

SB 1520 STAFF MEASURE SUMMARY

Senate Committee On Labor and Business

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Meeting Dates: 2/2, 2/4

WHAT THE MEASURE DOES:

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

Fiscal impact: May have fiscal impact, but no statement yet issued

Revenue impact: No revenue impact

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

Paid Leave Oregon is contained in ORS Chapter 657B and was enacted by the Legislative Assembly in 2019. Paid Leave Oregon 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 program's fund, the Paid Family and Medical Leave Insurance Fund (fund). The fund maintains the Paid Leave Oregon Program and consists of contributions made to the program by employers and employees, and from penalties, fees, revenues, and any other money deposited or credited to the account. Employers and employees began making contributions to the fund in January 2023. The Paid Leave Oregon program began providing benefits to employees and assistance grants to employers in September 2023.

In January 2025, the Internal Revenue Service 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, like Paid Leave Oregon. This guidance concluded that moneys paid to an employee by a state paid medical leave program that stem from an employer's contribution are included in the employee's gross income, are considered wages for federal employment tax purposes, are considered third-party payments of sick pay, and states are required to meet employment tax and reporting requirements for these medical leave benefit payments.