

# HOUSE BILL ANALYSIS

## HB 1514

**Brief Description:** Establishing requirements for keeping records of unified business identifier account numbers.

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**Sponsors:** Representatives Conway and McMorris; by request of the Joint Task Force on Nonpayment of Employer Obligations

Hearing: February 17, 1997

### **BACKGROUND:**

In 1996, Substitute House Bill 2513 created the Task Force on Nonpayment of Employer Obligations. The task force was directed to make recommendations on, among other issues, methods of improving compliance with employer responsibilities for covering workers under state industrial insurance law and other laws.

The task force report in December, 1996, included a recommendation that persons contracting with independent contractors in the construction industry should be required to keep a record of the contractor's unified business identifier (UBI) number. The task force further recommended that if the Department of Labor and Industries, the Employment Security Department, or the Department of Revenue found noncompliance during an audit, that the employer or taxpayer should be subject to an administrative penalty and an employing contractor should be barred from bidding on public works contracts for a specified period of time.

The task force report pointed out that nearly all persons and entities operating businesses in Washington are required to register with the Department of Revenue and have a UBI number. Being registered is among the factors that may be considered when distinguishing between "employees" and "independent contractors." For example, under industrial insurance law and unemployment insurance law, a registered contractor or licensed electrical contractor is not considered to be an employee of another registered or licensed contractor for whom he or she is performing construction or electrical work if certain statutory criteria are met. To register as a contractor or be licensed under the electrical contractor laws, the applicant must supply his or her industrial insurance account number, the Employment Security Department account number, state excise tax registration number, or provide the UBI number as a substitute.



**SUMMARY OF BILL:**

Employers covered by industrial insurance and unemployment insurance, and taxpayers required to report to the Department of Revenue, must obtain and keep a record of the unified business identifier (UBI) number of persons with whom they contract for construction work or electrical work.

An employer or taxpayer who fails to keep the UBI record is subject to a penalty of up to \$250 and is barred from bidding on or contracting for public works projects for two years from the date the violation is finally determined.

**RULES AUTHORITY:** The bill does not contain provisions addressing the rule-making powers of an agency.

**FISCAL NOTE:** Not requested.

**EFFECTIVE DATE:** Ninety days after adjournment of session in which bill is passed.