

HCS HBs 1656 & 2075 -- PROFESSIONAL EMPLOYER ORGANIZATION

SPONSOR: Cornejo

COMMITTEE ACTION: Voted "Do Pass with HCS" by the Standing Committee on General Laws by a vote of 11 to 1. Voted "Do Pass" by the Rules- Legislative Oversight Committee by a vote of 11 to 0.

This bill establishes regulations and registration requirements for professional employer organizations (PEOs). The bill requires all PEOs to be registered with the Secretary of State. Registration of PEOs may be done individually or as a group. At the time of registration, and every year thereafter, the PEO or PEO group must file with the Secretary of State an audit performed by an independent certified public accountant. A PEO may be eligible for limited registration if it meets certain requirements.

The Secretary of State shall maintain a list of PEOs registered in this state. PEOs shall pay an initial registration fee not to exceed \$500 with an annual renewal fee not to exceed \$250. However, no fee shall exceed the amount reasonably necessary for the administration of the bill.

Each PEO or PEO group shall maintain either positive working capital or provide a bond, irrevocable letter of credit, or securities with a minimum market value equaling the deficiency plus \$100,000 to the department. PEOs seeking limited registration are not required to meet these requirements.

The bill establishes the conditions under which a client and a PEO may enter into a professional employment agreement as well as the rights and responsibilities of each party.

Persons may be sanctioned by the Secretary of State for providing professional employer services without registering with the Secretary of State, or for providing false or fraudulent information to the Secretary of State in conjunction with any registration, renewal, or report required by this bill. Such sanctions may include revocation of license or the imposition of an administrative penalty of not more than \$1,000, among other potential penalties.

This bill provides that a client shall be entitled to the benefit of any tax credit, economic incentive, or other benefit arising as the result of the employment of covered employees of such client. The client's status or certification as a minority-owned or woman-owned business enterprise shall not be affected because such client has entered into an agreement with a PEO or uses the services of a PEO. The PEO shall be responsible for providing workers'

compensation coverage for covered employees.

This bill is similar to SB 600 (2018), SB 266, and HBs 1154, 1196 and 1198 (2017).

PROPOSERS: Supporters say that this bill would offer statutory and operational certainty for PEOs and their customers. PEOs provide human resource, payroll, and other administrative services, so that small businesses can focus on their customers. Currently 41 states require PEOs to register with the state. This bill would provide protections and create stability with regard to the use of PEOs. The bill defines and standardizes the PEO employer relationship.

Testifying for the bill were Representative Cornejo; Alexander Davis, Employer Advantage; and Melissa Kelly, National Association of Professional Employer Organizations (NAPEO).

OPPOSERS: There was no opposition voiced to the committee.