

HB 2236 -2 STAFF MEASURE SUMMARY

House Committee On Labor and Workplace Standards

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Meeting Dates: 3/31

WHAT THE MEASURE DOES:

Permits worker leasing company to amend any quarterly reports detailing Paid Leave Oregon contribution amounts paid by worker leasing company on behalf of client employer on or after January 1, 2023. Directs Oregon Employment Department to issue refund to worker leasing company if amended combined quarterly report reflects that refund is due. Limits refund to worker leasing company to three years from date that worker leasing company paid Paid Leave Oregon contributions on behalf of client employer.

Defines "worker leasing company" and "client employer."

Specifies that worker leasing company is not responsible for Paid Leave Oregon contributions on behalf of client employer with fewer than 25 employees. Applicable to employer contribution amounts paid by worker leasing company on behalf of client employer on or after January 1, 2023.

Operative July 1, 2026.

Takes effect on the 91st day following adjournment sine die.

Fiscal impact: Statement not yet issued

Revenue impact: Statement not yet issued

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

-2 Replaces the measure.

Requires a worker leasing company during the term of the agreement with a client employer, to elect to treat the employees as employees of the worker leasing company or the client employer. If a worker leasing company elects to treat a client employers employee as its own employee, it is only for the purpose payroll tax reporting.

Requires the worker leasing company to notify Director of the Oregon Employment Department (OED) in writing regarding its election of a reporting method. Requires a worker leasing company electing the reporting method that treats the employees as employees of the client employer to produce all documentation and information requested by the director of OED within 60 days of submitting notice.

A worker leasing company may change its election by written notice to the director of OED. The election become effective in the calendar year following the year in which the written notice is received by the director; and the worker leasing company may not make subsequent change for two calendar years following the effective date of the change.

Unemployment benefits based on the wages paid to an employee of the worker leasing company will charged, in accordance with ORS 657.471, to the worker leasing company and not to the client employer.

Unemployment benefits based on the wages paid to an employee of the client employer will charged, in accordance with ORS 657.471, to the client employer not the worker leasing company.

If a working lease company and client employer change the treatment of employees during the term of the agreement, any change of treatment of furnished employees will be treated as a transfer of a trade or business in that the portion of unemployment experience attributable to the transferred trade or business shall be transferred to the acquiring employer and not subject to the prohibitions and penalties.

Requires a worker leasing company to elect a treatment of furnished employees during the first 120 days following the effective date of this 2025 Act. The election becomes effective as of the first day of the calendar quarter in which the election is made. The initial election does not count toward the limit on subsequent changes of election.

Takes effect on the 91st day after adjournment sine die.

BACKGROUND:

A professional employer organization (PEO) is a human resources company that is contracted by small companies to manage certain administrative functions, such as payroll, recruitment and pre-employment screening, tax compliance and filings, and employee benefits. The PEO business model, effectively, establishes a co-employment relationship with the client-employers (CE) and the CEs' employees. As a co-employer, the PEO becomes the legal and tax-related employer for the employees of all the CEs whom the PEO contracts. This permits the PEO to negotiate retirement, healthcare benefits, and workers' compensation rates for CEs. As well as establish an aggregate unemployment insurance rate applied to all CEs when the PEO files unemployment insurance (UI) taxes for all CEs under PEOs Business Identification Number (BIN).

As part of their business model, PEOs aggregate employees, and file a single Form OQ Oregon Quarterly Tax Report (OQ Tax Report) on behalf of all CEs using the PEOs BIN. The OQ Tax Report includes tax withholdings, UI Tax, and Paid Leave Oregon contributions. The PEO does not file OQ Tax Reports for each CE individually under the CE BIN. By filing an aggregate report, a CE with fewer than 25 employees is not recognized as a small employer for purposes of Paid Leave Oregon. However, filing an aggregate payroll report allows the PEO to utilize a single, aggregate UI Tax Rate for all CEs.