



PROFESSIONAL EMPLOYER ORGANIZATIONS AT A GLANCE

Statutes: Chapter 91, Labor Code

Rules: Title 16 T.A.C. Chapter 72

Practice Act? Yes

Title Act? Yes

Inspections? No

Number of Licensees: 462 (FY 25)

Webpage: www.tdlr.texas.gov/peo

Overview:

A professional employer organization (PEO) is a business entity that serves a client business entity by sharing employer responsibilities concerning the client's employees. The PEO and the client enter into a contract under which they become "coemployers" of the client's employees, who are referred to as "covered employees."

The contract specifies how employer responsibilities are allocated or shared between the co-employers. The contract must provide that the PEO assumes responsibility for the payment of wages and the collection and payment of payroll taxes for covered employees, while the client must retain responsibility for the direction and control of covered employees as necessary to conduct the client's business. All other employer functions may be allocated or shared as agreed in the contract.

The potential benefit to a client in using a PEO is the savings of time and staff that would be used to administer payroll, taxes, insurance, and other human resource functions, as well as the potential reduction of legal liabilities or obligations to employees. The potential benefit to covered employees is that a PEO with multiple clients may be able to offer a better employee benefits plan because the PEO is able to negotiate with providers on behalf of a larger group of employees than any single client would have on its own.

Temporary help companies, temporary common worker employers, and independent contractors are not considered PEOs. Likewise, a franchisor is not considered a PEO with respect to a franchisee or the franchisee's employees.

History

PEO licensing was established at TDLR in 1993 through the enactment of House Bill

456 (73rd Legislature). The program was known as "staff leasing services" until 2013, when it was changed to "professional employer organizations" to better align with nationwide industry practices.

License Types

There are two types of PEO licenses: a full license and a limited license. Both licenses entitle a person to provide professional employer services to clients through co-employment relationships.

The full license is an annual license requiring an extensive background check through the Federal Bureau of Investigation and the Texas Department of Public Safety.

The limited license is an annual license and does not require a background check. Eligibility for a limited license is restricted to out-of-state companies who assign 50 or fewer employees in Texas.

Licensing Requirements

A PEO applying for a new license, or renewing its current license, must submit an audited financial statement showing positive working capital for that company in the following amounts:

- \$50,000 if the applicant employs fewer than 250 assigned employees;
- \$75,000 if the applicant employs at least 250 but not more than 750 assigned employees; and,
- \$100,000 if the applicant employs more than 750 assigned employees.

Advisory Board? No

License Type	Application Fee	License Fee
Original License (0 to 249 assigned employees)	\$150	\$150
Original License (250 to 750 assigned employees)	\$150	\$300
Original License (more than 750 assigned employees)	\$150	\$550
Renewal License (0 to 249 assigned employees)	\$150	\$150
Renewal License (250 to 750 assigned employees)	\$150	\$300
Renewal License (more than 750 assigned employees)	\$150	\$550
Original Limited License	\$150	\$150
Renewal Limited License	\$150	\$150