

Submitter: Devon Lawson

On Behalf Of:

Committee: House Committee On Labor and Workforce  
Development

Measure, Appointment or Topic: SB1520

Chair Grayber, Vice-Chairs Muñoz and Scharf, and Members of the Committee:

For the record, my name is Devon Lawson. I am testifying today in strong support of Senate Bill 1520.

While this bill addresses "accounting systems" and "administrative rules," it is fundamentally a bill to protect Oregon's wealth from unnecessary federal extraction.

The IRS has issued a ruling (25-04) that attempts to classify state medical leave benefits as "wages" subject to federal payroll tax if they are funded by employer contributions. If we do nothing, the federal government will siphon millions of dollars out of our state's Paid Leave Trust Fund. That is money paid by Oregon businesses and workers that should stay in Oregon. SB 1520 allows the Department to simply label the dollars correctly. By tracking that medical leave is paid out of the employee contribution pool (which is post-tax), we legally bypass this federal tax grab. This is a zero-cost way to tell the IRS: "Hands off our fund."

This is about defending the social wage. When a worker is out on medical leave, fighting cancer, recovering from surgery, or healing from an injury, that is the worst time to hit them with a surprise tax bill. If we don't pass this, the fund's solvency is threatened. A threatened fund leads to lower benefits or higher contribution rates later. We must build this "firewall" to ensure that every dollar contributed by a worker goes to benefits, not to the federal treasury.

This is a rare moment where labor solidarity and fiscal efficiency align perfectly. We have the opportunity to use a simple accounting mechanism to protect our workers and our businesses from federal taxation. It is a technical fix with a massive material impact.

I urge you to follow the Senate's lead and pass this unanimously.

Thank you.