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

Sir:

Your Committee on Consumer Protection & Commerce, to which
was referred H.B. No. 144, H.D. 1, 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 professional
employer organization (PEO) responsibilities, including meeting
the statutory requirements of chapter 373L, Hawaii Revised
Statutes, and the nexus between the registration of PEOs and
qualification for the state general excise tax exemption.

The Department of Labor and Industrial Relations and the
Department of Taxation provided testimony in support of this
measure. ALTRES, Inc., provided testimony in opposition to this
measure. ProService Hawaii; Tax Foundation of Hawaii; Hawaii
Human Resources, Inc.; Hawaii Association of Professional Employer
Organizations; William L. Wong CPA & Associates, Inc.; HRBenefix;
Exceptional, Inc., dba Employers Options; and Talent HR Solutions,
LLC provided comments on this measure.

Your Committee has amended this measure by setting forth and
clarifying professional employer organization responsibilities and
related matters as follows:

(1)   Renaming the title of chapter 373K, Hawaii Revised
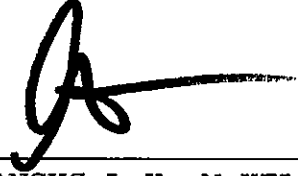   Statutes, to "Professional Employer Organizations" and

adding new sections to clarify PEO requirements, including requiring PEO registration; establishing registration and renewal fees; setting forth the responsibilities and duties of the Director of Labor and Industrial Relations with respect to PEOs; requiring notification to the Department of Labor and Industrial Relations regarding relationships between a PEO and its client companies; for decisions involving the denial, suspension, etc., of registration renewal, clarifying the applicable hearings process and providing for judicial review; and adding certain definitions;

(2) Authorizing the Director of Labor and Industrial Relations to establish sliding scale fees based on PEO annual payroll;

(3) Establishing sliding scale bond requirements for PEOs based on PEO annual payroll;

(4) Repealing chapter 373L, Hawaii Revised Statutes, which relates to PEOs;

(5) Changing its effective date to July 1, 2112, for the purpose of facilitating further discussion; and

(6) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Consumer Protection & Commerce that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 144, H.D. 1, as amended herein, and recommends that it be referred to the Committee on Finance in the form attached hereto as H.B. No. 144, H.D. 2.

Respectfully submitted on
behalf of the members of the
Committee on Consumer
Protection & Commerce,

_____
ANGUS L.K. McKELVEY, Chair

State of Hawaii
House of Representatives
The Twenty-seventh Legislature

Record of Votes of the Committee on Consumer Protection & Commerce

Bill/Resolution No.: HB 144 HD1	Committee Referral: LAB, CPC, FIN	Date: 2/13/13

❑ The committee is reconsidering its previous decision on the measure.

The recommendation is to: ❑ Pass, unamended (as is) ☑ Pass, with amendments (HD) ❑ Hold
❑ Pass short form bill with HD to recommit for future public hearing (recommit)

CPC Members	Ayes	Ayes (WR)	Nays	Excused
1. McKELVEY, Angus L.K. (C)	✓			
2. KAWAKAMI, Derek S.K. (VC)	✓			
3. BELATTI, Della Au				✓
4. BROWER, Tom	✓			
5. CABANILLA, Rida T.R.	✓			
6. CACHOLA, Romy M.	✓			
7. CARROLL, Mele	✓			.
8. EVANS, Cindy	✓			
9. HAR, Sharon E.				✓
10. ITO, Ken	✓			
11. LEE, Chris	✓			
12. TSUJI, Clift	✓			
13. YAMANE, Ryan I.				✓
14. MCDERMOTT, Bob			✓	
15. THIELEN, Cynthia	✓			
TOTAL (15)	11		1	3

The recommendation is: ☑ Adopted ❑ Not Adopted
If joint referral, _____ did not support recommendation.
committee acronym(s)

Vice Chair's or designee's signature: _____

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