event any licensee fails to renew the license, the license shall automatically become delinquent. A license delinquent 30 days or less may be returned to active status by the payment of the biennial license renewal fee and a delinquent fee of five hundred dollars.

D. Assessment on Gross South Carolina Payroll.

(1) The department may assess each professional employer organization and each professional employer organization group a biennial assessment based upon the preceding calendar year's gross South Carolina payroll of the company or group. This assessment shall be made if the department determines that licensing fees are not sufficient to cover all costs for its program for licensing and regulation of professional employer organization services. The assessment shall be due on August 1 of every even-numbered year and shall become delinquent after August 31.

(2) In order to ensure compliance with the requirements of subsection (1), each licensee shall annually by April 1 submit copies of all South Carolina Department of Revenue "Fourth Quarter/Annual Reconciliation of Income Tax Withheld" forms WH-1606 for the preceding calendar year.

(3) Licensees who do not submit assessment fees to the department by the August 31 deadline must pay the assessment fee and a late penalty fee of one hundred fifty dollars for every thirty days or portion thereof it is late. If it is late more than sixty days, the licensee may be subject to disciplinary action as set forth in Section 40-68-160 (C).

E. The Documentation Submitted to Demonstrate Net Worth.

(1) The documentation submitted to establish net worth must be prepared by an independent Certified Public Accountant licensed to practice public accounting as of the date of the accountant's report and must be in the format of independently audited accrual basis financial statements, as determined by generally accepted accounting principles, for the two (2) most recent annual accounting periods preceding the date of application, except that if the most recent accounting period ends within 180 days of the date of application, the current year's financial statement shall be submitted within 180 days of the end of the accounting period.

(2) The following additional documents must be submitted for a determination and verification of the amount of net worth of a professional employer organization or a professional employer organization group:

- (a) Verification that federal, state, and local payroll taxes (including unemployment compensation taxes/insurance) have been paid on a timely basis as required by regulations of each taxing authority;
- (b) Verification that all health insurance, life insurance, worker's compensation insurance premiums and any other employee benefits accruing either to employees or their dependents have been and are being paid on a timely basis to the proper payees as required by contract, law, or other obligatory documents.

(3) Any documentation submitted to the department to verify the amount of net worth or the payment of payroll taxes and other obligations shall be prepared as of a date not earlier than six months or 180 days before the date of application. Information supplied regarding net worth is proprietary and confidential and is exempt from disclosure to third parties.

(4) The following items may be used to cover any deficit in net worth revealed by the most current financial statements in the amount sufficient to cover the deficiency: infusion of capital, an acceptable bank letter of credit, mortgages, bonds, a promissory note supported by collateral, or a guarantee where the guarantor can satisfy the department that the guarantor has sufficient assets to satisfy the obligation of the guarantee.

(5) At the time of an application for an initial license by a professional employer organization that has not had sufficient operating history to have audited financial statements based upon at least twelve months of operating history, the applicant must meet the net worth requirements of S.C. Code Ann. Section 40-68-40(E) and present a business plan and pro forma financial statements reviewed by a certified public accountant. Thereafter, such applicant shall present, within 180 days after the end of its fiscal year, audited financial statements.

F. Annual Audited Financial Statements

(1) All professional employer organizations or professional employer organization groups must submit annual audited financial statements to the department within 120 days of the licensee's fiscal year end. For purposes of this regulation, "submitted" means that the audited financial statement must be postmarked within 120 days of the end of the licensee's fiscal year.

(2) All audited financial statements must be prepared in accordance with generally accepted accounting principles (GAAP), and generally accepted auditing standards (GAAS) must be used.

G. Quarterly Financial Reporting and the Maintenance of Sufficient Working Capital

In order to be in compliance with the net worth requirements of Section 40-68-40(E), licensed professional employer organizations and professional employer organization groups are required to file a quarterly financial attestation with the department. This quarterly attestation report shall be executed by the chief financial officer, the chief executive officer, and a controlling person of the professional employer organization. Copies of the current quarter's balance sheet and income statement shall be

submitted with the quarterly financial attestation report. Quarterly financial statements are due to be submitted to the department within 75 days after the end of each quarter. Quarterly financial reports that are submitted late without prior approval from the department will be assessed a late reporting fee of one hundred fifty dollars for every thirty days or portion thereof they are late. If they are late more than sixty days, the licensee may be subject to a disciplinary action as set forth in Section 40-68-160 (C). The following attestations will be made in the quarterly report:

- (1) Health insurance, life insurance, worker's compensation insurance and their respective premiums and any other employee benefits have been paid to the proper payees;
- (2) Working capital is sufficient to meet the licensee's ongoing obligations;
- (3) Federal, state, and local payroll taxes have been paid as required by regulations of each taxing authority.

H. Restricted License.

- (1) The department may issue a restricted license to a nonresident professional employer organization or professional employer organization group for limited operation within this State under the conditions set forth in Section 40-68-90.
- (2) The biennial licensing fee for a restricted license shall be five hundred dollars for a professional employer organization and one thousand dollars for a professional employer organization group.
- (3) The holder of a restricted license shall provide to the department quarterly reports on a form developed by the department with information and documentation necessary to show that the holder continues to qualify for a restricted license.
- (4) When any condition for an issuance of a restricted license ceases to exist, the licensee shall apply within thirty days for a license pursuant to Sections 40-68-30, 40-68-40, 40-68- 50 and any other applicable provision of the professional Employer Organization Act and accompanying regulations or cease operations in the State.

I. Certification of Workers' Compensation Coverage.

Professional employer organization applicants or licensees must provide to the department a Certificate of Insurance for their workers' compensation coverage. This certificate must be issued by an insurance carrier licensed in South Carolina and must name the Department of Consumer Affairs as Certificate Holder and provide for thirty (30) days notice of cancellation.

J. Notices Required to be Posted.

(1) The license issued by the department must be posted in a conspicuous place in the licensee's principal place of business in this State.

(2) The licensee shall cause each client company to display, in a place that is in clear and unobstructed public view, a notice stating that the business operated at the location is in a co-employment relationship with the professional employer organization licensed and regulated by the department and that any questions or complaints regarding the professional employer organization should be directed to the department. The notice shall contain the Department's mailing address, web address and phone number. A copy of such notice shall be provided to the Department. A substantially similar notice shall be included in the contract between a licensee and a client company.

(3) The licensee shall cause each client company to post in each of its places of business in a conspicuous place that is in clear and unobstructed view of the assigned employees a notice stating, substantially, the following:

“We are operating under and subject to the Workers’ Compensation Act of South Carolina. In case of accidental injury or death to an employee, the injured employee, or someone acting on his or her behalf, shall notify immediately (insert the name of professional employer organization, including a contact address and telephone number). Failure to give immediate notice may be the cause of serious delay in the payment of compensation to you or your beneficiaries and may result in failure to receive any compensation benefits.”

K. Inspections; Investigations; Complaints.

(1) The department may conduct inspections or investigations as necessary to enforce the Professional Employer Organization Act, the accompanying regulations or an order of the administrator or the Administrative Law Court related to these provisions. In conducting such an inspection or investigation of a person, the department may enter the business premises of the person during reasonable business hours and may examine and copy records pertinent to the inspection or investigation.

(2) The department shall keep a file about each written complaint filed with the department against a professional employer organization that the department has authority to resolve.

L. Reporting of Change of Status Required; Effect on Licensees.

The Department shall develop forms for the reporting of changes in status of licensed companies and controlling persons. These forms shall specify the information required to be filed for all changes in the status, and the deadlines for filing such changes with the department. The department may charge a filing fee for each change not to exceed fifty dollars.



STATE OF SOUTH CAROLINA DEPARTMENT OF CONSUMER AFFAIRS

PROFESSIONAL EMPLOYER ORGANIZATIONS

Mailing Address
P.O. Box 5757
Columbia, SC 29250-5757

S.C. Code Ann. § 40-68-10 *et seq.*
www.sccconsumer.gov
(803) 734-4200

Street Address
3600 Forest Drive
Columbia, SC 29204-4006

CONTINUING PROFESSIONAL EDUCATION COMPLIANCE FORM

South Carolina Code Section 40-68-45 states as follows:

- (A) (1) Effective for license years beginning after September 30, 2005, key management personnel of all licensees must complete at least eight hours of continuing professional education annually.
- (2) For purposes of this subsection: (a) if the licensee is a sole proprietorship or partnership, key personnel means any controlling person, as defined in this chapter, of that licensee. (b) if the licensee is a corporation, key personnel means any person who both: (i) possesses the power to direct or cause the direction of the management of a company seeking to offer professional employment services in this State; and (ii) is directly responsible for the day-to-day management of the company's operations in this State.
- (3) The holder of a nonresident restricted license under Section 40-68-90 is not required to complete the continuing education required by this subsection.
- (4) Up to eight hours of continuing professional education may be carried forward from one year to the next year; for the license year beginning September 30, 2005, up to eight hours of continuing professional education taken in the preceding twelve months may be carried forward.
- (B) (1) Continuing professional education must be reported to the department annually on a form approved by the department showing the date and title of the courses taken, the teacher or sponsor of the course, and the hours of continuing professional education claimed for the course. If the course is taught in a classroom setting, fifty minutes of classroom contact equals one hour of continuing professional education. Course sponsors shall maintain records of attendees for two years after the course.
- (2) Documentation of attendance at the courses or correspondence courses must be maintained by the licensee and must consist of a certificate of completion issued by the teacher or sponsor of the course showing the number of hours of continuing professional education completed. This documentation is subject to inspection by the department for up to two years after the date of the course. Courses offered by the National Association of Professional Employer Organizations, the Carolina Chapter of Professional Employer Organizations, the department, or other approved courses related to employment, are considered qualified courses for continuing professional education. The department shall offer continuing professional education courses to assist licensees and controlling persons in obtaining the continuing professional education required by this chapter.
- (3) The department shall appoint four licensees or controlling persons and one representative of the department to a panel for two-year terms to approve any courses questioned as to their qualifications as continuing professional education. The panel may conduct its meetings via conference call. The department shall develop a questionnaire to ascertain the interest and background of potential members of this panel.

(4) If a licensee fails to complete his continuing professional education in a timely manner, his license expires and the licensee shall pay a penalty not in excess of one hundred dollars in order to renew the license. If a controlling person, who is not an owner or officer, of a licensee fails to complete his continuing professional education in a timely manner, he may not continue as a controlling person. However, the licensee or controlling person may request an administrative hearing to appeal the expiration of his license, or controlling person status, respectively, for failure to complete continuing professional education requirements. A license may be renewed without penalty within thirty days after its expiration if the licensee completes his professional education requirement. If a licensee fails to complete his professional education requirement within thirty days after the expiration of his license, he shall, in addition to paying the penalty provided for in this subsection, complete his professional education requirements prior to filing a new initial application for a license.

In addition to these sources, the Department has determined that it will recognize required continuing education hours from other professions such as law, accounting, and human resources, as long as the courses are reasonably related to employment. Credit can also be obtained from courses provided by private companies, on a for-fee basis or as part of an in-house education program. For all these methods, copies of the materials must be provided so that they can be reviewed and approved by our continuing education committee. As required by the law, proof of attendance at all courses is required.

Please provide all information requested below:

Full Name of Controlling Person: _____

Name of PEO or PEO Group: _____

Business Address: _____

City: _____ State: _____ Zip: _____

Telephone No.: _____ Fax No. _____

E-Mail Address: _____

Applicant's present position with PEO is:

Owner Ownership % _____
 Officer Director Manager
 Other: _____

AFFIDAVIT

I swear or affirm and certify that I have provided all information required on this form, and to the best of my knowledge and belief, all information contained herein is true, correct and complete; and that there are no material omissions of fact. I further certify that I understand that giving false information constitutes cause for revocation of my license and subjects me to criminal prosecution for perjury. I acknowledge that I have a duty and agree to update and correct this information as it changes.

Signature

Date

Type or Print your name and Title

SWORN TO AND SUBSCRIBED before me

this _____ day of _____, 20_____

(SEAL)

Notary Public For _____

My Commission Expires:

The completed form should be submitted to:

South Carolina Department of Consumer Affairs
Attn: PEO Licensing and Regulation
P.O. Box 5757
Columbia, SC 29250-5757

Do not fax this form. An original, signed and notarized form is required.

The South Carolina Freedom of Information Act may require the Department of Consumer Affairs to release this form as a public record; however personal identifying information will be released only if required by law.



STATE OF SOUTH CAROLINA DEPARTMENT OF CONSUMER AFFAIRS

PROFESSIONAL EMPLOYER ORGANIZATIONS

Mailing Address
P.O. Box 5757
Columbia, SC 29250-5757

S.C. Code Ann. § 40-68-10 et seq.
www.sccconsumer.gov
(803) 734-4200

Street Address
3600 Forest Drive
Columbia, SC 29204-4006

PROFESSIONAL EMPLOYER ORGANIZATION QUARTERLY REPORT FORM

(Complete all parts of this Form)

In order to be in compliance with the net worth requirements of South Carolina Code Section 40-68-40 (E), Regulation 28-1000(G) requires all licensed professional employer organizations and professional employer organization groups to file a quarterly financial attestation with the department. This quarterly attestation report must be executed by the chief financial officer, the chief executive officer, and a controlling person of the professional employer organization. Copies of the current quarter's balance sheet and income statement also must be submitted with the quarterly financial attestation report. Quarterly financial statements are due to be submitted to the department within 75 days after the end of each quarter. Quarterly financial reports that are submitted late without prior approval from the department will be assessed a late reporting fee of one hundred fifty dollars for every thirty days or portion thereof they are late. If they are late more than sixty days, the licensee may be subject to a disciplinary action as set forth in Section 40-68-160 (C). The following attestations must be made in the quarterly report: (1) Health insurance, life insurance, worker's compensation insurance and their respective premiums and any other employee benefits have been paid to the proper payees; (2) Working capital is sufficient to meet the licensee's ongoing obligations; and (3) Federal, state, and local payroll taxes have been paid as required by regulations of each taxing authority.

To complete the Form, the chief executive officer must read, sign and date the **CEO Statement**. The chief financial officer must attach copies of the current quarter's balance sheet and income statement, and sign and date the **CFO Statement**. The controlling person must sign and date the **Controlling Person Statement**. In addition, a copy of a workers' compensation certificate clearly indicating that the licensed PEO or PEO Group has a workers' compensation insurance policy in effect for the current quarter must be attached. A new copy of the certificate is required for each quarter that a report is filed. The certificate must show the South Carolina Department of Consumer Affairs as a certificate holder.

RESTRICTED LICENSE HOLDERS ONLY: For companies with a restricted license issued pursuant to South Carolina Code Section 40-68-90, a Controlling Person must complete the **Restricted License Affidavit of Employee Count**.

Name of PEO
or PEO Group: _____

SC License #: _____ Unemployment
Compensation Account#: _____

Federal ID #: _____ State ID #(withholding): _____

Business
Address: _____

City: _____ State: _____ Zip: _____

Telephone: _____ Fax: _____

Web site: _____

Report for the Quarter Ending:

March 31
 September 30

June 30
 December 31

Year: _____

Name of Chief Executive Officer: _____

Business Address: _____

City: _____ State: _____ Zip: _____

Telephone No.: _____ Fax No.: _____

E-Mail Address: _____

Name of Chief Financial Officer: _____

Business Address: _____

City: _____ State: _____ Zip: _____

Telephone No.: _____ Fax No.: _____

E-Mail Address: _____

Name of Controlling Person: _____

Business Address: _____

City: _____ State: _____ Zip: _____

Telephone No.: _____ Fax No.: _____

E-Mail Address: _____

The completed Quarterly Report Form should be submitted to:

South Carolina Department of Consumer Affairs
Attn: PEO Licensing and Regulation
P.O. Box 5757
Columbia, SC 29250-5757

Do not fax this form. An original, signed and notarized form is required.

CEO STATEMENT

As the Chief Executive Officer of the licensee filing this Quarterly Report Form, I certify that all premiums for health insurance, life insurance, workers' compensation insurance, and any other benefits accruing to our leased employees or their dependents have been and or currently being paid in a timely manner to the proper payees as required by contract, law, or other obligatory documents.

I certify that I understand that South Carolina law requires a PEO or PEO Group to maintain working capital sufficient to meet the licensee's ongoing obligations and a net worth of \$50,000 (or positive net worth for PEOs operating on or before January 1, 1991). I further certify that this licensee is in compliance with those requirements.

I certify that I understand that this periodic certification is incomplete unless all required information is attached to this form.

I swear or affirm and certify that I have completed and/or reviewed all information submitted on and with this form, and to the best of my knowledge and belief, all information contained herein is true, correct and complete; and that there are no material omissions of fact. I further certify that I understand that giving false information constitutes cause for disciplinary action and subjects me to criminal prosecution for perjury. I acknowledge that I have a duty and agree to update and correct this information as it changes.

Signature

Date

Type or Print Your Name and Title

SWORN TO AND SUBSCRIBED before me

this _____ day of _____, 20_____

(SEAL)

Notary Public For _____

My Commission Expires:

CFO STATEMENT

As the Chief Financial Officer of the licensee filing this Quarterly Report Form, I certify that all Federal, State, and local payroll taxes (including unemployment compensation) have been paid as required by the laws and/or regulations of each applicable taxing authority. I further certify that all premiums for health insurance, life insurance, workers' compensation insurance, and any other benefits accruing to our leased employees or their dependents have been and or currently being paid in a timely manner to the proper payees as required by contract, law, or other obligatory documents.

I certify that I understand that South Carolina law requires a PEO or PEO Group to maintain working capital sufficient to meet the licensee's ongoing obligations and a net worth of \$50,000 (or positive net worth for PEOs operating on or before January 1, 1991). I further certify that this licensee is in compliance with those requirements.

I certify that I understand that this periodic certification is incomplete unless all required information is attached to this form. I have attached copies of the current quarter's balance sheet and income statement.

I swear or affirm and certify that I have completed and/or reviewed all information submitted on and with this form, and to the best of my knowledge and belief, all information contained herein is true, correct and complete; and that there are no material omissions of fact. I further certify that I understand that giving false information constitutes cause for disciplinary action and subjects me to criminal prosecution for perjury. I acknowledge that I have a duty and agree to update and correct this information as it changes.

Signature

Date

Type or Print Your Name and Title

SWORN TO AND SUBSCRIBED before me

this _____ day of _____, 20_____

(SEAL)

Notary Public For _____

My Commission Expires:

CONTROLLING PERSON STATEMENT

I swear or affirm and certify that I have completed and/or reviewed all information submitted on and with this form, and to the best of my knowledge and belief, all information contained herein is true, correct and complete; and that there are no material omissions of fact. I further certify that I understand that giving false information constitutes cause for disciplinary action and subjects me to criminal prosecution for perjury. I acknowledge that I have a duty and agree to update and correct this information as it changes.

Signature

Date

Type or Print Your Name and Title

SWORN TO AND SUBSCRIBED before me

this _____ day of _____, 20_____

(SEAL)

Notary Public For _____

My Commission Expires:

RESTRICTED LICENSE
AFFIDAVIT OF EMPLOYEE COUNT

I swear or affirm that at no time during the quarter that is the subject of this report did the Licensee employ more than forty (40) leased employees in the State of South Carolina. I further certify that I understand that giving false information constitutes cause for disciplinary action and subjects me to criminal prosecution for perjury. I acknowledge that I have a duty and agree to update and correct this information as it changes.

Signature

Date

Type or Print Your Name and Title

SWORN TO AND SUBSCRIBED before me

this _____ day of _____, 20_____

(SEAL)

Notary Public For _____

My Commission Expires:

South Carolina General Assembly
116th Session, 2005-2006

S. 1272

STATUS INFORMATION

General Bill

Sponsors: Senator Sheheen

Document Path: I:\s-jud\bills\sheheen\jud0067.vas.doc

Introduced in the Senate on March 22, 2006

Currently residing in the Senate Committee on **Labor, Commerce and Industry**

Summary: Not yet available

HISTORY OF LEGISLATIVE ACTIONS

<u>Date</u>	<u>Body</u>	<u>Action Description with journal page number</u>
3/22/2006	Senate	Introduced and read first time SJ-13
3/22/2006	Senate	Referred to Committee on Labor, Commerce and Industry SJ-13

View the latest [legislative information](#) at the LPITS web site

VERSIONS OF THIS BILL

[3/22/2006](#)

1
2
3
4
5
6
7
8
9

A BILL

10
11
12
13
14
15
16
17
18
19
20
21
22

TO AMEND SECTION 40-68-90, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO THE ISSUANCE OF A RESTRICTED LICENSE FOR A PROFESSIONAL EMPLOYER ORGANIZATION DOMICILED IN ANOTHER STATE, SO AS TO ELIMINATE THE REQUIREMENT THAT AN APPLICANT BE LICENSED AND IN GOOD STANDING IN ITS STATE OF RESIDENCE, AND TO REQUIRE INSTEAD THAT THE APPLICANT BE LICENSED AND REGISTERED IN GOOD STANDING IN ANOTHER STATE AND PROPERLY REGISTERED AS A FOREIGN ENTITY WITH THE SOUTH CAROLINA SECRETARY OF STATE.

23
24

Be it enacted by the General Assembly of the State of South Carolina:

25
26
27

SECTION 1. Section 40-68-90(A) of the 1976 Code is amended to read:

28
29
30
31
32

“(A)The department may issue a restricted license to a nonresidential professional employer organization or professional employer organization group for limited operation within this State under the following conditions if the:

33
34
35
36
37
38
39
40
41
42

(1) ~~applicant’s state of residence provides for licensing of professional employer organizations, the applicant is licensed and in good standing in its state of residence, and the applicant’s state of residence grants a similar privilege for restricted licensing to professional employer organizations or professional employer organization groups that are residents in South Carolina~~ applicant is domiciled outside this State, is licensed or registered as a professional employer organization in good standing in another state, and is properly registered as a foreign entity with the South Carolina Secretary of State;

1 (2) applicant does not maintain an office, sales force, or
2 representatives in this State, and it does not solicit clients that are
3 residents in this State; and

4 (3) applicant does not have more than forty leased
5 employees working in this State.”

6

7 SECTION 2. This act takes effect upon approval by the Governor.

8

----XX----

9

NOTES

○	
○	
○	

NOTES

○	
○	
○	

NOTES

○	
○	
○	

NOTES

○	
○	
○	

NOTES

○	
○	
○	

NOTES

○	
○	
○	

NOTES

○	
○	
○	

NOTES

○	
○	
○	

NOTES

○	
○	
○	