

Honolulu, Hawaii

May 1, 2007

RE: H.B. No. 317
H.D. 2
S.D. 2
C.D. 1

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

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

Sir and Madam:

Your Committee on Conference on the disagreeing vote of the House of Representatives to the amendments proposed by the Senate in H.B. No. 317, H.D. 2, S.D. 2, entitled:

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

having met, and after full and free discussion, has agreed to recommend and does recommend to the respective Houses the final passage of this bill in an amended form.

The purpose of this bill is to make it more cost-effective for Hawaii's small business owners to outsource their employment and payroll needs to a professional employment organization (PEO), while protecting employee rights by:

- (1) Allocating between a PEO and their client company, responsibility for the labor law rights and tax reporting and withholding obligations of employees assigned to the client company;



- (2) Exempting a PEO from the general excise tax on amounts received from a client company that are disbursed for wages, salaries, payroll taxes, and employment benefits of employees assigned to the client company; and
- (3) Making 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 withholding taxes for which the organization is responsible.

Your Committee on Conference finds that by eliminating the double imposition of the general excise tax on amounts that a PEO disburses for the client company's employee payroll and benefits, this bill will reduce the cost of outsourcing employment and payroll needs and support the growth of small businesses in Hawaii.

Your Committee on Conference has amended this bill by:

- (1) Changing its effective date to July 1, 2007, and specifying that the general excise tax exemption is to apply to gross income or gross proceeds received after June 30, 2007; and
- (2) Making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the record of votes of the managers of your Committee on Conference that is attached to this report, your Committee on Conference is in accord with the intent and purpose of H.B. No. 317, H.D. 2, S.D. 2, as amended herein, and recommends that it pass Final Reading in the form attached hereto as H.B. No. 317, H.D. 2, S.D. 2, C.D. 1.

Respectfully submitted on behalf
of the managers:

ON THE PART OF THE SENATE

ON THE PART OF THE HOUSE

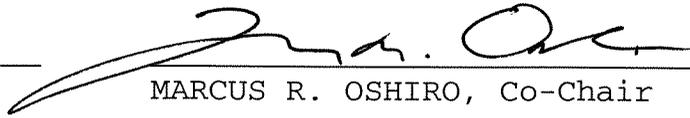

CAROL FUKUNAGA, Chair


KYLE T. YAMASHITA, Co-Chair





SHAN S. TSUTSUI, Co-Chair



MARCUS R. OSHIRO, Co-Chair



