

August 2009

Labor and Employment Law Alert

Wisconsin Requires Professional Employer Organizations to Register with the State and Maintain \$100,000 in Working Capital, Effective July 1, 2009

Effective July 1, 2009, professional employer organizations (“PEOs”) must register with the State of Wisconsin and maintain \$100,000 in working capital as demonstrated by audited financial statements prepared in accordance with generally accepted accounting principles (“GAAP”). PEOs are required to register within 180 days of July 1, 2009.

What is a PEO?

PEOs provide small and medium-sized businesses with assistance managing human resources and often provide a variety of benefit plans to the client’s workers including health and retirement benefits. PEOs become the employers of their customer’s workforce. PEOs thus enable smaller employers to concentrate on growing their businesses without the distraction of dealing with many employment-related tasks.

Wisconsin’s PEO law defines a PEO as an entity that contracts to provide the nontemporary, ongoing employee workforce of a client and pays those employees out of its own accounts.

What are the PEO registration requirements?

No entity may operate or advertise itself as a professional employer organization in Wisconsin unless the entity registers with the Wisconsin Department of Regulation and Licensing (“WDRL”). The three key requirements of registration are:

1. PEOs must register each year. The initial registration application requires that PEOs submit certain basic information about the PEO itself and certain information regarding the business experience and criminal background of the PEO’s owners and president/chief executive officer.
2. PEOs must maintain \$100,000 in working capital or provide a security or guarantee in that amount.
3. PEOs must provide annual audited financial statements to the WDRL. These statements must be prepared in accordance with GAAP.





Which PEOs must register?

Individual PEOs must register, including PEOs that are domiciled outside of Wisconsin. If two or more PEOs are controlled by the same person, the PEOs must register as a “professional employer group.”

What are the registration fees?

The initial registration fee is \$75.

Who can I contact for more information?

If you have questions about whether your company may be subject to this new law's registration requirements, do not hesitate to contact one of the authors of this alert or your Michael Best attorney:

Michael Best's Labor and Employment Law Practice

As a full-service law firm, Michael Best provides the significant depth and breadth of knowledge needed to address complex labor and employment challenges. Our attorneys, whose legal backgrounds and experience are as diverse as the companies we represent, fully understand how positive labor and employment relations contribute to our clients' success. The attorneys in this group work closely with their partners across other practice groups to provide a full range of proactive and comprehensive legal services.

This Alert is a publication of Michael Best & Friedrich LLP and is intended to provide clients and friends with information on recent legal developments. This Alert should not be construed as legal advice or an opinion on specific situations. For further information, feel free to contact article authors or other members of the firm. We welcome your comments and suggestions regarding this publication. © 2009 Michael Best & Friedrich LLP. All rights reserved.

