ONE HUNDRED FOURTH LEGISLATURE - SECOND SESSION - 2016
COMMITTEE STATEMENT
LB933

Hearing Date: Monday January 25, 2016
Committee On: Business and Labor
Introducer: Coash
One Liner: Adopt the Payroll Processor Regulation Act

Roll Call Vote - Final Committee Action:
   Indefinitely postponed

Vote Results:

Aye:	6	Senators Bloomfield, Crawford, Ebke, Harr, Howard, Johnson
Nay:		
Absent:	1	Senator Chambers
Present Not Voting:		

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Verbal Testimony:

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Proponents:	**Representing:**
Senator Colby Coash	Introducer

Opponents:	**Representing:**
Pete Isberg	National Payroll Reporting Consortium

Neutral:	**Representing:**

Summary of purpose and/or changes:

Sec. 1. creates the Payroll Processor Regulation Act.

Sec. 2. definitional section. Defines employer, payroll processing services, payroll processor, and preparing and issuing payroll checks.

Sec. 3. requires a person wishing to be a payroll processor to apply to the Tax Commissioner for a license each year. The application requires proof of a surety bond in an amount equal to the total of all state and federal tax payments and unemployment insurance premiums processed by the payroll processor during the three consecutive months of the highest volume of the previous year or $50,000 (whichever is greater, but not to exceed $500,000). The bond must designate the Tax Commissioner as the payee. The bond paid to the Commissioner may be used for the purposes of the Commissioner and for the benefit of an employer who has a cause of action against the payroll processor. The bond must be maintained at all times. The Commissioner may modify the terms for bonds in this subsection or may allow for submission of an irrevocable letter of credit or other forms of security.

A surety company issuing a bond under this section must immediately notify the Commissioner if the bond is cancelled, terminated, or lapses. The cancellation, termination or lapse is not effective until at least 30 days after the Commissioner receives notice.

This section does not apply to a payroll processor that does not have authority to access, control, direct, transfer, or disburse a client's funds nor does the section apply to a payroll processor that transfers funds from an employer's account directly to taxing authorities to pay the employer's taxes, so long as the payroll processor is not authorized to

transfer funds for any other use or to any other accounts.

Sec. 4. provides that a payroll processor shall not designate itself as the sole recipient of notices for nonpayment of taxes or unemployment insurance. A payroll processor must ensure such notices are sent directly to the affected employers.

Sec. 5. provides that if the payroll processor does not maintain the bond as required in section 3, the payroll processor's license is subject to revocation, suspension or nonrenewal.

Sec. 6. permits the Tax Commissioner to adopt and promulgate rules and regulations for the Act.

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Burke Harr, Chairperson