

# OREGON EMPLOYMENT DEPARTMENT

## NOVEMBER 2025 LEGISLATIVE DAYS

**Interim Senate Labor and Business Committee**  
**Monday, November 17, 2025**

Andrew R. Stolfi, Director  
Juan Serratos, Acting Paid Leave Oregon Director

## Revenue Ruling 2025-4 changes tax requirements for paid leave programs across the country:

- The ruling requires states to consider medical leave benefits paid by employer contributions to be wages
- Requires us to tax benefits beyond what has been required in the past
- The state would have to decide whether additional taxes should be paid by employers or the Paid Leave Oregon trust fund

# Options for Implementation

## Payroll-Tax Method

<b>Employers</b>	<ul style="list-style-type: none"><li>• Significant tax burden (if tax liability is assigned to employers)</li><li>• Requires system reprogramming for many employers</li></ul>
<b>Claimants</b>	<ul style="list-style-type: none"><li>• Lower medical benefit payments (after taxes)</li><li>• More complex tax filing</li></ul>
<b>OED</b>	<ul style="list-style-type: none"><li>• Major administrative effort</li><li>• Costs to trust fund</li><li>• Major statutory changes required to implement</li></ul>

## Accounting Method

<b>Employers</b>	<ul style="list-style-type: none"><li>• No impact or costs to employers</li></ul>
<b>Claimants</b>	<ul style="list-style-type: none"><li>• No cost to claimants</li><li>• No tax liability on medical benefits</li></ul>
<b>OED</b>	<ul style="list-style-type: none"><li>• No meaningful trust fund impact</li><li>• Minimal administrative effort</li><li>• Statutory Change required to clarify rulemaking authority</li></ul>

## Next Steps

- Implement Accounting Method
- Work with the legislature on a statutory change
- Establish an internal revenue tracking mechanism
  - Ensure employer contributions are not used to fund medical benefits
- Change Frances system programming
- Adopt required administrative rules as needed

**Thank you!**