

## B-Engrossed House Bill 2236

Ordered by the Senate May 16  
Including House Amendments dated April 15 and Senate Amendments  
dated May 16

Sponsored by Representative BOSHART DAVIS (Presession filed.)

### SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure. The statement includes a measure digest written in compliance with applicable readability standards.

**Digest: The Act would make a PEO elect to treat the workers of its clients as either its own workers or the workers of the client for certain UI laws. (Flesch Readability Score: 72.3).**

*[Digest: The Act would make a worker leasing company elect to treat the workers it supplies to a client as either its own workers or the workers of the client for certain UI laws. (Flesch Readability Score: 60.5).]*

Allows a *[worker leasing company]* **professional employer organization** to elect to treat the employees *[it furnishes to]* **of a client employer for whom the PEO has assumed employer responsibilities** as either the employees of the *[company]* **PEO** itself or of the client employer for certain purposes under unemployment insurance law.

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

### A BILL FOR AN ACT

Relating to employment; creating new provisions; amending ORS 657.010; and prescribing an effective date.

**Be It Enacted by the People of the State of Oregon:**

**SECTION 1.** ORS 657.010, as amended by section 28, chapter 75, Oregon Laws 2024, is amended to read:

657.010. As used in this chapter, unless the context requires otherwise:

(1) "Base year" means the first four of the last five completed calendar quarters preceding the benefit year.

(2) "Benefits" means the money allowances payable to unemployed persons under this chapter.

(3) "Benefit year" means a period of 52 consecutive weeks commencing with the first week with respect to which an individual files an initial valid claim for benefits, and thereafter the 52 consecutive weeks period beginning with the first week with respect to which the individual next files an initial valid claim after the termination of the individual's last preceding benefit year except that the benefit year shall be 53 weeks if the filing of an initial valid claim would result in overlapping any quarter of the base year of a previously filed initial valid claim.

(4) "Calendar quarter" means the period of three consecutive calendar months ending on March 31, June 30, September 30 or December 31, or the approximate equivalent thereof, as the Director of the Employment Department may, by rule, prescribe.

(5) "Client employer" means an employer that enters into a PEO relationship.

(6) "Client worker" means an individual who performs services for compensation for the client of a professional employer organization.

**NOTE:** Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in **boldfaced** type.

1       [(5)] (7) “Contribution” or “contributions” means [*the taxes that are*] the money payments re-  
2       quired by this chapter, or voluntary payments permitted, to be made to the Unemployment Com-  
3       pensation Trust Fund.

4       (8) **“Covered employee” means a client worker for whom a PEO has assumed employer**  
5       **responsibilities under a PEO relationship.**

6       [(6)] (9) “Educational institution,” including an institution of higher education, means an insti-  
7       tution:

8       (a) In which participants, trainees or students are offered an organized course of study or  
9       training designed to transfer to them knowledge, skills, information, doctrines, attitudes or abilities  
10      from, by or under the guidance of an instructor or teacher;

11      (b) That is accredited, registered, approved, licensed or issued a permit to operate as a school  
12      by the Department of Education or other government agency, or that offers courses for credit that  
13      are transferable to an approved, registered or accredited school;

14      (c) In which the course or courses of study or training that it offers may be academic, technical,  
15      trade or preparation for gainful employment in a recognized occupation; and

16      (d) In which the course or courses of study or training are offered on a regular and continuing  
17      basis.

18      [(7)] (10) “Employment office” means a free public employment office or branch thereof, operated  
19      by this state or maintained as a part of a state-controlled system of public employment offices.

20      [(8)] (11) “Hospital” has the meaning given that term in ORS 442.015.

21      [(9)] (12) “Institution of higher education” means an educational institution that:

22      (a) Admits as regular students only individuals having a certificate of graduation from a high  
23      school, or the recognized equivalent of such a certificate;

24      (b) Is legally authorized in this state to provide a program of education beyond high school;

25      (c) Provides an educational program for which it awards a bachelor’s or higher degree, or pro-  
26      vides a program that is acceptable for full credit toward such a degree, a program of post-graduate  
27      or post-doctoral studies, or a program of training to prepare students for gainful employment in a  
28      recognized occupation; and

29      (d) Is a public or other nonprofit institution.

30      [(10)] (13) “Instructional capacity” does not include services performed as an instructional as-  
31      sistant as defined in ORS 342.120.

32      [(11)] (14) “Internal Revenue Code” means the federal Internal Revenue Code, as amended and  
33      in effect on December 31, 2023.

34      [(12)] (15) “Nonprofit employing unit” means an organization, or group of organizations, de-  
35      scribed in section 501(c)(3) of the Internal Revenue Code that is exempt from income tax under  
36      section 501(a) of the Internal Revenue Code.

37      (16) **“PEO relationship” means an agreement between a PEO and a client employer under**  
38      **which certain employer responsibilities for some or all of the client employer’s workers are**  
39      **allocated.**

40      (17)(a) **“Professional employer organization” or “PEO” means a person required to be li-**  
41      **censed under ORS 656.855 that enters into a PEO relationship with a client employer.**

42      (b) **“Professional employer organization” or “PEO” does not mean a person that solely**  
43      **provides workers to a client on a temporary basis or a person that provides payroll pro-**  
44      **cessing or similar administrative services without assuming employer responsibilities for**  
45      **client workers.**

1       [(13)] (18) “State” includes, in addition to the states of the United States of America, the District  
 2 of Columbia and Puerto Rico. However, for all purposes of this chapter the Virgin Islands shall be  
 3 considered a state on and after the day on which the United States Secretary of Labor first approves  
 4 the Virgin Islands’ law under section 3304(a) of the Federal Unemployment Tax Act as amended by  
 5 Public Law 94-566.

6       [(14)] (19) “Taxes” means **contributions** *[the money payments to the Unemployment Compensation*  
 7 *Trust Fund required, or voluntary payments permitted, by this chapter].*

8       (20) “Temporary basis” means **providing workers to a client:**

9       (a) For special situations, including but not limited to employee absences, employee  
 10 leaves, professional skill shortages, seasonal workloads and special assignments and projects  
 11 with the expectation that the position will be terminated when the special situation ends.

12       (b) As probationary new hires with a reasonable expectation of transitioning to perma-  
 13 nent employment with the client, if the client uses a preestablished probationary period in  
 14 its overall employment selection program.

15       [(15)] (21) “Valid claim” means any claim for benefits made in accordance with ORS 657.260 if  
 16 the individual meets the wages-paid-for-employment requirements of ORS 657.150.

17       [(16)] (22) “Week” means any period of seven consecutive calendar days ending at midnight, as  
 18 the director may prescribe by rule.

19       SECTION 2. Sections 3 and 4 of this 2025 Act are added to and made a part of ORS  
 20 chapter 657.

21       SECTION 3. (1)(a) Notwithstanding any other provision of this chapter, during the term  
 22 of a PEO relationship, the professional employer organization shall elect to treat covered  
 23 employees as either employees of:

24       (A) The professional employer organization; or

25       (B) The client employer.

26       (b) Notwithstanding any other provision of law, if a professional employer organization  
 27 elects to treat a covered employee as its own employee under paragraph (a) of this sub-  
 28 section, such treatment shall be limited to the payroll tax reporting provisions of this chap-  
 29 ter.

30       (c)(A) Benefits based on the wages of the covered employees reported in accordance with  
 31 paragraph (a)(A) of this subsection shall be charged, in accordance with ORS 657.471, to the  
 32 professional employer organization and not to the client employer.

33       (B) Benefits based on the wages of the covered employees reported in accordance with  
 34 paragraph (a)(B) of this subsection shall be charged, in accordance with ORS 657.471, to each  
 35 respective client employer and not to the professional employer organization.

36       (2) For purposes of determining wages in excess of the taxable wage base under ORS  
 37 657.095, any remuneration covered by this chapter that is paid by a client employer or a  
 38 professional employer organization to an individual during a calendar year shall be included  
 39 in payroll for both the client employer and the professional employer organization.

40       (3)(a) A professional employer organization shall notify the Director of the Employment  
 41 Department in writing of its election of a reporting method under subsection (1)(a) of this  
 42 section.

43       (b)(A) A professional employer organization electing the reporting method under sub-  
 44 section (1)(a)(B) of this section shall produce all documentation and information requested  
 45 by the director within 60 days after submitting the written notice.

1 (B) If the professional employer organization has not complied with a request under  
2 subparagraph (A) of this paragraph on or before the end of the 60-day period, the professional  
3 employer organization shall use the reporting method described in subsection (1)(a)(A) of this  
4 section.

5 (4)(a) After an initial election of treatment under subsection (1)(a) of this section, a  
6 professional employer organization may change its election by written notice to the director.

7 (b) Such subsequent change of election:

8 (A) Shall become effective in the calendar year following the year in which the written  
9 notice is received by the director; and

10 (B) May not be changed again for two calendar years following the effective date of the  
11 change.

12 SECTION 4. A professional employer organization's election of its treatment of covered  
13 employees under section 3 (1) of this 2025 Act made during the first 120 days following the  
14 effective date of this 2025 Act:

15 (1) Becomes effective as of the first day of the calendar quarter in which the election is  
16 made.

17 (2) Does not count toward the limit on subsequent changes of election under section 3  
18 (4) of this 2025 Act.

19 SECTION 5. Section 4 of this 2025 Act is repealed on January 2, 2027.

20 SECTION 6. This 2025 Act takes effect on the 91st day after the date on which the 2025  
21 regular session of the Eighty-third Legislative Assembly adjourns sine die.  
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