

## **DO YOU KNOW WHAT TYPE OF OUTSOURCED PAYROLL PROVIDER YOU ARE?**

**By: SUE FREED, CPA**

### 1. Payroll Service Provider - PSP

A PSP prepares paychecks and files federal payroll tax forms 941, 940 and Forms W-2. They also make federal tax deposits. The tax forms are signed by the client, the CPA completes and signs the paid preparer's section of the forms. The PSP assumes no liability for its client's payroll tax responsibilities.

### 2. Reporting Agent – RA

An RA must file form 8655 Reporting Agent Authorization form which authorizes the RA to prepare the federal payroll forms as well as make federal tax deposits for their clients. However, the RA signs the returns. The CPA doesn't complete the paid preparer section of the forms. An RA assumes no liability for its clients' payroll tax responsibilities.

Note that Rev. Proc 2013-32 requires an RA to provide the client with a written statement that the client is responsible for filing returns and paying taxes. They should also advise the client to enroll in EFTPS and monitor their account for timely tax deposits.

### 3. Form 2678 Agent

This agent files an aggregate return for all clients, using the agent's EIN. Both the client and the agent are liable for paying the taxes and filing the returns. Most CPAs do not work under this type of arrangement.