

L A T E

Honorable Senator David Y. Ige, Chair
Honorable Senator Michelle Kidani, Vice Chair
Senate Committee on Ways and Means
Members of the Senate Committee on Ways and Means

Re. SB 1107

HEARING SCHEDULED FOR THURSDAY, FEBRUARY 10, 2011
AT 9:00 A.M., HAWAII STATE CAPITOL

Dear Honorable Senator David Ige, Chair and Members of the Senate Committee on Ways and Means:

Please support SB 1107 and pass this measure.

It does not make sense to “force” a related company which has affiliates, into having to pay a third-party Payroll Service company, to do a portion of their payroll processing, when the related company is more than capable of carrying out this payroll processing internally.

However, this is exactly what the current form of HRS 237-23.5 does.

The alternative for the related company, to not turning this activity over to a third-party Payroll Service company, is to be penalized by having to pay an additional G.E. tax.

This matter comes more clearly to light, when one compares the G.E. taxes that are paid by a related company (for the handling of the accounting and payroll services for its affiliates), in contrast, to what the G.E. taxes would be if the same activities were paid for through a third-party Payroll Service company – particularly when dealing with the repairs and maintenance of buildings.

To put another way, the G.E. taxes are different, when these same repairs and/or services, are paid for through a third-party Payroll Service company – Instead of being paid for through an affiliate’s related company. Keep in mind that this is for exactly the same repairs and/or services.

This law in essence, bolsters the third-party Payroll Service industry, at the expense of every other private company that would otherwise choose to handle their own payroll service for these type of matters.

Please put a stop to this inequality in the current law, by passing this bill.

Thank you.
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