

AN ACT

relating to the regulation of professional employer organizations.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 91.001(11), Labor Code, is amended to read as follows:

(11) "License holder" means a person who holds a license issued by the department ~~[licensed under this chapter]~~ to provide professional employer services.

SECTION 2. The heading to Section 91.016, Labor Code, is amended to read as follows:

Sec. 91.016. LICENSE ISSUANCE; TERM; EFFECT OF EXPIRATION.

SECTION 3. Section 91.016, Labor Code, is amended by amending Subsection (b) and adding Subsection (d) to read as follows:

(b) A license issued or renewed by the department under this chapter is valid for one year from the date of the issuance or renewal. The department shall renew a license in accordance with Subchapter H, Chapter 51, Occupations Code, and the rules adopted by the department ~~[on receipt of a complete renewal application form and payment of the license renewal fee]~~.

(d) Notwithstanding any other law, for purposes of this chapter, if a license holder fails to timely apply for license renewal, the license holder's status as employer of a covered

1 employee continues until the expiration of 18 months after the date  
2 the license expires. If the license holder fails to apply for  
3 license renewal before the expiration of the 18th month after the  
4 license expiration date:

5 (1) the license holder's status as employer of a  
6 covered employee terminates; and

7 (2) the license holder is subject to disciplinary  
8 action if the license holder engages in or offers professional  
9 employer services at any time while the license is expired.

10 SECTION 4. Section 91.020, Labor Code, is amended to read as  
11 follows:

12 Sec. 91.020. GROUNDS FOR DISCIPLINARY ACTION. The  
13 department may take disciplinary action against a person under  
14 Subchapter F, Chapter 51, Occupations Code, regardless of whether  
15 the person holds a license under this chapter, [~~license holder~~] on  
16 any of the following grounds:

17 (1) engaging in professional employer services or  
18 offering to engage in the provision of professional employer  
19 services:

20 (A) without a license; or

21 (B) while the person's license is expired,  
22 suspended, or inactive;

23 (2) transferring or attempting to transfer a license  
24 issued under this chapter;

25 (3) violating this chapter or any order or rule issued  
26 by the executive director or commission under this chapter;

27 (4) failing after the 31st day after the date on which

1 a felony conviction of a controlling person is final to notify the  
2 department in writing of the conviction;

3 (5) failing to cooperate with an investigation,  
4 examination, or audit of the license holder's records conducted by  
5 the license holder's insurance company or the insurance company's  
6 designee, as allowed by the insurance contract or as authorized by  
7 law by the Texas Department of Insurance;

8 (6) failing after the 31st day after the effective  
9 date of a change in ownership, principal business address, or the  
10 address of accounts and records to notify the department and the  
11 Texas Department of Insurance of the change;

12 (7) failing to correct any tax filings or payment  
13 deficiencies within a reasonable time as determined by the  
14 executive director;

15 (8) refusing, after reasonable notice, to meet  
16 reasonable health and safety requirements within the license  
17 holder's control and made known to the license holder by a federal  
18 or state agency;

19 (9) being delinquent in the payment of the license  
20 holder's insurance premiums other than those subject to a  
21 legitimate dispute;

22 (10) being delinquent in the payment of any employee  
23 benefit plan premiums or contributions other than those subject to  
24 a legitimate dispute;

25 (11) knowingly making a material misrepresentation to  
26 an insurance company or to the department or other governmental  
27 agency;

1           (12) failing to maintain the working capital required  
2 under Section 91.014; or

3           (13) using professional employer services to avert or  
4 avoid an existing collective bargaining agreement.

5           SECTION 5. The changes in law made by this Act apply only to  
6 conduct that occurs on or after the effective date of this Act.  
7 Conduct that occurs before that date is governed by the law in  
8 effect on the date the conduct occurred, and the former law is  
9 continued in effect for that purpose.

10          SECTION 6. This Act takes effect September 1, 2025.

\_\_\_\_\_  
President of the Senate

\_\_\_\_\_  
Speaker of the House

I hereby certify that S.B. No. 1254 passed the Senate on April 10, 2025, by the following vote: Yeas 30, Nays 0.

\_\_\_\_\_  
Secretary of the Senate

I hereby certify that S.B. No. 1254 passed the House on May 23, 2025, by the following vote: Yeas 122, Nays 14, two present not voting.

\_\_\_\_\_  
Chief Clerk of the House

Approved:

\_\_\_\_\_  
Date

\_\_\_\_\_  
Governor