



HOUSE BILL 717: Amend NC PEO Act.

2025-2026 General Assembly

Committee:	House Rules, Calendar, and Operations of the House	Date:	April 29, 2025
Introduced by:	Reps. Humphrey, Setzer, Balkcom	Prepared by:	Karyl Smith
Analysis of:	Second Edition		Staff Attorney

OVERVIEW: *House Bill 717 would make various changes to the North Carolina Professional Employer Organization Act (Act), as recommended by the Department of Insurance.*

[As introduced, this bill was identical to S268, as introduced by Sens. Johnson, Britt, Settle, which is currently in Senate Rules and Operations of the Senate.]

CURRENT LAW & BILL ANALYSIS: House Bill 717 would do the following:

Section 1: Modify Definitions

G.S. 58-89A-5 provides several definitions for terms used in the Act.

Section 1 would add definitions for two new terms: "tangible net worth" and "working capital."

Section 2: Amend Professional Employer Organization Groups

G.S. 58-89A-35 provides that two or more professional employer organizations that are controlled by the same ultimate parent, entity, or persons may be licensed as a professional employer organization group.

Section 2 would modify the statute by allowing two or more persons that are controlled by the same ultimate parent, entity, or persons to be licensed as a professional employer organization group.

Section 3: Make Conforming Changes

Section 3 would make conforming changes by referencing a new term.

Sections 4 and 5: Clarify Requirements for a License Application

G.S. 58-89A-60(a) requires an applicant for licensure to file with the Commissioner of Insurance (Commissioner) certain information, including a list of all officers and controlling persons of the applicant, along with their biographical information, management background, and an affidavit from each attesting to his or her good moral character and management competence.

G.S. 58-89A-60(b) requires an applicant to file with the Commissioner an audited financial statement that is prepared not more than 90 days before the date of the application and demonstrates that the applicant or licensee's current assets exceed current liabilities. A professional employer organization (PEO) group may submit combined or consolidated audited financial statements to meet the requirements of this section, except that a PEO that does not have audited financial statements based on at least 12 months of operating history must meet certain financial capacity requirements and present financial statements reviewed by a certified public accountant.

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G.S. 58-89A-60(g) allows the Commissioner to deny an applicant's license if, after notice to the applicant and an opportunity for a hearing, the Commissioner finds that a controlling person has engaged in certain actions.

Section 4 would repeal G.S. 58-89A-60(g).

Section 5 would do the following:

- Require an applicant to file with the Commissioner the education and business experience of all officers and controlling persons of the applicant.
- Require an applicant to file with the Commissioner an audited financial statement that is prepared not more than 120 days before the date of application and demonstrates that the applicant has a tangible net worth of not less than \$50,000 and positive working capital.
- Allow persons applying for a PEO group license to submit combined or consolidated audited financial statements, provided that the statement include a combining or consolidating balance sheet and statement of operations of each proposed member as supplemental information to the statement. An applicant that does not have at least 12 months of operating history may meet certain financial requirements by filing with the Commissioner financial statements that have been reviewed by an independent certified public accountant and have been prepared not more than 90 days before the date of application.
- Allow the Commissioner to accept the audited financial statement of an applicant's parent company under specific circumstances.
- Allow the Commissioner to deny an applicant's license if the Commissioner finds certain information.

Section 6: Change License Maintenance Procedures

G.S. 58-89A-70(d) requires a professional employer organization licensee to file, within 120 days after the end of each fiscal year, the following information with the Commissioner of Insurance (Commissioner): (i) evidence of "financial responsibility"; (ii) any change in certain required information; (iii) the annual filing fee; and (iv) any other information the Commissioner determines is needed for the review of a licensee.

G.S. 58-89A-70(e) provides that, in order to maintain licensure, a licensee may be required to file, no later than 45 days after the end of each quarter of the fiscal year, with the Commissioner (i) a non-audited financial statement for the preceding quarter that is set forth in a format similar to the annual audited financial statement and (ii) an attestation that the licensee is current with respect all of its obligations for payroll, payroll-related taxes, workers' compensation insurance, and employee benefits.

Section 6 would do the following:

- Remove the evidence of "financial responsibility" requirement in G.S. 58-89A-70(d) and instead require an audited financial statement of the licensee or, if allowed by the Commissioner, an audited financial statement of the licensee's parent.
- Require the licensee to file the attestation described in G.S. 58-89A-70(e) with the Commissioner within 120 days after the end of each fiscal year.

Section 7: Modify Requirements to Satisfy De Minimis Registration

G.S. 58-89A-75 allows a person who seeks to offer limited professional employer services in this State to be eligible for de minimis registration status and operate as a de minimis registrant in this State upon

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providing proper notice to the Commissioner of Insurance. A person may only satisfy the requirements for a de minimis registration if the professional employer organization (PEO) (i) does not maintain a physical PEO office located in this State; (ii) does not employ salespersons who reside or direct their sales activities in this State; (iii) does not employ, directly or in common control with another person, more than 50 assigned employees in this State; (iv) does not advertise through any media outlet physically located in this State; (v) is a licensed or registered PEO in at least one other state of the United States; and (vi) is operated by and under the control of persons of good moral character.

Section 7 would do the following:

- Add a new requirement for a de minimis registration stating that the PEO must not be domiciled in this State.
- Clarify that a person is not prohibited from advertising through publications, trade journals, directories, radio, television, or the internet if that advertising is not expressly directed toward employers in this State.
- Only allow a licensed PEO in at least one other state to satisfy the de minimis registration requirements.

EFFECTIVE DATE: The bill would become effective when it becomes law, and would apply to applications for license issuance or renewal submitted on or after that date.