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HOUSE BILL NO. 545

Offered January 13, 2016

Prefiled January 9, 2016

A *BILL to amend and reenact § 58.1-3732.4 of the Code of Virginia, relating to the local license tax on staffing firms.*

Patron—Watts

Referred to Committee on Finance

Be it enacted by the General Assembly of Virginia:

1. That § 58.1-3732.4 of the Code of Virginia is amended and reenacted as follows:

§ 58.1-3732.4. Limitation on gross receipts; staffing firms.

A. Gross receipts for license tax purposes under this chapter shall not include ~~employee~~ benefits paid by a staffing firm to, or for the benefit of, any contract employee *or independent contractor* for the period of time that the contract employee *or independent contractor* is actually employed for the use of the client company pursuant to the terms of a PEO services contract or temporary help services contract. The taxable gross receipts of a staffing firm shall include any administrative fees received by such firm from a client company, whether on a fee-for-service basis or as a percentage of total receipts from the client company.

B. For the purpose of this section:

"Benefits" means wages, salaries, payroll taxes, payroll deductions, workers' compensation costs, and similar benefits and expenses.

"Client company" means a person that enters into a contract with a staffing firm by which the staffing firm, for a fee, provides PEO services or temporary help services.

"Contract employee" means an employee performing services under a PEO services contract or temporary help services contract.

"Independent contractor" means an independent contractor performing services under a PEO services contract or temporary help services contract.

~~"Employee benefits" means wages, salaries, payroll taxes, payroll deductions, workers' compensation costs, benefits, and similar expenses.~~

"PEO services" or "professional employer organization services" means an arrangement whereby a staffing firm assumes employer responsibility for payroll, benefits, and other human resources functions with respect to *the employees or workforce* of a client company with no restrictions or limitations on the duration of employment.

"PEO services contract" means a contract pursuant to which a staffing firm provides PEO services for a client company.

"Staffing firm" means a person that provides PEO services or temporary help services.

"Temporary help services" means an arrangement whereby a staffing firm temporarily assigns employees *or independent contractors* to support or supplement a client company's workforce.

"Temporary help services contract" means a contract pursuant to which a staffing firm provides temporary help services for a client company.

2. That the provisions of this act are effective for license years as defined under § 58.1-3700.1 of the Code of Virginia beginning on or after January 1, 2017.

INTRODUCED

HB545