

STAND. COM. REP. NO. **1323**

Honolulu, Hawaii

MAR 23 2007

RE: H.B. No. 317
H.D. 2
S.D. 1

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fourth State Legislature
Regular Session of 2007
State of Hawaii

Madam:

Your Committee on Economic Development and Taxation, to which was referred H.B. No. 317, H.D. 2, entitled:

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

begs leave to report as follows:

The purpose of this measure is to:

- (1) Exempt from the general excise tax amounts that a client company pays to a professional employment organization that will be expended to pay the wages, salaries, payroll taxes, and benefits of the employees hired by a client company; and
- (2) Provide that the exemption shall not apply if the professional employment organization has received written notification of any violations or has failed to pay withholding for any employee taxes.

Your Committee received testimony in opposition to this measure from Altres, Inc., and one individual. The Tax Foundation of Hawaii submitted comments.

Your Committee received a statement of revenue impact from the Department of Taxation that the annual revenue loss would be \$600,000, and that the methodology for this loss was based on actual case settlements.

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Your Committee finds that this legislation would lend clarity to the administration of and the compliance with the general excise tax law for both the Department of Taxation and taxpayers.

Your Committee has amended this measure by:

- (1) Adding the tax exemption amendments language to section 237-24.75, rather than section 237-24.7, Hawaii Revised Statutes;
- (2) Deleting the provision related to written notification by any union or the Department of Labor and Industrial Relations of any violation; and
- (3) Making technical amendments to conform this measure to the preferred drafting style.

As affirmed by the record of votes of the members of your Committee on Economic Development and Taxation that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 317, H.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 317, H.D. 2, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Economic
Development and Taxation,



CAROL FUKUNAGA, Chair



The Senate
 Twenty-Fourth Legislature
 State of Hawaii

Record of Votes
Committee on Economic Development and Taxation
EDT

Bill / Resolution No.:* HB 317 HD2	Committee Referral: EDT, WAM	Date: 3/22/2007		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
FUKUNAGA, Carol (C)	✓			
ESPERO, Will (VC)	✓			
ENGLISH, J. Kalani	✓			
IGE, David Y.	✓			
SLOM, Sam	✓			
TOTAL	5			
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <div style="text-align:center; font-family: cursive; font-size: 1.2em;">David Y. Ige</div>				
Distribution: Original Yellow Pink File with Committee Report Clerk's Office Drafting Agency				

*Only one measure per Record of Votes