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**Before the Kansas House Committee on Commerce, Labor and Economic Development  
Testimony of Michael Kreiter, Director of State Government Affairs  
National Association of Professional Employer Organizations (NAPEO)  
House Bill 2076: Removing a Restriction for Purposes of Employment Security Law on the  
Leasing of Certain Employees by Businesses from Lessor Employing Units  
February 5, 2019**

Good morning Chairman Tarwater and members of the Committee. My name is Michael Kreiter and I represent the National Association of Professional Employer Organizations (NAPEO). On behalf of our entire membership, and specifically those members operating in Kansas, I am here to testify **in support of House Bill 2076**, a measure that will alleviate an administrative burden that creates a filing complexity for small businesses and professional employer organizations (PEOs)<sup>1</sup> operating in Kansas.

NAPEO is the national trade association of the PEO industry and represents about 85 percent of the industry's estimated \$136 to \$152 billion in gross revenues. NAPEO has some 300 PEO members, ranging from start-ups to large publicly-held companies, with years of success in the industry, as well as 200 service provider members. Approximately 175,000 businesses and more than 3.7 million people are part of PEO arrangements. **In Kansas, NAPEO's footprint includes approximately 80 member companies who report doing business in the state and over \$700 million dollars in worksite wages.**

By way of background, PEOs provide comprehensive human resource solutions to small and mid-sized businesses that allow their clients to focus on their core competencies to maintain and grow their business. PEOs administer employee benefits and workers' compensation insurance, prepare payroll, remit employment taxes, and assist with state and federal compliance. Because of these services, small businesses that use PEOs grow faster, have lower employee turnover, and are less likely to go out of business than those businesses who do not use a PEO.

PEOs provide important and valuable services to small businesses, including the submission of quarterly contributions and wage reports on behalf of their clients for unemployment insurance purposes. Currently, the statute under section 44-758 stipulates that individual proprietors,

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<sup>1</sup> In Kansas, PEOs are regulated entities, subject to the requirements and duties found under the Professional Employer Organization Registration Act (KS Stat §§ 44-1701 to 44-1711).

partners or corporate officers who are shareholders or members of the board of directors of a client company cannot be leased employees, consequently prohibiting those individuals from being a part of the PEO relationship. As a result, quarterly unemployment tax and wage reports for these individuals must be submitted separately by the client. This creates a tremendous burden for both the small business and the PEO by requiring the management of two separate UI accounts for a single client. The suggested technical amendment in HB 2076 would eliminate this prohibition and allow PEOs to submit a single report for each client, thus alleviating the encumbrance on small businesses in Kansas by allowing them to focus on their core functions. Additionally, removal of this antiquated constraint will bring Kansas current with the requirements found in a majority of other states.

Again, we urge your support of House Bill 2076. Thank you for your time and consideration.

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