

Legislative Analysis



REPEAL MICHIGAN PROFESSIONAL EMPLOYER ORGANIZATION REGULATORY ACT

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House Bill 5686

Sponsor: Rep. Jeff Farrington

Committee: Regulatory Reform

Complete to 5-29-12

A SUMMARY OF HOUSE BILL 5686 AS INTRODUCED 5-29-12

The bill would repeal the Michigan Professional Employer Organization Regulatory Act (2010 PA 370). Among other things, the act prohibited a person from holding itself out as providing professional employer services in Michigan unless licensed as a professional employer organization (PEO); specified requirements for the operation and licensure of PEOs, including financial reporting and auditing; established working capital and bonding requirements; and prescribed responsibilities of PEOs and their clients with regard to supervision of employees, legal liability, pay and benefits, and payment of taxes.

Professional employer organizations are independent businesses that provide employees to a client and are responsible for those employees' wages and benefits. According to the National Association of Professional Employer Organizations (NAPEO), they allow their client companies to outsource the management of human resources, employee benefits, payroll, and workers' compensation.

The Office of Regulatory Reinvention's (ORR) recommendations regarding Occupational Licensing, issued on February 17, 2012, recommended eliminating regulation for professional employer organizations. According to the recommendation, the act was a way to combat employment practices that manipulated unemployment liability and workers compensation rates for employers, but should be repealed because it lacks statutory substance to correct the problem and provide for public protection. The recommendation concludes that regulation "does not provide a public health and safety benefit to consumers to warrant use of public resources to regulate them."

MCL 338.3721 to 338.3747

FISCAL IMPACT:

A fiscal analysis is in process.

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