

PLEASE NOTE: Legislative Information **cannot** perform research, provide legal advice, or interpret Maine law. For legal assistance, please contact a qualified attorney.

Amend the bill by striking out everything after the enacting clause and before the summary and inserting the following:

Sec. 1. 10 MRSA §1495, sub-§§1-B to 1-D are enacted to read:

1-B. Full-service payroll processor license. "Full-service payroll processor license" means a license permitting a payroll processor to prepare and issue payroll checks, prepare and file state or federal income withholding tax reports and unemployment insurance compensation reports and collect, hold and turn over to the State Tax Assessor or to federal tax authorities income withholding taxes or unemployment insurance contributions.

1-C. Issue payroll checks. To "issue payroll checks" means to provide redeemable payroll payment instruments and includes functions performed by a payroll processor that holds a signature stamp, electronic signature or presigned check stock from the employer, but does not include functions performed by a payroll processor that provides unsigned checks to the employer for distribution by the employer.

1-D. Limited payroll processor license. "Limited payroll processor license" means a license that permits a payroll processor to prepare and issue payroll checks and prepare and file state or federal income withholding tax reports and unemployment insurance compensation reports, but does not permit the licensee to collect, hold or turn over to the State Tax Assessor or to federal tax authorities income withholding taxes or unemployment insurance contributions.

Sec. 2. 10 MRSA §1495, sub-§2, as amended by PL 1997, c. 668, §2, is further amended to read:

2. Payroll processing services. "Payroll processing services" means preparing and issuing payroll checks; preparing and filing state or federal income withholding tax reports or unemployment insurance contribution reports; or collecting, holding and turning over to the State Tax Assessor or to federal tax authorities income withholding taxes pursuant to Title 36, chapter 827 or federal law or unemployment insurance contributions pursuant to Title 26, chapter 13, subchapter 7 or federal law.

Sec. 3. 10 MRSA §1495, sub-§4 is enacted to read:

4. Restricted payroll processor license. "Restricted payroll processor license" means a license that permits a payroll processor to prepare and file state or federal income withholding tax reports and unemployment insurance compensation reports, but does not permit the licensee to collect, hold or turn over to the State Tax Assessor or to federal tax authorities income withholding taxes or unemployment insurance contributions or to issue payroll checks.

Sec. 4. 10 MRSA §1495-D, sub-§2, as enacted by PL 2003, c. 668, §6 and affected by §12, is amended to read:

2. Proof of fidelity insurance. Each applicant for a limited payroll processor license, and each applicant for a full-service payroll processor license that issues payroll checks, shall provide to the administrator proof of one of the following, at the applicant's option, in an amount 2 times the highest weekly payroll processed by the applicant in the preceding year or in the amount of \$5,000,000, whichever is less:

- A. Fidelity bond;
- B. Employee dishonesty bond;
- C. Third-party fidelity coverage; or
- D. Liability insurance, including crime coverage.

Sec. 5. 10 MRSA §1495-D, sub-§4, as amended by PL 2005, c. 278, §3, is repealed and the following enacted in its place:

4. Fees. The initial license application and annual renewal application must include the fees set out in this subsection.

- A. The fee for a full-service payroll processor license or a limited payroll processor license is \$200 if the payroll processor has fewer than 25 employers as payroll processing clients; \$500 if the payroll processor has from 25 to 500 employers as payroll processing clients; and \$800 for those payroll processors that have more than 500 employers as payroll processing clients.
- B. The fee for a restricted payroll processor license is \$100.

The aggregate of license fees and other fees and assessments provided for by this chapter is appropriated for the use of the administrator. Any balance of these funds does not lapse but must be carried forward to be expended for the same purpose in the following fiscal year.

Sec. 6. 10 MRSA §1495-F, sub-§3-A is enacted to read:

3-A. Accounting standards and escrow requirement. To facilitate the administrator's compliance examination responsibilities, a payroll processor shall maintain a trust account for client funds in accordance with generally accepted accounting principles, international accounting standards or other recognized accounting standards. A payroll processor may not commingle funds held on behalf of its clients with the payroll processor's operating funds.'

SUMMARY

This amendment limits the new licensing fee category to those payroll processors whose functions consist solely of filing withholding reports on behalf of clients, but retains the bill's reduced \$100 fee for those processors. It also makes several technical changes to improve supervision and employer protections.