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GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TALENT AND ECONOMIC DEVELOPMENT  
TALENT INVESTMENT AGENCY  
UNEMPLOYMENT INSURANCE

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**CERTIFICATION BY PEO  
REGARDING PAYMENT OF WAGES TO LEASED EMPLOYEES**

Each year, Unemployment Insurance (UI) must certify to the Internal Revenue Service (IRS) the Michigan employers that have paid their state unemployment taxes in full and on time, in order for the employers to receive a credit against the tax assessed by the IRS under the Federal Unemployment Tax Act (FUTA).

Because of the unique “co-employer” relationship between a Professional Employer Organization (PEO) (sometimes known as an “Employee Leasing Company,” or “ELC”) and its client entities, either the PEO or its client entities (but not both) may be entitled to the FUTA tax credit. The IRS has directed UI that the FUTA tax credit must be issued to whichever of the two co-employers (PEO or client entities) is in control of the payment of the wages to the leased employees. Specifically, the IRS has provided guidance that UI must determine whether the PEO’s payment of wages is based upon one of two business and/or contractual arrangements:

**Business Arrangement 1:**

In the first arrangement, a PEO’s payment of wages is based upon it first receiving funds from the client for paying wages to the leased employees. Under this arrangement, the federal guidance provides that the client entity would be certified by UI to receive the FUTA credit. If this business arrangement describes your business practice, **it is not necessary for the PEO to complete this Form; in such instances, the client entities named on page 2 of this Form will receive the FUTA certification.**

**Business Arrangement 2:**

In the second arrangement, UI must make a finding that the PEO is being reimbursed by the client entity after the wages are paid to the leased employees. Under this arrangement, the federal guidance provides that the PEO is in control of the wages and, therefore, entitled to the FUTA certification credit. If this business arrangement describes your business practice, and the PEO seeks the credit, then, to ensure an accurate finding by UI, the PEO **must provide to UI, not later than November 30 of any year (to be effective for the 940 certification due to the IRS by the following January 31), a completed copy of this Form, including page 2, signed below by an owner, officer, or director of the PEO.**

**CERTIFICATION BY PEO  
AS TO CLIENT ENTITIES NAMED ON PAGE 2 OF THIS FORM**

I certify that, under the contractual relationship between the Professional Employer Organization (PEO) I represent and the client entities named on page 2 of this Form, the PEO pays wages to the employees it leases to the named client entities, and thereafter receives reimbursement for those wages from the named client entities (that is, **Business Arrangement 2**). Year or period covered \_\_\_\_\_.

\_\_\_\_\_  
Signature of PEO Owner, Officer or Director

\_\_\_\_\_  
Title

\_\_\_\_\_  
Print Name of PEO Owner, Officer or Director

\_\_\_\_\_  
Name of PEO

\_\_\_\_\_  
FEIN of PEO

<b>NAME OF CLIENT ENTITY</b>	<b>UI ACCOUNT NUMBER OF CLIENT ENTITY</b>	<b>FEDERAL EMPLOYER IDENTIFICATION NUMBER (FEIN) OF CLIENT ENTITY</b>

Please use additional sheets of paper to provide the information requested above as to more client entities. Send to [PEO@michigan.gov](mailto:PEO@michigan.gov).