

STAND. COM. REP. NO.

80

Honolulu, Hawaii

February 5, 2013

RE: H.B. No. 144  
H.D. 1

Honorable Joseph M. Souki  
Speaker, House of Representatives  
Twenty-Seventh State Legislature  
Regular Session of 2013  
State of Hawaii

Sir:

Your Committee on Labor & Public Employment, to which was referred H.B. No. 144 entitled:

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

begs leave to report as follows:

The purpose of this measure is to clarify regulations of professional employer organizations. Specifically, this measure, among other things:

- (1) Requires professional employer organizations to register with the Director of Labor and Industrial Relations (Director), the failure of which will result in ineligibility for the excise tax exemption;
- (2) Requires the Director to collect registration fees from professional employer organizations;
- (3) Establishes responsibilities and duties for the Director as it applies to professional employer organizations;
- (4) Requires professional employer organizations to notify the Department of Labor and Industrial Relations (DLIR) of client relationships;

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- (5) Establishes proceedings for the denial, suspension, or revocation of a professional employer organization's registration;
- (6) Clarifies several definitions; and
- (7) Repeals chapter 373L, Hawaii Revised Statutes (HRS), relating to professional employment organizations.

OneSource; the Hawaii Association of Professional Employer Organizations; Talent HR Solutions, LLC; and Hawaii Human Resources, Inc., submitted testimony in support of this measure. ALTRES, Inc., opposed this measure. The DLIR; Department of Taxation; ProService Hawaii; NAPEO; and Tax Foundation of Hawaii commented on this measure.

After further consideration, your Committee understands the concerns raised by the DLIR and finds that the language contained in S.B. No. 510, Regular Session of 2013, provides better clarification and resolution of the inconsistencies between chapters 373L and 373K, HRS.

Accordingly, your Committee has amended this measure as received by deleting its contents and replacing it with the language contained in S.B. No. 510. Specifically, the amended bill:

- (1) Designates the professional employer organization as the employer for purposes of workers' compensation, temporary disability insurance, prepaid healthcare and unemployment insurance laws;
- (2) Requires the DLIR to provide certain registration information of all professional employer organizations that have successfully complied with statutory requirements to the Department of Taxation for general excise tax exemption purposes;
- (3) Establishes various fees on applicants for registration as a professional employer organization;
- (4) Clarifies the qualifications for professional employer organizations to receive the general excise tax exemption;



- (5) Amends, adds, and deletes definitions to conform, make consistent, and clarify the professional employer organization law;
- (6) Clarifies certain registration requirements for professional employer organizations;
- (7) Imposes additional registration requirements for professional employment organizations; and
- (8) Repeals chapter 373K, HRS, relating to professional employment organizations.

This measure was further amended by making technical, nonsubstantive amendments for style, clarity, and consistency.

As affirmed by the record of votes of the members of your Committee on Labor & Public Employment that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 144, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 144, H.D. 1, and be referred to the Committee on Consumer Protection & Commerce.

Respectfully submitted on  
behalf of the members of the  
Committee on Labor & Public  
Employment,

  
MARK M. NAKASHIMA, Chair



