

OREGON EMPLOYMENT DEPARTMENT

JANUARY 2026 LEGISLATIVE DAYS

Interim Senate Labor and Business Committee

Tuesday, January 13, 2026

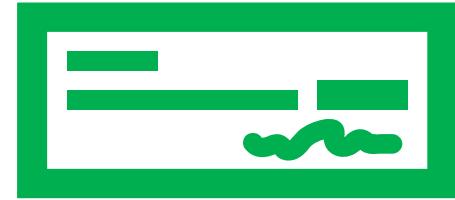
Andrew R. Stolfi, Director

Juan Serratos, Acting Paid Leave Oregon Director

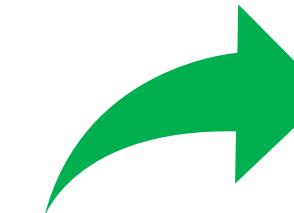
Revenue Ruling 2025-4 changes tax requirements for paid leave programs across the country:

- The ruling requires states to consider medical leave benefits *paid by employer contributions* to be wages
- Requires us to tax medical leave 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
- The IRS has issued an extension until **January 1, 2027**, for ruling to be implemented.

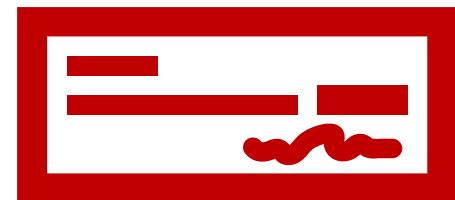
Path Forward



Employee Contributions
60%



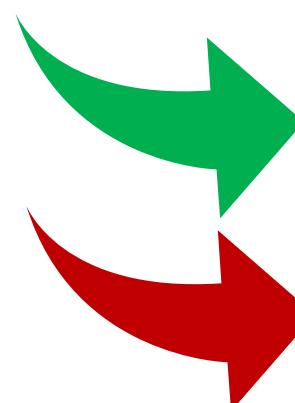
Medical Leave Benefits
~54%



Employer Contributions
40%



Paid Leave Trust Fund



Family Leave Benefits ~45%
Safe Leave Benefits ~1%

Impacts

Employers

- No impact or costs to employers

Claimants

- No cost to claimants
- No tax liability on medical benefits

OED

- No meaningful trust fund impact
- Minimal administrative effort
- Adjustment in statute required to clarify rulemaking authority

Legislative Concept (LC) 220:

- Clarifies OED's rulemaking authority to establish **an accounting system for moneys in the Paid Leave trust fund that ensures compliance with tax reporting and withholding requirements**
- Accounting system may
 - Restrict how contributions in the trust fund are used to pay benefits for specific leave types
 - Allocate trust fund moneys to pay benefits for specific leave types
- Does not authorize OED to change the employer and employee percentage of the total contribution rate

Thank you!