

# Payroll Processors = Partners in Small Business

SF. 5031

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TPG (The Payroll Group) and IPPA (Independent Payroll Providers Association) are two associations consisting of roughly 300 payroll processors across the United States. Our members are small to mid-sized regional payroll companies and represent only a **small portion** of the number of businesses potentially offering payroll services and impacted by this law.

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## +28,000 payroll Reporting Agents are registered nationally with the IRS

A “payroll reporting agent” is **any business authorized by the client** with the IRS to report and deposit tax payments for customers. This includes traditional payroll processors but also includes **bookkeepers and CPAs**, thousands of which also provide payroll processing services.



The majority of payroll reporting agents are also **small businesses**.



**1,820 firms in Minnesota** listed under the NAISC code “Accounting, Tax Preparation, Bookkeeping, and Payroll Services.”



92% of these firms have **less than 20 employees**.

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## Payroll Processors = Agents for Employers

- **Employers sign IRS Form 8655 (Reporting Agent Authorization)** appointing a payroll processor as an agent of the employer to make tax deposits and payments to employees on the employer’s behalf.
- In this agency relationship, employers may hire and pay employees in any state they choose at any time and the payroll company is expected to immediately make timely payments and tax deposits on behalf of the employer. As such, **payroll companies acting as agents have no advance notice** of when an employer may choose to hire a remote employee or open a satellite office in another state. This issue has only been exacerbated following COVID and the explosion of remote work.

# Small regional payroll companies provide essential services to Minnesota small businesses.



**Payroll Processing**



**Tax Filing Assistance**



**Business advisors**

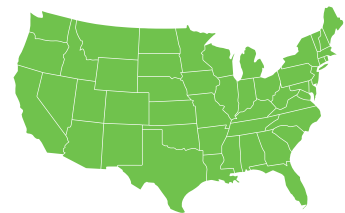
- Wage & Hour Laws
- Evolving Sick Leave
- FMLA Laws

Small businesses choose regional payroll providers over the few large national payroll companies because **regional providers serve as business consultants with a more hands on approach with wholistic supports at a more economical price.**

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## Cost of Compliance

Since agency payroll processors have no advance notice or control over where their customers pay employees or choose to conduct business, they must proactively register in all states who have passed the Model Law which defines a payroll processor as a Money Transmitter.



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### Below are some real-life examples:

- A payroll service bureau has a long-term client with a road construction company. The company contracts jobs in various states throughout the year. The customer will open a location in a state for a year to complete the work, will hire and pay employees and then close the location in the state. The payroll processor would have to proactively register in every state or choose to tell this construction company to find a national payroll provider.
- Companies hire remote sales workers and other remote employees on a temporary and permanent basis regularly. Their payroll processors will not be aware that an employee in a new state was added until after payroll is processed. The payroll processor receives a notification in the software that the employer has added a new state for tax filing purposes. This illustrates again why multistate registration is necessity for compliance.