

SENATE BILL REPORT

SHB 2071

As Reported By Senate Committee On:
Judiciary, March 31, 1999

Title: An act relating to workers' compensation coverage for a member or manager of a limited liability company.

Brief Description: Excluding a member or manager of a limited liability company from workers' compensation coverage.

Sponsors: House Committee on Commerce & Labor (originally sponsored by Representatives B. Chandler, Conway, McMorris and Koster).

Brief History: Passed House 3/9/99, 91-0.

Committee Activity: Judiciary: 3/29/99, 3/31/99 [DP].

SENATE COMMITTEE ON JUDICIARY

Majority Report: Do pass.

Signed by Senators Heavey, Chair; Kline, Vice Chair; Costa, Goings, Hargrove, Haugen, Johnson, Long, McCaslin, Roach and Zarelli.

Staff: Penny Nerup (786-7484)

Background: Industrial insurance applies to all employers whose trade or business engages in work covered by the industrial insurance law or who contract with workers for personal labor. All employment in Washington must be insured unless specifically excluded by statute. Currently, exclusions from mandatory coverage include sole proprietors, partners, and certain officers of public or nonpublic corporations.

In 1994, the Legislature created the limited liability company as an alternative form of organizing a business. Limited liability companies combine the tax advantages of a partnership with the limited liability advantages of a corporation. This structure allows the owners to participate actively in management while providing them with limited liability.

Summary of Bill: Members of a limited liability company are excluded from mandatory industrial insurance coverage if the company's management is vested in the members and the members for whom the exclusion is sought would qualify as excluded partners or sole proprietors if the business were a partnership or sole proprietorship; or the company's management is vested in managers and the members for whom the exclusion is sought are managers who would qualify as exempt corporate officers if the company were a corporation.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: All this bill does is to implement what the Department of Labor and Industries is already trying to do. This bill limits the potential for abuse by limited liability companies.

Testimony Against: None.

Testified: PRO: Representative B. Chandler; Bill Garvin, Washington State Farm Bureau; Chris Cheney, Hop Growers of Washington; Clif Finch, Association of Washington Business; Doug Connell, Department of Labor and Industries; Larry Shannon, Washington State Trial Lawyers Association.