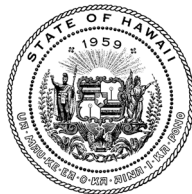


LINDA LINGLE
GOVERNOR

JAMES R. AIONA, JR.
LT. GOVERNOR



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July 3, 2007

DEPARTMENT OF TAXATION ANNOUNCEMENT NO. 2007-15

RE: Act 225, Session Laws of Hawaii 2007, Relating to Professional Employment Organizations.

On June 28, 2007, Governor Linda Lingle signed into law House Bill 317 HD 2, SD 2, CD 1, as Act 225.

Act 225, among other things, provides a general excise tax exemption for amounts received by a Professional Employment Organization (PEO), as defined by other law, from a client company that are disbursed by the PEO for employee costs paid with respect to assigned employees at a client company. Employee costs that are disbursed, which are exempt under Act 225, include: wages, salaries, payroll taxes, insurance premiums, and benefits.

A PEO is disqualified from receiving the general excise tax exemption if a PEO fails to collect, account for, or pay over any income tax withholding for assigned employees or any other federal or state tax for which the PEO is responsible.

Act 225 takes effect on July 1, 2007 and the general excise tax exemption applies to gross income or gross proceeds received after June 30, 2007.

For more information on Act 225, please contact the Rules Office at 808-587-1577.

A handwritten signature in black ink, appearing to read "Kurt Kawafuchi", is written over a faint, larger version of the same signature.

KURT KAWAFUCHI
Director of Taxation