

THE GENERAL ASSEMBLY OF PENNSYLVANIA

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# HOUSE BILL

## No. 2695 Session of 2006

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INTRODUCED BY WILT, CALTAGIRONE, CAPPELLI, CRAHALLA, DALLY,  
GOODMAN, HENNESSEY, HICKERNELL, LEH, MUSTIO, SIPTROTH,  
R. STEVENSON, E. Z. TAYLOR, TURZAI, YOUNGBLOOD AND GERGELY,  
MAY 25, 2006

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REFERRED TO COMMITTEE ON PROFESSIONAL LICENSURE, MAY 25, 2006

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AN ACT

1 Providing for recognition and registration of professional  
2 employer organizations; conferring powers and duties on the  
3 Department of Labor and Industry; and imposing penalties.

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7 The General Assembly of the Commonwealth of Pennsylvania  
8 hereby enacts as follows:

9 Section 1. Short title.

10 This act shall be known and may be cited as the Professional  
11 Employer Organization Act.

12 Section 2. Declaration of policy.

13 The General Assembly finds and declares as follows:

14 (1) PEOs provide a valuable service to commerce and the  
15 citizens of this Commonwealth by increasing the opportunities  
16 of employers to develop cost-effective methods of satisfying  
17 their personnel requirements and providing employees with  
18 access to certain employment benefits which might otherwise  
19 not be available to them.

20 (2) PEOs operating in this Commonwealth should be  
21 properly recognized and regulated by the Department of Labor  
22 and Industry.

23 (3) Any allocation of the employer duties and  
24 responsibilities pursuant to this act will preserve the  
25 rights to which covered employees would be entitled under a  
26 traditional employment relationship.

27 Section 3. Definitions.

28 The following words and phrases when used in this act shall  
29 have the meanings given to them in this section unless the  
30 context clearly indicates otherwise:

1 "Administrative fee." The fee charged to a client by a  
2 professional employer organization for professional employer  
3 services. The term does not include any amount of a fee which is  
4 for wages and salaries, benefits, workers' compensation, payroll  
5 taxes, withholding or other assessments paid by the professional  
6 employer organization to or on behalf of a covered employee  
7 under a professional employer agreement.

8 "Client." A person that enters into a professional employer  
9 agreement with a professional employer organization.

10 "Coemployer." A professional employer organization or  
11 client.

12 "Coemployment relationship." A relationship which is  
13 intended to be an ongoing relationship rather than a temporary  
14 or project specific one, wherein the rights, duties and  
15 obligations of an employer which arise out of an employment  
16 relationship have been allocated between coemployers pursuant to  
17 this act or pursuant to a professional employer agreement.

18 "Control person." As follows, for a professional employer  
19 organization:

20 (1) If the professional employer organization is a sole  
21 proprietorship, the sole proprietor.

22 (2) If the professional employer organization is a  
23 partnership, a partner.

24 (3) If the professional employer organization is an  
25 association, an officer or director.

26 (4) If the professional employer organization is a  
27 corporation:

28 (i) An officer.

29 (ii) A director.

30 (iii) A stockholder holding at least 25% or more of

1           the equity interests of the professional employer  
2           organization.

3       "Covered employee." An individual having a coemployment  
4 relationship with a professional employer organization and a  
5 client who meets all of the following criteria:

6           (1) The individual has received written notice of  
7 coemployment with the professional employer organization.

8           (2) The individual's coemployment relationship is  
9 pursuant to a professional employer agreement subject to this  
10 act.

11 The term includes any officer, director, shareholder, partner  
12 and manager of the client who acts as an operational manager or  
13 performs day-to-day operational services for the client to the  
14 extent the professional employer organization and the client  
15 have expressly agreed in the professional employer agreement  
16 that such an individual would be a covered employee.

17       "Department." The Department of Labor and Industry of the  
18 Commonwealth.

19       "PEO." A professional employer organization. The term  
20 includes a person engaged in the business of providing  
21 professional employer services.

22       "PEO group." More than one professional employer  
23 organization which are majority-owned or commonly controlled by  
24 the same entity, parent or control person.

25       "Person." Any individual, partnership, corporation, limited  
26 liability company, association or any other form of legally  
27 recognized entity.

28       "Professional employer agreement." A written contract  
29 between a client and a professional employer organization which  
30 provides:

1           (1) For the coemployment of covered employees.

2           (2) For the allocation of employer rights and  
3 obligations between the client and the professional employer  
4 organization with respect to the covered employees.

5           (3) For the professional employer organization and the  
6 client to assume the responsibilities required by this act.

7       "Professional employer service." The service of entering  
8 into a coemployment relationship in which at least a majority of  
9 the employees providing services to a client or to a division or  
10 work unit of clients are covered employees.

11       "Registrant." A professional employer organization  
12 registered under this act.

13       "Secretary." The Secretary of Labor and Industry of the  
14 Commonwealth.

15       "Temporary help service." Service consisting of a person  
16 doing all of the following:

17           (1) Recruiting and hiring its own employees.

18           (2) Finding another organization which needs the  
19 services of those employees.

20           (3) Assigning those employees to:

21               (i) Perform work at or services for the other  
22 organization to support or supplement the other  
23 organization's work force.

24               (ii) Provide assistance in special work situations  
25 such as employee absences, skill shortages and seasonal  
26 workloads.

27               (iii) Perform special assignments or projects.

28           (4) Customarily attempting to reassign the employees to  
29 other organizations when they finish each assignment.

30 Section 4. Coemployment relationship.

1 The following apply to a coemployment relationship:

2 (1) The PEO is entitled to enforce only those employer  
3 rights and is subject to only those obligations specifically  
4 allocated to the PEO by the professional employer agreement  
5 or this act.

6 (2) The client is entitled to enforce those rights and  
7 is obligated to provide and perform only those employer  
8 obligations allocated to the client by the professional  
9 employer agreement or this act.

10 (3) The client is entitled to enforce any right and is  
11 obligated to perform any obligation of an employer not  
12 specifically allocated to the PEO by the professional  
13 employer agreement or this act.

14 Section 5. Scope.

15 (a) General rule.--Except as set forth in subsection (b), a  
16 PEO shall be subject to registration and regulation under this  
17 act. This subsection applies regardless of its use of the term  
18 or conducting business as a "professional employer  
19 organization," "PEO," "staff leasing company," "registered staff  
20 leasing company," "employee leasing company," "administrative  
21 employer" or any other name.

22 (b) Exception.--The following are not subject to this act:

23 (1) An arrangement under which a person shares employees  
24 with a commonly owned company within the meaning of section  
25 414(b) and (c) of the Internal Revenue Code of 1986 (Public  
26 Law 99-514, 26 U.S.C. § 414(b) and (c)) as long as the  
27 person:

28 (i) Does not enter into professional employer  
29 arrangements as a principal business activity.

30 (ii) Does not hold itself out as a PEO.

1           (2) An independent contractor arrangement by which a  
2 person assumes responsibility for the product produced or  
3 service performed by the person or the person's agents and  
4 retains and exercises primary direction and control over the  
5 work performed by the individuals whose services are supplied  
6 under the arrangements.

7           (3) Providing temporary help services.

8 Section 6. Rights, duties and obligations unaffected by this  
9 act.

10       (a) Collective bargaining agreements.--Nothing contained in  
11 this act or in any professional employer agreement shall affect,  
12 modify or amend any collective bargaining agreement or the  
13 rights or obligations of any client, PEO or covered employee  
14 under the National Labor Relations Act (49 Stat. 449, 29 U.S.C.  
15 § 151 et seq.), the Railway Labor Act (Public Law 69-257, 44  
16 Stat. 577) or the act of June 1, 1937 (P.L.1168, No.294), known  
17 as the Pennsylvania Labor Relations Act.

18       (b) Employment arrangements.--

19           (1) Nothing in this act shall do any of the following:

20               (i) Diminish or abolish rights of covered employees  
21 of a client or obligations of the client to a covered  
22 employee existing prior to the effective date of this  
23 paragraph.

24               (ii) Modify a contractual relationship or  
25 restrictive covenant between a covered employee and a  
26 client in effect on the effective date of this paragraph.

27               (iii) Create a new enforceable right of a covered  
28 employee against a PEO.

29           (2) Nothing in a professional employer agreement may do  
30 any of the following:

1           (i) Diminish or abolish rights of covered employees  
2           of a client or obligations of the client to a covered  
3           employee existing prior to the effective date of the  
4           agreement.

5           (ii) Modify a contractual relationship or  
6           restrictive covenant between a covered employee and a  
7           client in effect on the effective date of the agreement.

8           (iii) Create a new enforceable right of a covered  
9           employee against a PEO.

10       (c) Licensing.--Nothing contained in this act or any  
11       professional employer agreement shall affect, modify or amend  
12       any Federal, State or local licensing, registration or  
13       certification requirement applicable to any client or covered  
14       employee. The following shall apply:

15           (1) A covered employee who must be licensed, registered  
16           or certified according to law or regulation shall be deemed  
17           solely an employee of the client for purposes of the license,  
18           registration or certification requirement.

19           (2) A PEO shall not be deemed to have engaged in any  
20           occupation, trade, profession or other activity that is  
21           subject to licensing, registration or certification  
22           requirements or is otherwise regulated by a governmental  
23           entity solely by entering into and maintaining a coemployment  
24           relationship with a covered employee who is subject to the  
25           requirements or regulations.

26           (3) A client shall be solely responsible for the  
27           professional or licensed activities of covered employees and  
28           of the client's business. The covered employees and clients  
29           shall remain subject to regulation by the regulatory or  
30           governmental entity responsible for licensing, registration



or certification of the covered employees or clients.

(d) Tax credits and other incentives.--For the purposes of determination of tax credits and other economic incentives provided by the Commonwealth or other government entity and based on employment, covered employees shall be deemed to be employees solely of the client. A client shall be entitled to the benefit of any tax credit, economic incentive or other benefit arising as the result of the employment of covered employees of the client. If the grant or amount of any incentives is based on the number of employees, each client shall be treated as employing only those covered employees coemployed by the client. Covered employees working for other clients of the PEO shall not be counted. Each PEO shall provide, upon request by a client or the Commonwealth, any employment information required by the Commonwealth necessary to support any request, claim, application or other action by a client seeking the tax credit or economic incentive.

(e) Disadvantaged business.--With respect to a bid, contract, purchase order or agreement entered into with the Commonwealth or one of its political subdivisions, a client company's status or certification as a small, minority-owned, disadvantaged or woman-owned business enterprise or as a historically underutilized business shall not be affected because the client company has entered into a professional employer organization agreement with a PEO or uses the services of a PEO.

#### Section 7. Registration requirements.

(a) Registration required.--This section sets forth the registration requirements.

(b) Registration information.--Each applicant for

1 registration under this act shall provide the department with  
2 all of the following information:

3 (1) The name under which the PEO conducts business.

4 (2) The address of the principal place of business of  
5 the PEO and the address of each office it maintains in this  
6 Commonwealth.

7 (3) The PEO's taxpayer or employer identification  
8 number.

9 (4) A list by jurisdiction of each name under which the  
10 PEO has operated in the preceding five years, including any  
11 alternative names, names of predecessors and if known,  
12 successor business entities.

13 (5) A statement of ownership, which shall include the  
14 name and evidence of the business experience of any person  
15 that, individually or acting in concert with one or more  
16 other persons, owns or controls, directly or indirectly, 25%  
17 or more of the equity interests of the PEO and any additional  
18 individual that maintains day-to-day control of operation of  
19 the PEO.

20 (6) A statement of management, which shall include the  
21 name and evidence of the business experience of any person  
22 who serves as president, chief executive officer or otherwise  
23 has the authority to act as senior executive officer of the  
24 PEO.

25 (7) A financial statement setting forth the financial  
26 condition of the PEO within 180 days after the end of the  
27 PEO's fiscal year submitted to the department, prepared in  
28 accordance with generally accepted accounting principles and  
29 audited by an independent certified public accountant  
30 licensed to practice in the jurisdiction in which the

1 accountant is located. A PEO group may submit combined or  
2 consolidated audited financial statements to meet the  
3 requirements of this paragraph. A PEO that has not had  
4 sufficient operating history to have audited financial  
5 statements based upon at least 12 months of operating history  
6 must meet the financial capacity requirements in section 9  
7 and must present pro forma financial statements reviewed by a  
8 certified public accountant.

9 (8) A list of clients with covered employees located in  
10 this Commonwealth.

11 (c) Initial registration.--The following shall apply to  
12 initial registration:

13 (1) Each PEO operating within this Commonwealth on the  
14 effective date of this paragraph shall complete its initial  
15 registration within 180 days of the effective date of this  
16 paragraph. The initial registration shall be valid until the  
17 end of the PEO's first fiscal year that ends more than one  
18 year after the effective date of this paragraph.

19 (2) Each PEO not operating within this Commonwealth on  
20 the effective date of this paragraph shall complete its  
21 initial registration prior to commencement of operations  
22 within this Commonwealth.

23 (d) Renewal.--Within 180 days after the end of a  
24 registrant's fiscal year, the registrant shall renew its  
25 registration by notifying the department of any changes in the  
26 information provided in the registrant's most recent  
27 registration or renewal.

28 (e) PEO group registration.--A PEO group may satisfy any  
29 reporting and financial requirements of this section on a  
30 combined or consolidated basis if each member of the PEO group

1 guarantees the obligations required under this act of each other  
2 member of the PEO group.

3 (f) Limited registration.--The following shall apply to  
4 limited registration:

5 (1) A PEO shall be eligible for a limited registration  
6 under this act if the PEO:

7 (i) submits a properly executed request for limited  
8 registration on a form provided by the department;

9 (ii) is domiciled outside this Commonwealth and is  
10 licensed or registered as a PEO in another state;

11 (iii) does not maintain an office in this  
12 Commonwealth or does not directly solicit clients located  
13 or domiciled within this Commonwealth; and

14 (iv) does not have more than 50 covered employees  
15 employed or domiciled in this Commonwealth at any time.

16 (2) A limited registration shall be valid for one year  
17 and may be renewed.

18 (3) A PEO seeking limited registration under this  
19 paragraph shall provide the department with information and  
20 documentation necessary to show that the PEO qualifies for a  
21 limited registration.

22 (4) Section 9 shall not apply to applicants for limited  
23 registration.

24 (g) Alternative registration.--The department may promulgate  
25 rules and regulations providing for the acceptance of an  
26 affidavit or certificate by a bonded, independent and qualified  
27 assurance organization, approved by the department, which  
28 certifies the qualifications of a PEO instead of imposing the  
29 requirements of this section and section 9.

30 (h) List.--The department shall maintain a list of PEOs

1 registered under this section.

2 (i) Forms.--The department may prescribe forms necessary to  
3 promote the efficient administration of this section.

4 (j) Record confidentiality.--All records, reports and other  
5 information obtained from a PEO under this act, except to the  
6 extent necessary for the proper administration of this act by  
7 the department, shall be confidential and shall not be published  
8 or open to public inspection other than to public employees in  
9 the performance of their public duties.

10 Section 8. Fees.

11 (a) Initial registration.--Upon filing an initial  
12 registration statement under this act, a PEO shall pay an  
13 initial registration fee not to exceed \$500.

14 (b) Renewal.--Upon each annual renewal of a registration  
15 statement filed under this act, a PEO shall pay a renewal fee  
16 not to exceed \$250.

17 (c) Group registration.--The department shall promulgate  
18 rules and regulations setting the fee, if any, to be charged for  
19 a group registration.

20 (d) Limited registration.--A PEO seeking limited  
21 registration shall pay an initial and annual fee not to exceed  
22 \$250.

23 (e) Alternative registration.--A PEO seeking alternative  
24 registration shall pay an initial and annual fee not to exceed  
25 \$250.

26 (f) Limitation on fees.--Notwithstanding any other provision  
27 of this act, no fee charged pursuant to this act shall exceed  
28 the amount reasonably necessary for the administration of this  
29 act.

30 Section 9. Financial capability.

1 Except as provided in section 7(f) and (g), each PEO shall  
2 maintain one of the following:

3 (1) A minimum of \$100,000 in working capital. This  
4 amount shall be the sum total of current liabilities deducted  
5 from its current assets, as defined by generally accepted  
6 accounting principles. The amount of current assets and  
7 current liabilities shall not differ from the amounts shown  
8 on the financial statements submitted to the department at  
9 the initial registration and each annual renewal. A PEO or  
10 PEO group with less than \$100,000 in working capital at  
11 renewal shall have 180 days to eliminate the deficiency.

12 During the 180-day period, the PEO or PEO group shall submit  
13 quarterly financial statements to the department accompanied  
14 by an attestation of the chief executive officer that all  
15 wages, taxes, workers' compensation premiums and employee  
16 benefits have been paid by the PEO or members of the PEO  
17 group.

18 (2) A bond, irrevocable letter of credit or securities  
19 with a minimum market value of \$100,000 as reflected in the  
20 financial statements submitted to the department. The bond  
21 shall be held by a depository designated by the department  
22 and shall secure payment by the PEO of all taxes, wages,  
23 benefits or other entitlements due to or with respect to its  
24 covered employees if the PEO does not make the payments when  
25 due. For any PEO or PEO group whose annual financial  
26 statements do not indicate positive working capital, the  
27 amount of the bond shall be \$100,000 plus an amount  
28 sufficient to cover the deficit in working capital.

29 Section 10. Requirements and provisions.

30 (a) Allocation of rights, duties and obligations.--Except as

provided in this act or in a professional employer agreement,  
the following shall apply in each coemployment relationship:

(1) The client shall be entitled to exercise all rights  
and shall be obligated to perform all duties and  
responsibilities otherwise applicable to an employer in an  
employment relationship.

(2) The PEO shall be entitled to exercise only those  
rights and shall be obligated to perform only those duties  
and responsibilities required by this act or set forth in the  
professional employer agreement. The rights, duties and  
obligations of the PEO as coemployer with respect to any  
covered employee shall be limited to those arising pursuant  
to the professional employer agreement and this act during  
the term of coemployment by the PEO of the covered employee.

(3) Unless otherwise expressly agreed to by the PEO and  
the client in a professional employer agreement, the PEO  
reserves a right of direction and control over the covered  
employees, except that the client shall maintain direction  
and control over the covered employees as is necessary to  
conduct the client's business, to discharge any of the  
client's fiduciary responsibilities or to comply with any  
licensure requirements applicable to the client or to the  
covered employees.

(b) Contractual relationship.--Except as provided in this  
act, the coemployment relationship between the client and the  
PEO and between each coemployer and each covered employee shall  
be governed by the professional employer agreement. Each  
professional employer agreement shall include all of the  
following provisions:

(1) The allocation of rights, duties and obligations as

1 described in subsection (a).

2 (2) That the PEO shall have responsibility to pay wages  
3 to covered employees, to withhold, collect, report and remit  
4 unemployment and payroll-related taxes and, to the extent the  
5 PEO has assumed responsibility in the professional employer  
6 agreement, to make payments for employee benefits for covered  
7 employees. As used in this paragraph, the term "wages" does  
8 not include any obligation between a client and a covered  
9 employee for payments beyond or in addition to the covered  
10 employee's salary, draw or regular rate of pay, such as  
11 bonuses, commissions, severance pay, deferred compensation,  
12 profit sharing or vacation, sick or other paid time-off pay  
13 unless the PEO has expressly agreed to assume liability for  
14 the payments in the professional employer agreement.

15 (3) That the PEO shall have a right to hire, discipline  
16 and terminate a covered employee as may be necessary to  
17 fulfill the PEO's responsibilities under this act and the  
18 professional employer agreement.

19 (c) Notice to covered employees.--With respect to each  
20 professional employer agreement entered into by a PEO, the PEO  
21 shall provide written notice to each covered employee affected  
22 by the agreement of the general nature of the coemployment  
23 relationship between and among the PEO, the client and the  
24 covered employee.

25 (d) Specific responsibilities.--Except to the extent  
26 otherwise expressly provided for by the applicable professional  
27 employer agreement, all of the following shall apply:

28 (1) A client shall be solely responsible for the  
29 quality, adequacy or safety of the goods or services produced  
30 or sold in the client's business.



1           (2) A client shall be solely responsible for the work of  
2 the covered employees with respect to the business activities  
3 of the client and solely responsible for the acts, errors or  
4 omissions of the covered employees with regard to the  
5 activities.

6           (3) A client shall not be liable for the acts, errors or  
7 omissions of a PEO or of any covered employee of the client  
8 and a PEO when the covered employee is acting under the  
9 express direction and control of the PEO.

10          (4) A PEO shall not be liable for the acts, errors or  
11 omissions of a client or of any covered employee of the  
12 client when the covered employee is acting under the express  
13 direction and control of the client.

14          (5) A covered employee shall not be, solely as the  
15 result of being a covered employee of a PEO, an employee of  
16 the PEO for purposes of general liability insurance, fidelity  
17 bonds, surety bonds, employer's liability which is not  
18 covered by workers' compensation or liquor liability  
19 insurance carried by the PEO unless the covered employee is  
20 included by specific reference in the professional employer  
21 agreement and applicable prearranged employment contract,  
22 insurance contract or bond.

23          (e) Sale of professional employer services.--A PEO under  
24 this act shall not be considered to be engaged in the sale of  
25 insurance or in acting as a third-party administrator by  
26 offering, marketing, selling, administering or providing  
27 professional employer services which include services and  
28 employee benefit plans for covered employees.

29          (f) Taxation.--The following shall apply:

30           (1) Covered employees whose services are subject to

1 sales tax shall be deemed the employees of the client for  
2 purposes of collecting and levying sales tax on the services  
3 performed by the covered employee. Nothing contained in this  
4 act shall relieve a client of any sales tax liability with  
5 respect to its goods or services.

6 (2) Any tax upon professional employer services or any  
7 business license or other fee which is based upon gross  
8 receipts shall be limited to the administrative fee of the  
9 PEO.

10 (3) Any tax assessed on a per capita or per employee  
11 basis shall be assessed against the client for covered  
12 employees and against the PEO for its employees who are not  
13 covered employees coemployed with a client.

14 (4) In the case of tax imposed or calculated upon the  
15 basis of total payroll, the PEO shall be eligible to apply  
16 any small business allowance or exemption available to the  
17 client for the covered employees for the purpose of computing  
18 the tax.

19 Section 11. Benefit plans.

20 (a) Employer status.--

21 (1) Both the client and the PEO shall each be deemed an  
22 employer of the covered employees. As a result, each would be  
23 eligible to sponsor retirement and welfare benefit plans for  
24 their covered employees. For purposes of this section,  
25 benefit plans do not include workers' compensation insurance.

26 (2) A PEO shall be considered the employer of all of its  
27 covered employees. All covered employees of one or more  
28 clients participating in a health benefit plan sponsored by a  
29 single PEO shall be considered employees of the PEO.

30 (b) Single employer.--A fully insured welfare benefit plan

1 offered to the covered employees of a single PEO shall be  
2 considered a single employer welfare benefit plan and shall not  
3 be considered a multiple employer welfare arrangement.

4 (c) Plans not fully insured.--If a PEO offers to its covered  
5 employees a health benefit plan which is not fully insured by an  
6 authorized insurer, the plan shall do all of the following:

7 (1) Utilize a third-party administrator licensed to do  
8 business in this Commonwealth.

9 (2) Hold all plan assets, including participant  
10 contributions, in a trust account.

11 (3) Provide sound reserves for the plan as determined  
12 using generally accepted actuarial standards.

13 (4) Provide written notice to each covered employee  
14 participating in the benefit plan that the plan is self-  
15 insured or is not fully insured.

16 Section 12. Unemployment compensation.

17 (a) General rule.--

18 (1) The PEO may file unemployment compensation reports  
19 and pay unemployment compensation contributions, penalties  
20 and interest on behalf of the client. For purposes of the act  
21 of December 5, 1936 (2nd Sp.Sess., 1937 P.L.2897, No.1),  
22 known as the Unemployment Compensation Law, the client shall  
23 be the sole employer of its covered employees.

24 (2) Notwithstanding section 4(1)(6) of the Unemployment  
25 Compensation Law, whether services performed by a covered  
26 employee constitute employment within the meaning of the  
27 Unemployment Compensation Law shall be determined in  
28 accordance with paragraph (1).

29 (3) Notwithstanding section 4(x)(6) of the Unemployment  
30 Compensation Law, whether remuneration paid to a covered

employee by a PEO constitutes wages within the meaning of the Unemployment Compensation Law shall be determined in accordance with section (4)(x)(1) of the Unemployment Compensation Law.

(b) Requirements.--

(1) A report filed or a payment made under this subsection by a PEO shall be filed or made on the client's unemployment compensation account.

(2) A payment of contributions under this subsection by a PEO shall be made at the client's contribution rate.

(3) An authorization, filing or payment under this subsection shall be made in the manner prescribed by the department.

(4) This subsection shall not be construed to allow multiple reports to be filed on a client's unemployment compensation account for a calendar quarter.

(c) Transfer of experience.--A PEO shall not transfer an experience record and reserve account balance to a client, as described under section 301(d) of the Unemployment Compensation Law.

(d) Definitions.--Except as set forth in section 3 and unless the context clearly indicates otherwise, words and phrases used in this section shall have the meanings given to them in the Unemployment Compensation Law.

Section 13. Penalties.

(a) Prohibited acts.--A person may not do any of the following:

(1) Offer or provide professional employer services unless the person is a registrant.

(2) Advertise or otherwise hold itself out as providing

1 professional employer services unless the person is a  
2 registrant.

3 (3) Use the names "PEO," "professional employer  
4 organization," "staff leasing," "employee leasing,"  
5 "administrative employer" or other title representing  
6 professional employer services unless the person is a  
7 registrant.

8 (4) Knowingly provide false or fraudulent information to  
9 the department in conjunction with any registration, renewal  
10 or report required under this act.

11 (b) Grading.--A person violating subsection (a) commits a  
12 summary offense.

#### 13 Section 14. Sanctions.

14 (a) Acts.--Disciplinary action may be taken by the  
15 department against a registrant for any of the following:

16 (1) The registrant violates section 13(a).

17 (2) The registrant knowingly makes a material  
18 misrepresentation to the department or another Commonwealth  
19 agency.

20 (3) The registrant intentionally violates this act or  
21 any order or regulation issued by the department under this  
22 act.

23 (4) The registrant or a control person is sentenced for  
24 an offense which relates to the operation of a PEO, to fraud  
25 or deceit or to the ability to operate a PEO.

26 (b) Sanctions.--For an act under subsection (a), the  
27 department may impose the following sanctions:

28 (1) Revoke registration.

29 (2) Refuse to renew registration.

30 (3) Impose an administrative penalty in an amount not to

1 exceed \$1,000 for each violation.

2 (4) Place the registrant on probation for the period and  
3 subject to conditions that the department specifies.

4 (c) Administrative agency law.--This section is subject to 2  
5 Pa.C.S. Ch. 5 Subch. A (relating to practice and procedure of  
6 Commonwealth agencies) and Ch. 7 Subch. A (relating to judicial  
7 review of Commonwealth agency action).

8 Section 15. Injunction.

9 The department may bring an action in equity to enjoin a  
10 violation of section 13(a).

11 Section 16. Administration.

12 When the department is prepared to administer registration  
13 under this act, it shall transmit notice of this fact to the  
14 Legislative Reference Bureau for publication in the Pennsylvania  
15 Bulletin.

16 Section 17. Applicability.

17 This act shall apply as follows:

18 (1) Section 12(a) shall apply to services for which  
19 wages are paid on or after the effective date of this  
20 paragraph.

21 (2) Section 12(b) shall apply to reports and payments  
22 for calendar quarters beginning on or after the effective  
23 date of this paragraph.

24 Section 18. Effective date.

25 This act shall take effect as follows:

26 (1) The following provisions shall take effect  
27 immediately.

28 (i) Section 1.

29 (ii) Section 3.

30 (iii) Section 16.

1                   (iv) This section.

2                   (2) Section 13(a)(1), (2) and (3) shall take effect upon  
3 publication of the notice under section 16.

4                   (3) The remainder of this act shall take effect in 60  
5 days.