STAND. COM. REP. NO. \USS

Honolulu, Hawaii

March 2, 2007

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

Honorable Calvin K.Y. Say Speaker, House of Representatives Twenty-Fourth State Legislature Regular Session of 2007 State of Hawaii

## Sir:

Your Committee on Finance, to which was referred H.B. No. 317, H.D. 1, entitled:

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

begs leave to report as follows:

The purpose of this bill is to increase the ability of businesses to efficiently and cost-effectively contract out payroll and payroll-related functions to a professional employment organization (PEO) and protect employees by:

- (1) Allocating responsibility between a PEO and their client company for the labor law rights and tax reporting and withholding of employees assigned to the client company;
- (2) Exempting a PEO from the general excise tax (GET) on amounts received from a client company that are disbursed for wages, salaries, payroll taxes, and employment benefits for employees assigned to the client company; and
- (3) Rendering the exemption inapplicable if assigned employees are excluded from any employee rights or benefits required by law, or the PEO fails to pay any assigned employee tax withholding for which the organization is responsible.

Altres and a concerned individual opposed this bill. The Tax Foundation of Hawaii provided comments.

Your Committee has amended this bill by:

- (1) Changing the effective date to July 1, 2020, to encourage further discussion; and
- (2) Making technical, nonsubstantive amendments for clarity, consistency, and style.

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

Respectfully submitted on behalf of the members of the Committee on Finance,

MARCUS R. OSHIRO, Chair

## State of Hawaii House of Representatives The Twenty-fourth Legislature

## **Record of Votes of the Committee on Finance**

Bill/Resolution No.:  AB 3/7 AD/ Date:  2/26/07		
Committee Referral:  The committee is reconsidering its previous decision on the measure.		
The recommendation is to: Pass, unamended Pass, with amendments	d Pass, with amendments	
Hold Pass, with amendments, for recommittal f consideration	, , , , , , , , , , , , , , , , , , , ,	
FIN Members Ayes (WR) Nays	Excused	
1. OSHIRO, Marcus R. (C)		
2. LEE, Marilyn B. (VC)		
3. BELATTI, Della Au		
4. BROWER, Tom		
5. CARROLL, Mele		
6. CHONG, Pono		
7. HANOHANO, Faye P.	<b>1</b>	
8. HAR, Sharon E.		
9. MAGAOAY, Michael Y.		
10. MANAHAN, Joey		
11. MIZUNO, John		
12. NAKASONE, Bob		
13. RHOADS, Karl		
14. SAGUM, Roland D., III		
15. TOKIOKA, James Kunane		
16. AWANA, Karen Leinani		
17. MEYER, Colleen Rose	V	
18. WARD, Gene, Ph.D.	/	
	-	
TOTAL 15 0 0	3	
The recommendation is:		
✓ Not Adopted		
If joint referral, did not support recommendation.		
$\mathcal{L}_{\mathcal{A}}$		
Vice Chair's or designee's signature:		
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