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Third Party Arrangement Chart

There are some differences between a payroll service provider, reporting agent authorized under [Form 8655, Reporting Agent Authorization](#), an IRC section 3504 agent appointed using [Form 2678, Employer/Payer Appointment of Agent](#) and a certified professional employer organization (CPEO) identified using [Form 8973, Certified Professional Employer Organization/Customer Reporting Agreement](#).

A Form 8655 reporting agent provides payroll services for one or more employers, using each client's (employer's) employer identification number (EIN) to file separate returns (generally e-file only) on the client's behalf. A reporting agent may also deposit and pay taxes on the client's behalf.

A Form 2678 agent acts as the employer, assuming liability along with the employer for the employer's Social Security, Medicare and federal income tax withholding responsibilities. An agent appointed under Form 2678 files aggregate returns (e-file or paper) using the agent's EIN.

A CPEO **pays** wages to workers performing services for its employer customers under a CPEO contract and is responsible for the withholding, reporting and paying of federal employment taxes on these wages. A CPEO files aggregate returns using the CPEO's EIN.

The chart below illustrates the most significant differences.

Related Topics

- [Employment Taxes](#)
- [Outsourcing Payroll and Third Party Payers](#)

Third-Party Arrangement Authority	Payroll Service Provider (PSP)	Reporting Agent (RA)	IRC Section 3504 Agent (Agent)	Certified Professional Employer Organization (CPEO)
Can file certain employment tax returns?	Yes. The PSP prepares a separate return for each client using the client's EIN. After employer/client signs the return, either the client or the PSP may file the return on paper.	Yes. The RA signs and is generally required to file electronically a separate return for each client, using the client's EIN. The RA must e-file returns listed in Rev. Proc. 2012-32 and shown on the Form 8655 authorization request, if the forms are available for electronic filing. Only forms that are not able to be electronically filed can be filed using paper forms.	Yes. The agent files an aggregate return for all employers/clients, using the agent's EIN. Agent can file those returns listed on Form 2678 appointment request.	Yes. The CPEO files an aggregate return for all customers/clients, using the CPEO's EIN. CPEO files those returns listed on Form 8973.

Third-Party Arrangement Authority	Payroll Service Provider (PSP)	Reporting Agent (RA)	IRC Section 3504 Agent (Agent)	Certified Professional Employer Organization (CPEO)
Can make deposits and payments for employment taxes reported on certain returns?	Yes. The PSP deposits and pays tax liabilities on behalf of each client, using the client's separate EIN, according to each client's deposit requirements.	Yes. The RA deposits and pays tax liabilities on behalf of each client, using the client's separate EIN, according to each client's deposit requirements.	Yes. The agent deposits and pays for tax liabilities the agent has aggregated and reported using the agent's EIN, according to the agent's deposit requirements. The agent can make deposits and payments for those employment taxes reported on returns listed on Form 2678 appointment request.	Yes. The CPEO deposits and pays for tax liabilities the CPEO has aggregated and reported using the CPEO's EIN, according to the CPEO's deposit requirements. The CPEO makes deposits and payments for those employment taxes reported on returns listed on Form 8973.
Can file Form 940, Employer's Annual Federal Unemployment (FUTA) Tax Return?	Yes. After employer/client signs the return, client or PSP files separate returns using client's EIN.	Yes. The RA signs and generally files electronically separate returns using client's EIN.	No. Employers/clients must file FUTA tax returns using their own EINs. However, there is an exception for Home Care Service Recipients through a state or local program.	Yes. The CPEO files an aggregate FUTA return for all customers/clients, using the CPEO's EIN.
Has employment tax liability?	No. Employer/Client, not the PSP, remains liable for ensuring all tax returns are filed timely and all deposits and payments are made timely.	No. Employer/Client, not RA, remains liable for ensuring all tax returns are filed timely and all deposits and payments are made timely.	Yes. Employer/Client and agent are both liable for paying the client's employment taxes, filing returns, and making deposits and payments for the taxes reported.	Yes. Generally, the CPEO is solely liable for paying the customer's employment taxes, filing returns, and making deposits and payments for the taxes reported with regard to remuneration it pays to worksite employees (as defined in IRC 7705(e)). CPEO and customer may both be liable with regard to remuneration the CPEO pays to non-worksite employees.
Specific guidance in addition to IRC, regulations and Publication 15, Circular E.		Rev. Proc. 2012-32.	Rev. Proc. 2013-39 Treas. Reg. 31.3504-1	Rev. Proc. 2016-33 Rev. Proc. 2017-14