OHIO LEGISLATIVE SERVICE COMMISSION

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Office of Research and Drafting

Legislative Budget Office

S.B. 263
136th General Assembly

Final Analysis

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Primary Sponsor: Sen. Roegner

Effective date: September 17, 2026

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SUMMARY

- Allows a professional employer organization (PEO), alternate 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 required under former law.
- Allows, rather than requires, the Director of Job and Family Services to combine the experience rate that existed on a client employer's account before entering a PEO or AEO agreement with the experience attributable to the client employer 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 Compensation Law

The act makes changes to the Unemployment Compensation Law[1] with respect to determining an experience rate for a professional employer organization (PEO), alternate employer organization (AEO), or 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

[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]

The act allows a PEO, AEO, or PEO reporting entity to elect to report the quarterly wages and contributions of shared employees of a client employer under the account and experience rate of the PEO, AEO, or PEO reporting entity, rather than a separate and unique subaccount of the PEO, AEO, or PEO reporting entity as required under continuing law for those that do not make the election. Under continuing law, a 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. A PEO, AEO, or PEO reporting entity may make an election by giving notice to the Director. A PEO, AEO, or PEO reporting entity that makes an election under the act that is 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.[4] Under continuing law, contribution rates are determined annually on July 1 and apply to the following calendar year.[5]

The act allows a PEO, AEO, or PEO reporting entity to make an election not later than November 16, 2026. The Director must then recalculate the experience rate of the PEO, AEO, or PEO reporting entity, and the recalculated rate takes effect immediately upon the date the Director receives notice of the election.[6]

Additionally, the act allows, rather than requires as under former law, the Director, by rule, to combine the rate of experience that existed on a client employer's account before entering a PEO or AEO agreement with the experience attributable to the client employer while subject to the agreement. The act 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.[7]

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

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

[4] R.C. 4141.24(K)(5) and (L).

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

[6] Section 3.

[7] R.C. 4141.24(K)(2) and (L).

HISTORY

Action	Date
Introduced	09-16-25
Reported, S. Financial Institutions, Insurance, and Technology	03-04-26
Passed Senate (31-0)	03-04-26
Reported, H. Public Insurance and Pensions	06-03-26
Passed House (92-0)	06-03-26

26-ANSB0263EN-136/ar