
Commerce & Labor Committee

HB 3019

Brief Description: Limiting contractor liability for the industrial insurance premiums of subcontractors.

Sponsors: Representatives Condotta, Holmquist, McMorris, Crouse, Clements, Boldt, Schindler and Woods.

Brief Summary of Bill

- Provides that public agencies and private entities are not liable for industrial insurance premiums owed on work performed by subcontractors that had industrial insurance accounts in good standing when subcontracts were let.

Hearing Date: 2/3/04

Staff: Jill Reinmuth (786-7134).

Background:

Under the Industrial Insurance Act (Act), public agencies and many private entities that let contracts for work are responsible for payment of industrial insurance premiums owed on such work. Public agencies and private entities are entitled to collect the full amount payable to the Accident Fund from the contractor, and the contractor is entitled to collect from a subcontractor a proportionate amount of that. Consequently, the person letting the contract functions as a surety for the industrial insurance premiums.

The state Court of Appeals has described these provisions as "facilitat[ing] and broaden[ing] the premium collection powers of the Department [of Labor and Industries]." The Court of Appeals also said that the rationale for giving the Department these collection powers is that "the more the [Act] facilitates full collection of premiums, the better it serves the accident fund from which compensation is paid."

If certain requirements are satisfied, registered contractors and licensed electrical contractors are not responsible for payment of premiums owed on a subcontractor's work. These requirements are as follows:

- The subcontractor is a registered contractor or a licensed electrical contractor;
- The subcontractor has a principal place of business that is eligible for a business deduction for IRS purposes;
- The subcontractor maintains separate records reflecting business income and expenses; and

- The subcontractor contracted to perform certain types of work, such as construction, alteration, or demolition of a structure, or electrical work.

Summary of Bill:

Public agencies and private entities that let contracts for work are not responsible for payment of industrial insurance premiums owed on work performed by subcontractors that had industrial insurance accounts in good standing when subcontracts were let.

Rules Authority: The bill does not contain provisions addressing the rule-making powers of an agency.

Appropriation: None.

Fiscal Note: Requested on January 28, 2004.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.