



PEO MIGRATION CHECKLIST
BY ASAP PAYROLL

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One of the most important practices you can have as a small business is knowing how to adapt to the needs of your business as they change over time. Your business doesn't remain static, and neither should your management.

For some, that may mean leaving a PEO when their services no longer make sense for your business.

A PEO, or Professional Employer Organization, becomes a partner with your business in the HR roles you need them to perform. This could mean they assist with recruiting, hiring, and employee compensation. PEOs can help alleviate stress on the HR department while making it easier to stay compliant with the myriad of rules and regulations that govern a lot of the work HR does.

However, leaving your PEO can be stressful as they are tied up with critical functions in your business. Before you sever ties with them permanently, you must make sure you are in good standing to do so to make the transition as seamless as possible.

Here are the things you need to do before leaving your PEO to ensure your business isn't disrupted.



Secure Employee Information

By law, your employees are entitled to privacy when it comes to their personal information. So before you leave your PEO, make sure you have secured all payroll information including:

- Names, addresses, Social Security numbers, and birth dates
- Information about dependents
- State and federal tax filing numbers
- Tax filing status
- Tax deductions

Know Your Tax Situation

Unless your contract ends on January 1, the process of no longer partnering with a PEO can be complicated when it comes to taxes. PEOs are responsible for handling taxes up until the end of the contract. After that date, your business will resume all tax duties. Therefore, employees may be issued two W2s to reflect that.

When you leave, your PEO contract may be determined by what type of PEO you are working with. If your PEO is non-certified, try to terminate the contract on January 1 to avoid the risk of double paying for tax liabilities. If your PEO is IRS-certified, your contract is safe to terminate at any time as your company will be seen as the “successor employer.”

To make sure your tax responsibilities are all squared away, you should also create:

- A census file of all your employees who receive benefits
- Employee demographic information
- Past invoices from your PEO
- Employer contributions and rates
- Plan and benefit summaries

Understand Your Benefits

A lot of PEOs are hired to handle benefits as well. If your PEO provides this service for you, it's vital that you understand exactly what benefits were provided to your employees. You should then research available carriers to continue that coverage.

If there are any pending claims, you will need to resolve these right away. Additionally, if deductibles will have to be reset due to a change in coverage, communicate that clearly with your employees. With reset deductibles, there is a good chance they will need to incur additional expenses.

Finally, don't forget about retirement benefits such as 401(k) or IRA plans. Dealing with these plans can be confusing and overwhelming to your employees, so make sure they are given enough time and support to transfer these plans if necessary.

Throughout the whole process, clear communication with your employees is the most important thing. Changes to benefits and other changes such as these can cause some confusion. Tell your employees about your transition strategy to reassure them that nothing will fall through the cracks during the transition.



Let ASAP Payroll Help

If you need a helping hand through the process, let ASAP Payroll be your go-to for help when you transition from your PEO and take on HR and administrative operations in-house. We can also help you with different HR operations that you may have been seeking with a PEO in the first place.

Our efficiency and dedication to the customer experience can provide you with HR and administrative services that can keep your business running smoothly. [Contact us today](#) to discuss how we can make sure your transition doesn't derail your business.



Checklist for Migrating Away from a PEO

As you work to reestablish your HR operations in-house, use the following checklist to make sure you have covered all your bases.

Reestablish Your Services

- Decide if services will be done in-house or outsourced to other companies
- Make payroll a priority
- Designate a COBRA administrator
- Hire a tax accountant
- Enroll employees in benefits

Gather Employee Information

- Collect employee information from PEO including:
 - Name
 - Address
 - Birth date
 - Social Security number
 - Dependent information
 - Salary or hourly rate of pay
- Performance evaluations
- Records of termination
- Records of leaves of absence and time-off accrued
- Direct deposit information
- Federal and state tax forms
- I-9 forms

Communicate

- Provide clear communication to employees regarding changes and how they may affect them
- Update all materials such as handbooks and onboarding documents to show changes that have been made

Taxes

- Gather tax information from PEO
- Company taxes, deductions, and earnings
- Employee taxes, deductions, and earnings
- Establish a federal withholding account
- Establish a state withholding account
- Establish State Unemployment Tax ID
- Establish a Federal unemployment tax account
- Get a Federal Employer Identification Number if you don't already have one
- Set up any local tax withholding accounts when applicable

Review Leave of Absence Policies

- Decide if current leave accrual policies need to be changed
- Evaluate time tracking practices and if systems should change
- Make sure balances are accounted for and tracked in any new system



HOW ASAP PAYROLL CAN HELP

If you need a helping hand through the process, let ASAP Payroll be your go-to for help when you transition from your PEO and take on HR and administrative operations in-house.

Contact us today or give us a call at (317) 887-2727 to discuss.

Contact Us

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