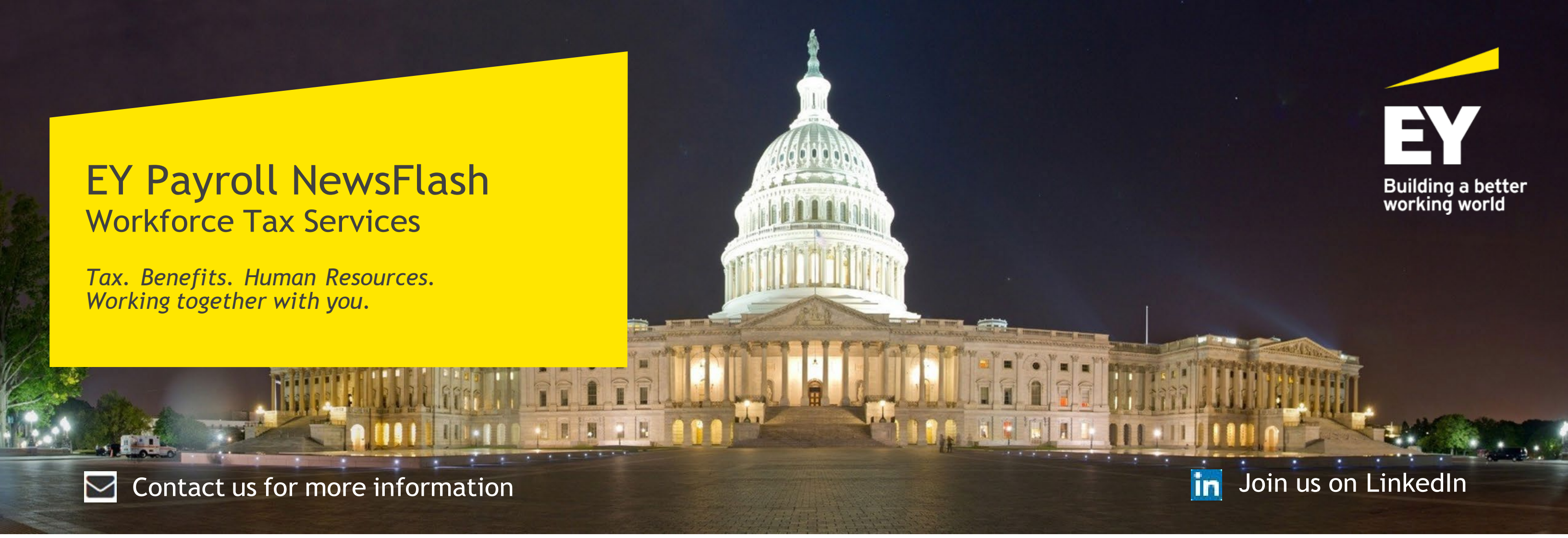

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Oregon paid family and leave insurance contribution limits effective January 1, 2023

Summary

- *Beginning January 1, 2023, Oregon employers will be required to make contributions to the state's paid family and medical leave insurance (PFMLI) program.*
- *The contribution rate is 1% of taxable wages up to $132,900 (as indexed annually for inflation).*
- *Employees pay 60% of contribution, and employers pay the remaining 40%.*
- *Small employers with fewer than 25 employees are not required to pay the employer portion of contributions. Larger employers may choose to pay the employee portion as a benefit for their employees. For purposes of these provisions, the OED will notify employers of their size each year.*

The Oregon Employment Department (OED) released the 2023 PFMLI rates and limits reflecting that beginning January 1, 2023, the contribution rate is 1% of taxable wages up to $132,900 (as indexed annually for inflation). Employees pay 60% of contribution, and employers pay the remaining 40%. For example, if an employee made $1,000 in wages, the employee pays $6 and the employer pays $4.

Small employers with fewer than 25 employees are not required to pay the employer portion of contributions. Larger employers may choose to pay the employee portion as a benefit for their employees. For purposes of these provisions, the OED will notify employers of their size each year.

Contributions will be included in combined payroll forms starting first quarter 2023. Employers will deduct employees' PFMLI from paychecks beginning January 1, 2023. Employers will then report wages and pay both the employee and employer contributions through the combined payroll reporting process via the new online reporting program Frances Online).

Background

Oregon HB 2005, enacted in 2019, created a PFMLI program that is funded by both employers and employees. Employers with fewer than 25 employees are exempt from paying the employer contribution, though they may choose to pay the employer's portion. The OED administers the program. (*EY Tax Alert 2019-1458, 8-13-2019.)*

Legislation enacted in 2021 (HB 3398) delayed the requirement for employers to begin making PFMLI contributions from January 1, 2022 to January 1, 2023 and the date that employees may begin collecting PFMLI benefits from January 1, 2023 to September 3, 2023. (*EY Tax Alert 2021-1461, 8-3-2021; see also 2022-0071, 1-13-2022.)*

Self-employed individuals may opt into the state PFMLI program.

The definition of wages is the same as for state unemployment insurance (SUI) contributions (*ORS 657.105*), but the taxable wage limit differs. If employers of fewer than 25 employees elect to pay the 40% employer portion, they may be eligible for a state grant. Assistance grants are available for small employers to help with the costs of replacing an employee taking paid leave. The grants cover up to $3,000 per employee for up to 10 employees per year ($30,000 total). Small employers that receive grants commit to pay the employer portion of contributions for two years.

Employee notices

Employers are required to provide written notice to employees regarding their entitlement to PFMLI benefits. The OED will develop a model notice that employers may use.

PFMLI benefits

Starting September 3, 2023, up to 12 weeks of paid PFMLI benefits (14 weeks if pregnancy-related) will be available to eligible individuals, with an additional four weeks of unpaid leave possible. "Eligible employee" is defined as one who has earned at least $1,000 in wages during the base year. PFMLI benefits may be used for family, medical and safe leave purposes. The benefit amount will be determined based on the employee's average weekly wage during the base period, with the benefit amount potentially reaching 100% of the employee's average weekly wage, limited to a maximum state weekly benefit amount. PFMLI benefits must be used in coordination with unpaid leave taken under the state and federal Family and Medical Leave Act and are in addition to any employer-paid sick time, vacation leave or other paid leave. In any week in which an employee is eligible to receive workers' compensation or unemployment benefits, the employee is disqualified from receiving PFMLI benefits.

Go here for a fact sheet on employee PFMLI benefits.

Eligible employees' positions of employment and benefits with the employer are protected while the employee is on leave if the employee has been employed by the employer for 90 days before commencing PFMLI leave.

The law allows employers to alternatively provide the same or better benefits as the PFMLI program at the same or lesser cost to employees through a private plan. Private plans must be approved by the OED and meet certain requirements. Employees covered by an approved private plan are not required to contribute to the state's PFMLI program. Go here for more information on how to apply for approval beginning September 2022.

Go here for information for employers on the Oregon PFMLI. Go here for employer frequently asked questions and here for fact sheets regarding the program. For further information, send an email to paidleave@oregon.gov.

Ernst & Young LLP insights

Oregon joins a growing list of states (California, Colorado, Connecticut, District of Columbia, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island, and Washington) that have enacted legislation to establish a state insurance program for PFMLI.

For the current PFLMI rates, read our special report here. For information concerning the federal treatment of PFLMI, read our special report here.

Contact us for more information

Workforce Tax Services - Employment Tax Advisory Services

Kristie Lowery
kristie.lowery@ey.com

Ken Hausser
Kenneth.hausser@ey.com

Debera Salam
debera.salam@ey.com