OHIO LEGISLATIVE SERVICE COMMISSION

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Office of Research and Drafting

Legislative Budget Office

S.B. 263*
136th General Assembly

Bill Analysis

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Version: As Reported by Senate Financial Institutions, Insurance, and Technology

Primary Sponsor: Sen. Roegner

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SUMMARY

- Allows a professional employer organization (PEO), alternative employer organization (AEO), or PEO reporting entity to elect to report shared employees of a client employer under the account and experience rate of the PEO, AEO, or PEO reporting entity for purposes of reporting that information under the Unemployment Compensation Law, rather than using a separate, unique subaccount, as under current law.
- Allows, rather than requires, the Director of Job and Family Services 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

Reporting method for PEOs under the Unemployment Law

The bill makes changes to 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 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

* This analysis was prepared before the report of the Senate Financial Institutions, Insurance, and Technology Committee appeared in the Senate Journal. Note that the legislative history may be incomplete.

[1] R.C. Chapter 4141.

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 of Job and Family Services 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]

Under current law, 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.[4]

Under the bill, a PEO, AEO, or PEO reporting entity may elect to report shared employees of a client employer under the account and experience rate of the PEO, AEO, or PEO reporting entity by giving notice to the Director. A PEO, AEO, or PEO reporting entity that has made an election under the bill that has been in effect for two or more calendar years may change the election by notifying the Director. The Director must recalculate the experience rates of the PEO, AEO, or PEO reporting entity after the Director receives notice of an election or election change. The recalculated rate is effective beginning in the calendar year following the date the director receives notice of the election.[5] Under continuing law, contribution rates are determined annually on July 1 and apply to the following calendar year.[6]

The bill allows a PEO, AEO, or PEO reporting entity to make an election within 60 days after the bill's effective date to apply immediately upon the date the Director receives notice of the election.[7]

Additionally, the bill allows, rather than requires, the Director, under the rules the Director adopts, 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 bill also allows, rather than requires, the Director to assign the combined experience of a client employer to the client employer's account when a PEO or AEO agreement terminates.[8]

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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)(1) and (2).

[5] R.C. 4141.24(K)(5).

[6] R.C. 4141.01(T) and (U) and 4141.25, not in the bill.

[7] Section 3.

[8] R.C. 4141.24(K)(2).

HISTORY

Action	Date
Introduced	09-16-25
Reported, S. Financial Institutions, Insurance, and Technology	---

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