



Senate Bill 201, Alternate Employer Organizations

Proponent Testimony

Terrence O'Donnell on behalf of Minute Men
Ohio Senate Transportation, Commerce and Workforce Committee
Wednesday, November 20, 2019, 10:00 a.m. South Hearing Room

Chairman McColley, Vice Chair Johnson, and Ranking Member Antonio:

I am pleased to represent Minute Men to support SB 201. Minute Men operates a Professional Employer Organization (PEO) headquartered in Cleveland, Ohio. They employ 400 Ohioans there and in satellite offices around the state. We believe Minute Men's PEO is Ohio's largest, with roughly 3,000 Ohio companies as members and 40,000 "worksites-employees."

Harvard University has recognized Minute Men as one of the top 100 American companies headquartered in an inner-city neighborhood. Case Western Reserve University's Weatherhead listed Minute Men as one of the region's 100 fastest-growing companies, and just this month Minute Men was inducted into the Cleveland Business Hall of Fame.

But as the bill sponsor Senator Dolan said last week, SB 201 is not about PEOs. Rather, it provides a new, permissive choice for those companies (often small businesses) that choose to utilize a PEO. PEOs serve alongside the client-employer as "co-employers" and provide HR services. This bill simply says that under such an arrangement, the PEO can file federal taxes under the tax identification number of the **client-employer**, as opposed to the PEO itself. If that option is utilized, SB 201 refers to the company an "Alternate Employer Organization," or "AEO" so as to distinguish the two models.

SB 201 makes no other changes to the current manner in which PEOs or their customers are regulated. The bill would make no changes to the amount of tax owed or alter the liability of the AEO to pay the taxes. In fact, the bill was drafted to make explicit that the AEO remains liable for all federal, state, and local taxes. The change in SB 201 is simply clerical.

Minute Men supports SB 201 because it offers client-employers a **heightened level of transparency** with respect to their tax liabilities. When a company enters a PEO-relationship, both the PEO and the client-employer hold "joint and several" liability for tax obligations. Minute Men strongly believes that while their customers generally like the PEO model, many would prefer that if there is any issue with the payment of taxes (i.e., late payment, underpayment, overpayment), the IRS will notify the customer **directly**. That transparency provides companies with comfort that they will be immediately alerted to any such tax issues that could arise—and for which they (along with their PEO/AEO) remain liable. And if PEOs or customers would rather the taxes be filed under the PEO's tax i.d. number, under SB 201 that practice may continue. This simply offers another option.

In closing, we note that this issue has percolated for several years. When it came up in 2013 at a regulatory proceeding, companies from across Ohio weighed in on the issue with the attached letters of support. While these letters are not specific to SB 201, the issue is identical.

We urge the Committee to favorably report SB 201 and give Ohio small businesses this choice to have greater transparency with respect to their tax obligations. Thank you for your consideration.