

HB 2236 -3 STAFF MEASURE SUMMARY

House Committee On Labor and Workplace Standards

Prepared By: Erin Seiler, LPRO Analyst

Meeting Dates: 3/31, 4/9

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:

-3 Replaces the measure.

The measure requires a worker leasing company to elect to treat the employees of client employers as employees of the PEO or as employees of the client employers for the purpose of filing quarterly payroll taxes.

Detailed Summary:

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 to produce all documentation and information requested by the director of OED within 60 days of submitting notice if the PEO is treating the employees as employees of the client employer.

Permits a worker leasing company to change its election by written notice to the director of OED. Election become effective in the calendar year following the year in which the written notice is received. Prohibits the worker leasing company from changing election for two calendar years following the effective date of the change.

Requires unemployment benefits based on the wages paid to an employee of the worker leasing company will charged to the worker leasing company and not to the client employer.

Requires unemployment benefits based on the wages paid to an employee of the client employer will charged to the client employer not the worker leasing company.

Requires both client employer and worker leasing company to include any remuneration paid to an individual in a calendar year in payroll.

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. Election becomes effective on the first day of the calendar quarter in which the election is made. Initial election does not count against the limit on subsequent changes.

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

Fiscal impact: No fiscal impact

Revenue impact: Minimal revenue impact

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.