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Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2012 Regular Session of the General Assembly.

SENATE ENROLLED ACT No. 506

AN ACT to amend the Indiana Code concerning labor and safety.

Be it enacted by the General Assembly of the State of Indiana:

SECTION 1. IC 22-4-6.5 IS ADDED TO THE INDIANA CODE AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]:

Chapter 6.5. Professional Employer Organizations

Sec. 1. As used in this chapter, "client" has the meaning set forth in IC 27-16-2-3.

Sec. 2. As used in this chapter, "client level reporting method" has the meaning set forth in section 11(a) of this chapter.

Sec. 3. As used in this chapter, "covered employee" has the meaning set forth in IC 27-16-2-8.

Sec. 4. As used in this chapter, "professional employer agreement" has the meaning set forth in IC 27-16-2-12.

Sec. 5. As used in this chapter, "professional employer organization" or "PEO" has the meaning set forth in IC 27-16-2-13.

Sec. 6. As used in this chapter, "PEO level reporting method" has the meaning set forth in section 9(a) of this chapter.

Sec. 7. (a) For purposes of this article, a covered employee of a PEO is an employee of the PEO.

(b) A PEO is responsible for the payment of contributions, surcharges, penalties, and interest assessed under this article on wages paid by the PEO to the PEO's covered employees during the

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term of the professional employer agreement.

Sec. 8. (a) A PEO shall use the client level reporting method to report and pay all required contributions to the unemployment compensation fund as required by IC 22-4-10, unless the PEO elects the PEO level reporting method under section 9 of this chapter.

(b) A PEO that initially elects the PEO level reporting method under section 9 of this chapter may subsequently elect the client level reporting method under section 11 of this chapter.

(c) A PEO using the client level reporting method may not change its reporting method.

(d) Except as provided by IC 22-4-32-21(d), a PEO and its related entities shall use the same reporting method for all clients.

Sec. 9. (a) A PEO may elect the PEO level reporting method, which uses the state employer account number and contribution rate of the PEO to report and pay all required contributions to the unemployment compensation fund as required by IC 22-4-10.

(b) A PEO shall make the election required by subsection (a) not later than the following:

(1) December 1, 2013, if the PEO is doing business in Indiana on July 1, 2013.

(2) The first date the PEO is liable to make contributions under this article for at least one (1) covered employee, if the PEO begins doing business in Indiana after July 1, 2013.

(c) The election required by subsection (a) must be made in writing on forms prescribed by the department.

(d) A PEO that does not make an election under this section shall use the client level reporting method.

Sec. 10. (a) The following apply to a PEO that elects to use the PEO level reporting method:

(1) The PEO shall file all quarterly contribution and wage reports in accordance with IC 22-4-10-1.

(2) Whenever the PEO enters into a professional employer agreement with a client, the PEO:

(A) shall notify the department not later than fifteen (15) days after the end of the quarter in which the professional employer agreement became effective; and

(B) is subject to IC 22-4-10-6 and IC 22-4-11.5, beginning on the effective date of the professional employer agreement.

(3) The PEO shall notify the department in writing on forms prescribed by the department not later than fifteen (15) days

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after the date of the following:

- (A) The PEO and a client terminate a professional employer agreement.
- (B) The PEO elects the client level reporting method under section 11 of this chapter.

After receiving a notice under this subdivision, the department shall make any changes required by IC 22-4-10-6 and IC 22-4-11.5.

(b) Except as provided by IC 22-4-32-21(d), a PEO that elects to use the PEO level reporting method is liable for all contributions, interest, penalties, and surcharges until the effective date of an election under section 11 of this chapter by the PEO to change to the client level reporting method.

Sec. 11. (a) A PEO using the PEO level reporting method may elect the client level reporting method, which uses the state employer account number and contribution rate of the client to report and pay all required contributions to the unemployment compensation fund as required by IC 22-4-10.

(b) A PEO shall make an election under subsection (a) not later than December 1 of the calendar year before the calendar year in which the election is effective.

(c) An election under subsection (a) must be made in writing on forms prescribed by the department.

(d) An election under subsection (a) is effective on January 1 of the calendar year immediately following the year in which the department receives the notice described in subsection (c).

Sec. 12. The following apply to a PEO that elects to use the client level reporting method:

- (1) Whenever the PEO enters into a professional employer agreement with a client, the PEO shall notify the department not later than fifteen (15) days after the end of the quarter in which the professional employer agreement became effective.
- (2) If a client is an employing unit on the date the professional employer agreement becomes effective, the client retains its experience balance, liabilities, and wage credits, and IC 22-4-10-6 does not apply to the client.
- (3) If a client is not an employing unit on the date the professional employer agreement becomes effective, the client immediately qualifies for an employer experience account under IC 22-4-7-2(f) and is subject to IC 22-4-11-2(b)(2) for purposes of establishing an initial contribution rate.
- (4) A client is associated with the PEO's employer experience

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account by means of the PEO's primary federal employer identification number (FEIN) for purposes of liability under this article and federal certification.

(5) Upon the termination of a professional employer agreement between the PEO and a client:

(A) the client retains the experience balance, liabilities, and wage credits for the client's employing unit account;

(B) the client's federal employer identification number (FEIN) becomes the primary FEIN on the employing unit's account; and

(C) the PEO's FEIN is not associated with the client's employing unit account after the date:

(i) all outstanding reports are submitted; and

(ii) all outstanding liabilities are paid in full.

Sec. 13. (a) A client that transfers between PEOs is not subject to IC 22-4-10-6 and IC 22-4-11.5 whenever:

(1) the PEOs are not commonly owned, managed, or controlled; and

(2) both PEOs have elected to use the PEO level reporting method.

(b) The client of a PEO that has elected to use the client level reporting method may elect to become liable for payments in lieu of contributions (as defined in IC 22-4-2-32) whenever:

(1) the client is otherwise eligible to make the election; and

(2) the requirements of IC 22-4-10-1 are met.

SECTION 2. IC 22-4-9-3, AS AMENDED BY P.L.108-2006, SECTION 8, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 3. (a) This section is subject to the provisions of **IC 22-4-6.5 and IC 22-4-11.5.**

(b) Any employer subject to this article as successor to an employer pursuant to the provisions of IC 22-4-7-2(a) or IC 22-4-7-2(b) shall cease to be an employer at the end of the year in which the acquisition occurs only if the department finds that within such calendar year the employment experience of the predecessor prior to the date of disposition combined with the employment experience of the successor subsequent to the date of acquisition would not be sufficient to qualify the successor employer as an employer under the provisions of IC 22-4-7-1. No such successor employer may cease to be an employer subject to this article at the end of the first year of the current period of coverage of the predecessor employer. If all of the resources and liabilities of the experience account of an employer are assumed by another in accordance with the provisions of IC 22-4-10-6 or

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IC 22-4-10-7, such employer's status as employer and under this article is hereby terminated unless and until such employer subsequently qualifies under the provisions of IC 22-4-7-1 or IC 22-4-7-2 or elects to become an employer under sections 4 or 5 of this chapter.

(c) If no application for termination, as herein provided, is filed by an employer and four (4) full calendar years have elapsed since any contributions have become payable from such employer, then and in such cases the department may terminate such employer's experience account.

SECTION 3. IC 22-4-10-6, AS AMENDED BY P.L.108-2006, SECTION 13, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 6. (a) **Except as provided by IC 22-4-6.5**, when:

- (1) an employing unit (whether or not an employing unit at the time of the acquisition) becomes an employer under IC 22-4-7-2(a);
- (2) an employer acquires the organization, trade, or business, or substantially all the assets of another employer; or
- (3) an employer transfers all or a portion of the employer's trade or business (including the employer's workforce) to another employer as described in IC 22-4-11.5-7;

the successor employer shall, in accordance with the rules prescribed by the department, assume the position of the predecessor with respect to all the resources and liabilities of the predecessor's experience account.

(b) Except as provided by **IC 22-4-6.5** or IC 22-4-11.5, when:

- (1) an employing unit (whether or not an employing unit at the time of the acquisition) becomes an employer under IC 22-4-7-2(b); or
- (2) an employer acquires a distinct and segregable portion of the organization, trade, or business within this state of another employer;

the successor employer shall assume the position of the predecessor employer with respect to the portion of the resources and liabilities of the predecessor's experience account as pertains to the distinct and segregable portion of the predecessor's organization, trade, or business acquired by the successor. An application for the acquiring employer to assume this portion of the resources and liabilities of the disposing employer's experience account must be filed with the department on prescribed forms not later than thirty (30) days immediately following the disposition date or not later than ten (10) days after the disposing and acquiring employers are mailed or otherwise delivered final notice that the acquiring employer is a successor employer, whichever is the

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earlier date. This portion of the resources and liabilities of the disposing employer's experience account shall be transferred in accordance with IC 22-4-11.5.

(c) Except as provided by **IC 22-4-6.5** or IC 22-4-11.5, the successor employer, if an employer prior to the acquisition, shall pay at the rate of contribution originally assigned to it for the calendar year in which the acquisition occurs, until the end of that year. If an employer prior to the acquisition, the successor employer shall pay the rate of ~~two and seven-tenths percent (2.7%)~~ **determined under IC 22-4-11-2(b)(2)**, unless the successor employer assumes all or part of the resources and liabilities of the predecessor employer's experience account, in which event the successor employer shall pay at the rate of contribution assigned to the predecessor employer for the period starting with the first day of the calendar quarter in which the acquisition occurs, until the end of that year. However, if a successor employer, not an employer prior to the acquisition, simultaneously acquires all or part of the experience balance of two (2) or more employers, the successor employer shall pay at the highest rate applicable to the experience accounts totally or partially acquired for the period starting with the first day of the calendar quarter in which the acquisition occurs, until the end of the year. If the successor employer had any employment prior to the date of acquisition upon which contributions were owed under IC 22-4-9-1, the employer's rate of contribution from the first of the year to the first day of the calendar quarter in which the acquisition occurred would be ~~two and seven-tenths percent (2.7%)~~: **determined under IC 22-4-11-2(b)(2)**.

SECTION 4. IC 22-4-10-7, AS AMENDED BY P.L.98-2005, SECTION 7, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 7. (a) Except as provided by **IC 22-4-6.5** or IC 22-4-11.5, when an employing unit (whether or not an employing unit prior thereto) assumes all of the resources and liabilities of the experience account of a predecessor employer, as provided in section 6 of this chapter, amounts paid by such predecessor employer shall be deemed to have been so paid by such successor employer. The experience of such predecessor with respect to unemployment risk, including but not limited to past payrolls and contributions, shall be credited to the account of such successor.

(b) The payments of benefits to an individual shall not in any case be denied or withheld because the experience account of an employer does not reflect a balance and total of contributions paid to be in excess of benefits charged to such experience account.

SECTION 5. IC 22-4-32-21 IS AMENDED TO READ AS

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FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 21. (a) Any individual, group of individuals, or other legal entity, whether or not an employing unit which acquires all or part of the organization, trade, or business within this state of an employer or which acquires all or part of the assets of such organization, trade or business, shall notify the commissioner in writing by registered mail not later than five (5) days prior to the acquisition.

(b) Unless such notice is given, the commissioner shall have the right to proceed against either the predecessor or successor, in personam or in rem, for the collection of contributions and interest due or accrued and unpaid by the predecessor, as of the date of such acquisition, and the amount of such liability shall, in addition, be a lien against the property or assets so acquired which shall be prior to all other liens. However, the lien shall not be valid as against one who acquires from the successor any interest in the property or assets in good faith, for value and without notice of the lien.

(c) On written request after the acquisition is completed, the commissioner shall furnish the successor with a written statement of the amount of contributions and interest due or accrued and unpaid by the predecessor as of the date of such acquisition, and the liability of the successor and the amount of the lien shall in no event exceed the reasonable value of the property or assets acquired by the successor from the predecessor or the amount disclosed by such statement, whichever is the lesser.

(d) An acquirer described in subsection (a) or a professional employer organization under IC 22-4-6.5 may file a request for clearance in the manner prescribed by the department at least five (5) business days before an acquisition or transfer. After filing a request, the acquirer or professional employer organization is entitled to receive a statement indicating whether an account being acquired or transferred is in good standing with the department as of the date of the transfer. If the statement shows that the account that is being acquired or transferred is in good standing with the department at the time of the transfer, and the department later discovers an outstanding liability associated with the acquired or transferred account, the department:

(1) may not assess a delinquent employer rate modification under IC 22-4-11-2 based on the account for which a statement was made under this subsection; and

(2) in the case of a PEO, shall administratively separate the acquired or transferred client account from the PEO until the liability is recovered.

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(d) (e) The remedies prescribed by this section are in addition to all other existing remedies against the predecessor or successor.

SECTION 6. IC 27-16-10 IS REPEALED [EFFECTIVE JANUARY 1, 2014]. (Unemployment Compensation Insurance).

SECTION 7. [EFFECTIVE JULY 1, 2013] (a) **After December 31, 2013, 646 IAC 5-1-14 and 646 IAC 5-4 are void. The publisher of the Indiana Administrative Code and the Indiana Register shall remove 646 IAC 5-1-14 and 646 IAC 5-4 from the Indiana Administrative Code.**

(b) **This SECTION expires July 1, 2014.**

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President of the Senate

President Pro Tempore

Speaker of the House of Representatives

Governor of the State of Indiana

Date: _____ Time: _____

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