



January 23, 2012

The Honorable Barack Obama  
President of the United States  
The White House  
1600 Pennsylvania Avenue, N.W.  
Washington, DC 20500

Dear President Obama:

Thank you for your invitation to participate in Friday's conference call with you, Director of the National Economic Council Gene Sperling, and Senior Advisor Valerie Jarrett. It was most informative. This letter is in reply to your invitation—echoed by Mr. Sperling at the call's end—to follow up with additional suggestions, ideas, and thoughts. While likely not in time for inclusion in the State of the Union address, I hope you will keep these points in mind as you move forward.

The National Association of Professional Employer Organizations (NAPEO) is the national trade association for the Professional Employer Organization (PEO) industry. NAPEO members operate in all 50 states, representing more than 85% of the industry's estimated \$81 billion in gross revenues. Our primary customers are America's small businesses, which you have recognized as the backbone of the American economy and the primary source of job growth.

Allow me to present some facts about our industry:

- PEOs provide enhanced access to healthcare for as many as 4 to 6 million people;
- PEOs allow their small business clients to offer benefits on par with their large-employer counterparts;
- By handling issues of compliance, payroll, and benefits, PEOs allow small businesses to focus on their core mission and to grow;
- Almost 15% of all private-sector employees in the state of Florida, for example, are employed by PEOs;
- While the Small Business Administration estimates that workers at small businesses with access to 401(k) plans dropped from 28% to just 19%, an estimated 95% of workers in PEO arrangements have access to pension plans;
- PEOs are popular in many of the industries you have made a priority, including tourism, construction, and manufacturing;
- Some 38 states have adopted some form of NAPEO's model legislation, sanctioning the PEO model in their states.

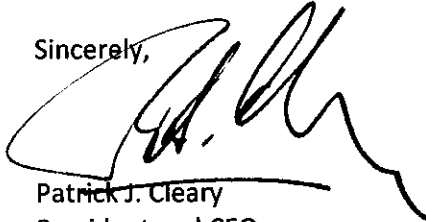
There is legislation before Congress—the Small Business Efficiency Act (SBEA), H.R. 2466—that would benefit both PEOs and their clients. This bill enjoys bipartisan support in both the House and the Senate. The Treasury Inspector General for Tax Administration (TIGTA) has endorsed the concept of this bill.

Certain provisions of this proposal have been included in your budget. The Senate has twice passed this measure.

Representatives Kevin Brady (R-TX) and Mike Thompson (D-CA) are the sponsors of H.R. 2466. Similar bipartisan legislation (S. 1908) has been introduced in the Senate by Senators Charles Grassley (R-IA) and Bill Nelson (D-FL). The Small Business Efficiency Act will not only improve tax compliance, but will also provide needed certainty for small business, allowing that sector to better focus on growth and job creation, a goal we know your Administration shares.

We hope your Administration will do everything in its power to continue to foster the health and growth of PEOs and, in turn, of small businesses everywhere.

Sincerely,

A handwritten signature in black ink, appearing to read 'P. Cleary', written over a horizontal line.

Patrick J. Cleary  
President and CEO

Cc: Gene Sperling, Director of the National Economic Council and Assistant to the President for Economic Policy

Cc: Valerie Jarrett, Senior Advisor to the President