

STAND. COM. REP. NO.

1512

Honolulu, Hawaii

APR 04 2007

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

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

Madam:

Your Committee on Ways and Means, to which was referred H.B. No. 317, H.D. 2, S.D. 1, 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 failed to pay any tax withholding or any federal or state taxes.

The Department of Taxation and the Tax Foundation of Hawaii submitted written comments on this measure.

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 further specifying that the proposed exemption language in section 237-24.75(2),

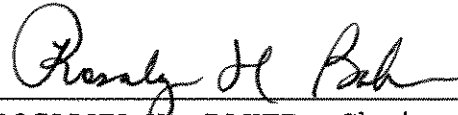
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Hawaii Revised Statutes, shall not apply to a professional employment organization upon failure of the professional employment organization to collect, account for, and pay over any income tax withholding.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 317, H.D. 2, S.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, S.D. 2.

Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,



ROSALYN H. BAKER, Chair



