

**MICHIGAN PROFESSIONAL EMPLOYER ORGANIZATION REGULATORY ACT (EXCERPT)**  
**Act 370 of 2010**

**338.3739 Professional employer agreement; liabilities or obligations; tax or assessment.**

Sec. 19.

(1) Except to the extent otherwise expressly provided for by the professional employer agreement, the following apply:

(a) A client is solely responsible for the quality, adequacy, or safety of the goods or services produced or sold in the client's business.

(b) A client is solely responsible for directing, supervising, training, and controlling the work of the covered employees with respect to the business activities of the client and is solely responsible for the acts, errors, or omissions of the covered employees regarding those activities.

(c) A client is not liable for the acts, errors, or omissions of a PEO or of any covered employee of the client and a PEO when the covered employee is acting under the express direction and control of the PEO.

(d) A PEO is not liable for the acts, errors, or omissions of a client or of any covered employee of the client when the covered employee is acting under the express direction and control of the client.

(2) This section does not limit any contractual liability or obligation specifically provided in the written professional employer agreement.

(3) A covered employee is not, solely as the result of being a covered employee of a PEO, an employee of the PEO for purposes of general liability insurance, fidelity bonds, surety bonds, employer's liability not covered by worker's compensation, or liquor liability insurance carried by the PEO unless covered employees are included by specific reference in the professional employer agreement and applicable prearranged employment contract, insurance contract, or bond.

(4) A PEO is not considered engaged in the sale of insurance or in acting as a third party administrator by offering, marketing, selling, administering, or providing professional employer services that include services and employee benefit plans for covered employees.

(5) A client and a PEO are each considered an employer for purposes of sponsoring retirement and welfare benefit plans for its covered employees. A fully insured welfare benefit plan offered to the covered employees of a single PEO shall be treated, for purposes of state law, as a single employer welfare benefit plan.

(6) For purposes of this state or any political subdivision of this state and except as otherwise specifically provided for PEO arrangement by law, covered employees whose services are subject to sales tax are considered the employees of the client for purposes of collecting and levying sales tax on the services performed by the covered employee. This act does not relieve a client of any sales tax liability with respect to its goods or services.

(7) Except as otherwise specifically provided for PEO arrangement by law, a tax or assessment imposed upon professional employer services or any business license or other fee that is based upon gross receipts shall allow a deduction from the gross income or receipts of the business derived from performing professional employer services that is equal to that portion of the fee charged to a client that represents the actual cost of wages and salaries, benefits, worker's compensation insurance, payroll taxes, withholding, or other assessments paid to, or on behalf of, a covered employee by the professional employer organization under a professional employer agreement.

(8) Except as otherwise specifically provided for PEO arrangement by law, a tax assessed, assessment, or mandated expenditure on a per capita or per employee basis shall be assessed against the client for covered employees and against the professional employer organization for its employees who are not covered employees co-employed with a client. Benefits or monetary consideration that meet the requirements of mandates imposed on a client and that are received by covered employees through the PEO, either through payroll or through benefit plans sponsored by the PEO, shall be credited against the client's obligation to fulfill those mandates.

(9) Except as otherwise specifically provided for PEO arrangement by law and in the case of a tax or an assessment imposed or calculated upon the basis of total payroll, the professional employer organization is eligible to apply any small business allowance or exemption available to the client for the covered employees for the purpose of computing the tax.

**History:** 2010, Act 370, Eff. July 1, 2011