

**SB 1520 STAFF MEASURE SUMMARY**

**Carrier:** Sen. Hayden

**Senate Committee On Labor and Business**

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**Action Date:** 02/04/26

**Action:** Do pass.

**Vote:** 5-0-0-0

**Yea:** 5 - Campos, Drazan, Hayden, Patterson, Taylor

**Fiscal:** Has minimal fiscal impact

**Revenue:** No revenue impact

**Prepared By:** Whitney Perez, LPRO Analyst

**Meeting Dates:** 2/2, 2/4

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**WHAT THE MEASURE DOES:**

The measure permits the director of the Oregon Employment Department to adopt rules establishing an accounting system for contributions to and benefits paid from the Paid Family and Medical Leave Insurance Fund to ensure compliance with tax reporting and withholding requirements. It specifies what the accounting system may include. It does not expand the director's authority to change the percentage of the total rate of contributions employers and employees are required to pay. The measure takes effect on the 91st day following adjournment sine die.

**ISSUES DISCUSSED:**

- Impact of a 2025 Internal Revenue Service (IRS) ruling
- Plan to address the IRS ruling

**EFFECT OF AMENDMENT:**

No amendment.

**BACKGROUND:**

The Paid Leave Oregon program is contained in Oregon Revised Statutes (ORS) Chapter 657B and was enacted by the legislature in 2019. The program allows eligible Oregon employees to take paid, protected leave for specified family, medical, or safety-related reasons. The program requires employers with 25 or more employees to contribute to the Paid Family and Medical Leave Insurance Fund. The fund maintains the program and consists of contributions from employers and employees, as well as penalties, fees, revenue, and any other money deposited or credited to the account. Employers and employees began making contributions to the fund in January 2023. Paid Leave Oregon began providing benefits to employees and assistance grants to employers in September 2023.

In January 2025, the IRS issued Revenue Ruling 2025-4. This ruling provided guidance on the federal income and employment tax treatment of contributions and benefits paid under a state-paid family and medical leave program, such as Paid Leave Oregon. This guidance concluded that money paid to an employee by a state-paid medical leave program stemming from an employer's contribution qualifies as an employee's gross income, is considered wages for federal employment tax purposes, and is considered a third-party payment of sick pay. It added that states are required to meet employment tax and reporting requirements for these leave benefit payments.