

Purpose of This Report

Texas Tax Code §171.2125 requires a professional employer organization/temporary employment service to provide the information contained in this report to a client. The report contains information a client will need to calculate compensation and cost of goods sold on the client's franchise tax report. This form is for use by a professional employer organization licensed under Chapter 91 of the Texas Labor Code and a temporary employment service under Chapter 93 of the Texas Labor Code.

A professional employer organization/temporary employment service is required to provide the information in this report to a client only if the client requests it. For an annual franchise tax report due May 15, this information must be provided to the client no later than Feb. 28 or the 30th day from the date of request, whichever is later. For all other franchise tax reports, this information must be provided no later than the 30th day from the date of request.

A professional employer organization/temporary employment service may provide this information to a client by filling in this report or by using their own printed form or electronic document that is substantially similar to this form. The information may be delivered in hard copy or electronically.

Instructions to Clients

This report does not reflect the exact amount of compensation or cost of goods sold for your company. Compensation or cost of goods sold for your company may be more or less than the amounts shown in this report. This report also does not affect your choice between the compensation or cost of goods sold deduction, or your eligibility for or choice of the EZ computation. This form is for your information in preparing your franchise tax report, and you should keep this report in your files in case of an audit. Do not send this report to the Comptroller's office with your franchise tax report.

Accounting Period Covered by this Report. The amounts in this report are based on the accounting period specified by the client. The client should provide the accounting period beginning and ending dates to the professional employer organization/temporary employment service at the time the report is requested. The accounting period specified by the client should be the same as the accounting period covered by the franchise tax report for which this information is requested.

Covered Employee/Temporary Employee. Each Covered Employee/Temporary Employee is listed by name and/or by the last four digits of the Covered Employee's/Temporary Employee's Social Security number.

Total Amount Paid in Wages & Cash Compensation is provided for purposes of calculating compensation under Texas Tax Code §171.1013 "Determination of Compensation." The amount reported for each Covered Employee/Temporary Employee is the amount of wages and any other cash compensation paid to the Covered Employee/Temporary Employee by the professional employer organization/temporary employment service. You may include the amount reported to you on this form in the calculation of compensation on your franchise tax report to the same extent you would be permitted to include the amount in compensation if you employed the Covered Employee/Temporary Employee directly rather than through a staff leasing/temporary service arrangement. However, the actual amount includible in compensation for a Covered Employee/Temporary Employee may be more or less than the amount reported on this form. Total Amount Paid in Wages & Cash Compensation does not take into account the limitation on compensation provided in Texas Tax Code § 171.1013(c), it does not include amounts you paid directly to a Covered Employee/Temporary Employee, and it does not include amounts you paid to a person who is not a Covered Employee/Temporary Employee.

Total Amount Paid for Deductible Benefits is provided for purposes of calculating compensation under Texas Tax Code §171.1013. The amount reported is the cost of all benefits provided by your professional employer organization/temporary employment service to Covered Employees/Temporary Employees that are includible in compensation. You may include the entire amount reported to you on this form in the calculation of compensation on your franchise tax report. If you provided additional benefits to Covered Employees/Temporary Employees or to persons who are not Covered Employees/Temporary Employees, those amounts are not included in this report. You must determine whether those additional benefits should be included in your compensation calculation. Total Amount Paid for all Deductible Benefits is not applicable in calculating cost of goods sold.

Total Amount Paid is provided for purposes of calculating the labor costs portion of the cost of goods sold deduction under Texas Tax Code §171.1012. Total Amount Paid includes all amounts you paid to the professional employer organization/temporary employment service for the Covered Employee/Temporary Employee. You may include the amount reported to you on this form in the calculation of cost of goods sold on your franchise tax report to the same extent you would be permitted to include the amount in cost of goods sold if you employed the Covered Employee/Temporary Employee directly rather than through a staff leasing/temporary service arrangement. However, the actual amount includible in cost of goods sold for a Covered Employee/Temporary Employee may be more or less than the amount reported on this form. This report includes all amounts paid for a Covered Employee/Temporary Employee without regard to whether the Covered Employee's/Temporary Employee's labor is of a type includible in cost of goods sold (direct, indirect, etc.). Also, this report includes only amounts paid to your professional employer organization/temporary employment service for Covered Employees/Temporary Employees. If you have any additional costs related to Covered Employees/Temporary Employees or to persons who are not Covered Employees/Temporary Employees, those amounts are not included in this report.

Instructions to Professional Employer Organization and Temporary Employment Service

Send the information in this report only to the client and retain a copy in your files in case of an audit. **Do not send this report or the information contained in it to the Comptroller's office.**

Accounting Period Covered by this Report. The amounts in this report should be based on the accounting period specified by the client.

Covered Employee/Temporary Employee. List each Covered Employee/Temporary Employee by name and/or by the last four digits of the Covered Employee's/Temporary Employee's Social Security number. Use as many additional sheets as necessary to include all Covered Employees/Temporary Employees of the client.

Total Amount Paid in Wages & Cash Compensation. Include the total amount of wages and cash compensation paid by you to the Covered Employee/Temporary Employee without regard to the limitation on compensation provided in Texas Tax Code §171.1013(c). Wages & Cash Compensation includes amounts reported for Medicare wages and tips on Form W-2; net distributive income from certain partnerships, limited liability companies and S corporations to natural persons; and stock awards and stock options deducted for federal income tax purposes. Wages & Cash Compensation does not include your administrative fee, payments to independent contractors on Form 1099, an employer's share of payroll taxes, or wages or cash compensation paid to undocumented workers. See Texas Tax Code §171.1013(a) and Comptroller Rule 3.589(b)(9) for a definition of wages and cash compensation.

Total Amount Paid for Deductible Benefits. Include the total amount paid to you by the client for all benefits provided by you to all Covered Employees/Temporary Employees of the client, but only to the extent those benefits are deductible by you for federal income tax purposes. Do not include the employer's share of payroll taxes or your administrative fee in relation to those benefits.

Total Amount Paid. Include all amounts paid to you by the client for each Covered Employee/Temporary Employee, including amounts paid to you for gross wages, the employer's share of employment taxes, benefits (whether or not deductible for federal income tax purposes), and your administrative fee in relation to the Covered Employee/Temporary Employee.