

OREGON EMPLOYMENT DEPARTMENT

Senate Bill 1520 Public Hearing

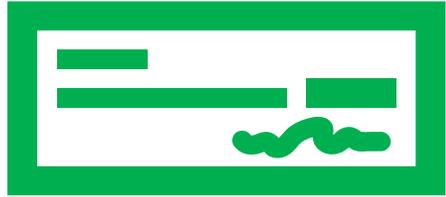
House Labor and Workforce Development Committee
Monday, February 16, 2026
Andrew R. Stolfi, Director
Juan Serratos, Acting Paid Leave Oregon Director

The ruling changes tax requirements for paid leave programs across the country:

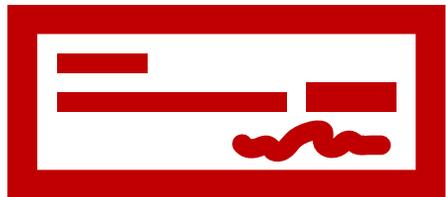
- The ruling requires states to consider medical leave benefits *paid by employer contributions* to be wages
- Requires us to tax medical leave benefits beyond what has been required in the past
- The state would have to decide whether additional taxes should be paid by employers or the Paid Leave Oregon trust fund
- The IRS has issued an extension until **January 1, 2027**, for ruling to be implemented.

- 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

Accounting Method



Employee Contributions
60%



Employer Contributions
40%



Paid Leave Trust Fund



Medical Leave Benefits
~54%



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

Benefits

Employers	<ul style="list-style-type: none">• No impact or costs to employers
Claimants	<ul style="list-style-type: none">• No cost to claimants• No tax liability on medical benefits
OED	<ul style="list-style-type: none">• No meaningful trust fund impact• Minimal administrative effort

Next Steps

- Adopt administrative rules establishing the accounting system
- Establish an internal tracking system and update OED's accounting structure
- Make limited Frances system programming changes

Thank you!