

Senate Committee on Labor and Business

March 21, 2023

SB 881 – Professional Employer Organizations**Summary**

SB 881 makes statutory changes to Paid Leave Oregon laws relating to Professional Employer Organizations (PEOs or worker leasing companies) and client employers.

Currently, workers provided by PEOs and client employers are considered employees of the PEO for purposes of Unemployment Insurance and Workers' Compensation, which allows for one Unemployment Insurance tax rate and Workers' Compensation rate for all client employers under the PEO.

Just like Unemployment Insurance and the Workers' Benefit Fund, Paid Leave Oregon is a part of the combined quarterly payroll tax report, which is filed by the PEO and under the PEO's Business Identification Number (BIN). Therefore, the employer size for Paid Leave Oregon is calculated at the PEO level and not the client employer level to align with the combined quarterly payroll tax report filing.

In 2019, when the Paid Leave Oregon program was created with HB 2005, it was determined to best fit at the Oregon Employment Department as the program was to align, as much as possible, with the infrastructure already in place for contribution reporting for Unemployment Insurance – the combined quarterly payroll tax report. This would allow for Paid Leave Oregon to be consistent with how employers are already accustomed to filing and paying.

When HB 2005 was on the House Floor on June 20, 2019, there were several question and answers read for the record. One specific question and answer dealt with how leasing agencies would serve as the primary employer and pay the contributions just like they are responsible for complying with Unemployment Insurance reporting and payments.

On January 31, 2022, the first batch of 35 administrative rules was promulgated for Paid Leave Oregon. Within these 35 administrative rules, there were several rules that addressed that contributions shall be reported and paid on the combined quarterly payroll tax report and



employer size is determined at the employer level. PEOs are considered the employer for all other payroll tax programs.

Paid Leave Oregon has been working closely with the PEOs and stakeholders and will continue to work together. However, calculating the employer size at the client employer level instead of at the PEO level will take programming in Frances Online as it does not align with the combined quarterly payroll tax report paper filing under the PEO BIN and is counter to how it is handled with Unemployment Insurance and Workers' Compensation.

The proposed changes will also have a Paid Leave Oregon Trust Fund impact as fewer employer contributions will be received for client employers that have less than 25 employees on average but are included in the PEO combined quarterly payroll tax report filing. Because benefits are not impacted at all by SB 881, this means any decrease in contributions from impacted PEOs would essentially be socialized among the workers and other businesses that are paying Paid Leave Oregon contributions.

If SB 881 is passed in any form, Paid Leave Oregon will continue to work together with the PEOs to find the most cost effective way to implement and provide as few changes as possible to the combined quarterly payroll tax report.

For more information about this testimony, contact [OED Legislative Affairs@employ.oregon.gov](mailto:OED_Legislative_Affairs@employ.oregon.gov).