



Senate Bill 201, Alternate Employer Organizations
Proponent Testimony

Ohio House of Representatives Commerce & Labor Committee
Thursday, November 19, 2020
3:00 p.m. Hearing Room 116

Chair Manning, Vice Chair Dean, and Ranking Member Lepore-Hagan:

I am pleased to represent Minute Men in support of Senate Bill 201. Minute Men operates a Professional Employer Organization (PEO) headquartered in Cleveland, Ohio, where they employ 400 Ohioans at their headquarters on Carnegie Avenue, and in satellite offices around the state. Their PEO division serves roughly 3,000 Ohio companies as members and 40,000 “worksite-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 Man as one of the region's 100 fastest-growing companies.

This bill is not about PEOs *per se*. Rather, it provides a new, permissive choice for companies that may choose to utilize a PEO for their HR needs. PEOs serve alongside their customer-companies 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. If that option is utilized, SB 201 refers to the company an “Alternate Employer Organization,” or “AEO” so as to distinguish the two models.

Aside from the use of the client-employers' tax identification number, 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 the liability of the AEO to pay the taxes.

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 accept liability for tax obligations. Minute Men's experience in the marketplace has led them to believe that while their customers generally like the PEO model, they would prefer that if there is any issue with the payment of taxes (i.e., late payment, underpayment, overpayment), the IRS will call that customer **directly**. That transparency provides companies with comfort that they will be immediately alerted to any such tax issues that could arise.

This bill passed the Ohio Senate unanimously and we are hopeful for House passage this year. Thank you for your consideration.