

STAND. COM. REP. NO.

1088

Honolulu, Hawaii

March 2, 2007

RE: H.B. No. 317
H.D. 2

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Fourth State Legislature
Regular Session of 2007
State of Hawaii

Sir:

Your Committee on Finance, to which was referred H.B. No. 317, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO PROFESSIONAL EMPLOYMENT ORGANIZATIONS,"

begs leave to report as follows:

The purpose of this bill is to increase the ability of businesses to efficiently and cost-effectively contract out payroll and payroll-related functions to a professional employment organization (PEO) and protect employees by:

- (1) Allocating responsibility between a PEO and their client company for the labor law rights and tax reporting and withholding of employees assigned to the client company;
- (2) Exempting a PEO from the general excise tax (GET) on amounts received from a client company that are disbursed for wages, salaries, payroll taxes, and employment benefits for employees assigned to the client company; and
- (3) Rendering the exemption inapplicable if assigned employees are excluded from any employee rights or benefits required by law, or the PEO fails to pay any assigned employee tax withholding for which the organization is responsible.

HB317 HD2 HSCR FIN HMS 2007-2708



Altres and a concerned individual opposed this bill. The Tax Foundation of Hawaii provided comments.

Your Committee has amended this bill by:

- (1) Changing the effective date to July 1, 2020, to encourage further discussion; and
- (2) Making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 317, H.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as H.B. No. 317, H.D. 2.

Respectfully submitted on
behalf of the members of the
Committee on Finance,



MARCUS R. OSHIRO, Chair



