Legislative Analysis

Mitchell Bean, Director
Phone: (517) 373-8080
http://www.house.mi.gov/hfa

REGULATION OF PROFESSONAL EMPLOYEE ORGANIZATIONS: CHANGE EFFECTIVE DATES

House Bill 4584 (Substitute H-1)
Sponsor: Rep. Paul Opsommer
Committee: Commerce

Complete to 5-25-11

A SUMMARY OF HOUSE BILL 4584 AS REPORTED FROM COMMITTEE

The bill would alter the effective dates for the recently enacted Michigan Professional Employer Organization Act, which was Public Act 370 of 2010 (MCL 338.3727, et al.).

That act currently carries an effective date of July 1, 2011. House Bill 4584 would change the act's effective date to January 1, 2012. It also makes July 1, 2012, the date when certain of the act's requirements take effect, including the licensure requirements.

Among other things, Public Act 370 of 2010 requires the licensure of professional employer organizations; establishes working capital and bonding requirements; establishes requirements for agreements between PEOs and their clients, including the responsibility for complying with the Workers Disability Compensation Act; prescribes the responsibilities of PEOs and their clients regarding supervision of employees, legal liability, pay and benefits, and payment of taxes; specify certain prohibited conduct and provide sanctions and criminal penalties.

BACKGROUND INFORMATION:

Public Act 370 of 2010 was enacted by the Legislature at the very end of the 2009-2010 legislative session, with the passage of Senate Bill 1037. It was not presented to Governor Granholm until December 29th. It had been discharged from a House committee and passed by the House in a single day (on December 15th) without any changes to the version the Senate had passed in September. House Bill 4584 would delay the effective date of the new act by six months to give regulators and the regulated businesses sufficient time for effective implementation. The act creates an entirely new licensing system and process.

[According to the National Association of Professional Employers Organizations, *a PEO provides integrated services to effectively manage critical human resource responsibilities and employer risks for clients. A PEO delivers these services by establishing and maintaining an employer relationship with the employees at the client's worksite and by contractually assuming certain employer rights, responsibilities, and risk. Businesses today need help managing increasingly complex employee related matters such as health benefits, workers' compensation claims, payroll, payroll tax compliance, and unemployment insurance claims. They contract with a PEO to assume these responsibilities and provide expertise in human resources management. This allows* *the PEO client to concentrate on the operational and revenue-producing side of its operations.*]

FISCAL IMPACT:

The bill would have no fiscal impact on the state or local units of government.

POSITIONS:

The Department of Licensing and Regulatory Affairs indicated support for the bill. (5-24-22)

The National Association of PEOs indicated support for the bill. (5-24-11)

Legislative Analyst: Chris Couch
Fiscal Analyst: Mark Wolf

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.