



March 22, 2023

Senator Kathleen Taylor
Chair, Committee on Labor and Business
900 Court St. NE
Salem, Oregon 97301

RE: Testimony in SUPPORT of SB 881 Relating to Obligations of Worker Leasing Companies Under the Paid Family and Medical Leave Insurance Program

Dear Chair Taylor, Vice Chair Bonham, and Members of the Committee:

Thank you for the opportunity to provide comments in support of Senate Bill 881 and the recent amendments concerning worker leasing companies and issues relating to the state's Paid Family and Medical Leave Insurance Program (Paid Leave Oregon).

Founded in 1986, Insperity (NYSE: NSP) is a professional employer organization (PEO) and industry leader providing full-service HR solutions for small and mid-sized businesses. Nationally, Insperity serves more than 295,000 worksite employees across 43,000 small and mid-sized clients, and is an IRS Certified Professional Employer Organization, and accredited by the Employer Services Assurance Corporation. Insperity has a district sales office in Portland and has been conducting business as a PEO in Oregon for decades and today offers our services to more than 700 clients with over 2,500 worksite employees in the state.

PEOs, also known as worker leasing companies in Oregon, provide comprehensive human resources solutions, such as payroll processing, employee benefits administration, tax administration, and regulatory compliance for small and mid-sized businesses. Clients utilize a PEO as a solution to many of the unique challenges small business owners face, which helps businesses improve productivity, increase profitability, and focus on their core missions. Furthermore, employees working for small and mid-sized businesses that use a PEO gain access to employee benefits they might not typically receive as employees of a small business.

Insperity is a licensed worker leasing company in Oregon and files payroll taxes in the aggregate for all clients. A vast majority of Insperity's 700+ clients are small businesses that average under 25 employees. Because Insperity files payroll taxes in the aggregate, our small employer clients do not utilize their Business Identification Number (BIN), but instead are reported under Insperity's BIN. As a result, Insperity and other aggregate reporting PEOs are seeing significant disruption to our business model in Oregon because clients are not receiving equal treatment under Paid Leave Oregon due to their relationship with a PEO.

As it currently stands, small employers with under 25 employees that use an aggregate reporting PEO in Oregon are at a disadvantage to their small business counterparts simply because they utilize a PEO, and must pay the 0.04% employer contribution tax, which would not be the case absent the PEO arrangement. We do not believe this was the original intent of the Paid Family and Medical Leave Insurance Program legislation.



We are supportive of SB 881 and the recently filed amendments that clarify that for purposes of determining employee count for Paid Leave Oregon, the PEO client would be treated as the employer and the worksite employees would be counted at the client level. This change would be consistent with how other programs in the state (e.g., Oregon Family Leave, Oregon's Paid Sick Time, and OregonSaves) treat the PEO relationship and would avoid further adverse effects.

Further, PEOs and client employers have already been paying the employer contribution tax, which in most cases would not have applied absent the PEO relationship for those PEO clients with fewer than 25 employees. Therefore, we are also supportive of the amendment which will allow PEOs to file an amended return to recover contributions paid on behalf of their small employer clients beginning in Q1 of 2023.

We hope you understand our concern as a PEO with hundreds of small employer clients in Oregon and would strongly urge your support of this legislation so that our small employer partners in Oregon are treated fairly and equitably to other similarly sized businesses. Thank you again for the opportunity to provide testimony on this important measure.

Sincerely,

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