



ARIZONA STATE SENATE
Fifty-Sixth Legislature, Second Regular Session

FACT SHEET FOR H.B. 2252

professional employer organization; repeal

Purpose

Removes the requirement for a professional employer organization (PEO) to register with the Secretary of State (SOS).

Background

A *PEO* is any person who is engaged in the business of providing professional employer services whether or not the person uses the term professional employer organization, staff leasing company, registered staff leasing company, employee leasing company or any other name. A PEO excludes: 1) any person whose principal business activity is not entering into professional employer agreements and who does not hold itself out as a professional employer organization; 2) a person who shares employees with a commonly owned company; 3) arrangements by a person who assumes responsibility for the product that is produced or service that is performed by the person and who retains and exercises the primary discretion and control over the work performed by the person whose services are supplied under the arrangement; or 4) a person who hires temporary help for the purpose of supporting or supplementing a client's employees.

Current statute requires every PEO that provides professional employer services in the state to register with the SOS. Every PEO located in the state must maintain either: 1) a minimum net worth of \$100,000; or 2) a bond, an irrevocable letter of credit or securities that have a minimum market value of \$100,000. The bond must be held by a depository designated by the SOS. A person who provides professional employer services or uses the name PEO without first registering with the SOS is guilty of a class 1 misdemeanor and may be subject to a civil penalty up to \$1,000 for each violation ([A.R.S. Title 23, Chapter 3, Article 4](#)).

In 2005, the Legislature enacted legislation relating to the registration of PEOs with the SOS ([Laws 2005, Ch. 212](#)). Since 2008, the Legislature has delayed implementation of the statutes relating PEO registration ([Laws 2023, Ch. 144](#)).

There is no anticipated fiscal impact to the state General Fund associated with this legislation.

Provisions

1. Removes the requirement for a PEO to register with the SOS.
2. Specifies that a bond required to be maintained by a PEO must be held by an insured depository institution, rather than by a depository designated by the SOS.
3. Repeals statutes relating to the administration of the PEO registration requirement.

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4. Makes technical and conforming changes.
5. Becomes effective on the general effective date.

House Action

COM	2/13/24	DP	10-0-0-0
3 rd Read	2/22/24		58-0-1-0-1

Prepared by Senate Research
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JT/MA/slp