

ID: CCA_2017100312221104

UILC: 3504.00-00, 3504.01-00

Number: **201746023**

Release Date: 11/17/2017

From: [REDACTED]

Sent: Tuesday, October 03, 2017 12:22:11 PM

To: [REDACTED]

Cc: [REDACTED]

Bcc:

Subject: RE: Section 3504 Agent and Rev Proc 2013-19

Hi

We try to be very precise with terminology. We refer to a person with an approved Form 2678 as a Section 3504 agent or as an agent with an approved form 2678, but not a payroll service provider (PSP). A PSP files employment tax returns using the EIN of the employer (not its own EIN.) So, if a PSP had 1000 clients, it would prepare 1000 Forms 941 – one for each of its clients.

On the other hand, a Section 3504 agent files employment tax returns using its own EIN and allocating amounts to each employer/client using a Schedule R attachment. So, if a Section 3504 agent has 1000 clients, it files one Form 941 and attaches to the Form 941 a Schedule R listing each employer/client and the wages/taxes paid on behalf of each employer/client.

It seems like the situation described in the emails below relates to a Section 3504 agent despite the reference to a PSP. Under section 8 of revenue procedure 2013-39, a Section 3504 agent can appoint a subagent by executing a Form 2678 between the agent and the subagent and having it approved by the Service. Once approved, the subagent is required to file employment tax returns using its EIN. The subagent would also be required to attach Schedule R to its aggregate Form 941 allocating to each employer/client of the original agent their share of the wages and taxes from Form 941. The employer, agent, and subagent all remain liable for taxes due.

I hope this helps. Please let me know if you have further questions.

Thanks,