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S.B. 263
136th General Assembly

Bill Analysis

Version: As Introduced

Primary Sponsor: Sen. Roegner

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SUMMARY

- Broadens the Director of Job and Family Service's authority to adopt rules addressing how to determine a professional employer organization's (PEOs), alternative employer organization's (AEO), or PEO reporting entity's experience rating under the Unemployment Compensation Law.
- Eliminates a requirement that those rules include a requirement that each shared employee of a single client employer be reported under a separate and unique subaccount of the PEO, AEO, or PEO reporting entity to reflect the experience of the shared employees of that client employer.
- Eliminates a requirement that the rules include a requirement that the Director use those subaccounts solely to determine a client employer's experience rate.
- Allows, rather than requires, the Director to combine the rate of experience that existed on a client employer's account before entering a PEO or AEO agreement with the experience accumulated under the PEO or AEO agreement.
- Allows, rather than requires, the Director to assign the combined experience of a client employer to the client employer's account on termination of the PEO or AEO agreement.

DETAILED ANALYSIS

Administrative rules for PEOs under the Unemployment Law

The bill broadens the Director of Job and Family Service's rulemaking authority under the Unemployment Compensation Law[1] with respect to determining an experience rate for a professional employer organization (PEO), alternative employer organization (AEO), or a PEO

[1] R.C. Chapter 4141.

reporting entity. PEOs and AEOs are business entities that enter agreements with one or more client employers to share the responsibilities and liabilities of being an employer. PEOs and AEOs must register with the Administrator of Workers' Compensation before operating in Ohio. Two or more PEOs that are majority owned or commonly controlled by the same entity, and that satisfy specific rules and accepted accounting principles, may register in Ohio and operate as a PEO reporting entity.[2]

Under continuing law, the Director must adopt rules governing the payment of unemployment contributions by a PEO, AEO, or PEO reporting entity. The rules must recognize the PEO, AEO, or PEO reporting entity as the employer of record of a shared employee.[3]

The bill requires the Director's rules to generally outline how the Director will determine experience rates for each of a PEO's, AEO's, or PEO reporting entity's client employers. Currently, the rules the Director adopts must determine experience rates using a subaccount method.

Under the subaccount method, a PEO, AEO, or PEO reporting entity reports quarterly wages and contributions attributable to each employee shared with a single client employer under a separate, unique subaccount. Each subaccount reflects the experience of that client employer's shared employees during the period of the agreement between the PEO, AEO, or PEO reporting entity and the client employer. The Director combines the experience rate that existed on the client employer's account before entering a PEO or AEO agreement with the experience attributable to the subaccount while the client employer is subject to the PEO or AEO agreement. The combined experience remains with the client employer's account if the agreement with the PEO, AEO, or PEO reporting entity ends.

Under the bill, the rules the Director adopts to determine a client employer's experience rate may, but are not required, to use a subaccount method. Additionally, the rules may, but are not required to, combine the rate of experience that existed on a client employer's account before entering a PEO or AEO agreement with the experience accumulated under the PEO or AEO agreement. The rules also may, but are not required, to assign the combined experience of a client employer to the client employer's account when a PEO or AEO agreement terminates.[4]

HISTORY

Action	Date
Introduced	09-16-25

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[2] R.C. 4125.01 4125.05, 4133.01, and 4133.07, not in the bill.

[3] R.C. 4141.24(K)(1) and (L).

[4] R.C. 4141.24(K)(2) and Ohio Administrative Code 4141-3-07.