
**Labor & Workforce Development
Committee**

HB 1473

Brief Description: Requiring certain entities to report payments for construction services.

Sponsors: Representatives Sells, McCoy, Morrell, Roberts, Takko, Lytton, Green, Ormsby, Bergquist, Freeman, Pollet and Tarleton.

Brief Summary of Bill

- Requires an entity that pays \$600 or more for construction services to report the payment and other information to the Department of Labor and Industries, and provides penalties for failing to report.

Hearing Date: 1/31/13

Staff: Trudes Tango (786-7384).

Background:

Contractors and subcontractors are subject to industrial insurance laws. The person, firm, or corporation letting the contract is entitled to collect from the contractor the full amount payable in premiums, and the contractor is entitled to collect from the subcontractor his or her proportionate amount of the payment.

Contractors must register with the Department of Labor and Industries (Department). Applicants for registration must submit an application that includes the applicant's Unified Business Identifier (UBI) number and evidence of workers' compensation coverage for its employees working in the state.

An employer who contracts for work from a contractor must keep a record of: (1) the UBI of the person or entity performing the work; and (2) the compensation paid to that person or entity.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Contractors are barred from bidding on public works contracts for one year if the contractor has committed any two of the following violations in a five-year period: knowingly misrepresenting payroll or employee hours upon which the industrial insurance premium is based; engaging in business without having obtained a certificate of industrial insurance coverage; committing an infraction under the Contractor Registration Act; performing work as an unregistered contractor; or not complying with certain apprenticeship standards.

Summary of Bill:

An entity that in the course of business makes a payment to a construction service provider of \$600 or more in a taxable year for performing construction services must report the payment to the Department and the construction service provider in the manner prescribed by the Department.

The report must be made by January 31 following the taxable year in which the payment was made. The report must include: (1) the entity's name, address, and UBI; (2) the construction service provider's name, address, and UBI; (3) the total amount paid to the construction service provider in the taxable year, including payments for services and any materials and equipment; and (4) any other information the Department requires by rule.

The Department must transmit the report to the Employment Security Department no later than the first day of the month following the calendar quarter in which the report was received. The Department may share the report, upon request, with other local, state, or federal government agencies. Except for the sharing of the report with other agencies, the reports are otherwise confidential and are not subject to public disclosure.

If the Director of the Department of Labor and Industries (Director) determines that an entity has failed to file a report or has filed an incomplete report, the Director may assess a monetary penalty of \$200 to \$1,000 per report. The monetary penalty is higher (\$1,000 to \$5,000 per report) if the Director determines that an entity knowingly failed to file a report or knowingly filed an incomplete, false, or misleading report. Penalties assessed are deposited into the State General Fund.

An entity assessed a penalty may not bid or have a bid considered on any public works contract until the penalty is fully paid. In addition, violations of the reporting requirements are added to the debarment statute.

The reporting requirements do not apply to an entity that does not regularly contract for constructions services, as defined by the Department.

Definitions are provided for the following terms:

"Construction services" includes the erection, excavation, installation, alteration, addition, modification, repair, improvement, demolition, deconstruction, dismantling, or removal of all or any part of a building, structure, dock, wharf, surface, or subsurface on or attached to any real property.

"Construction service provider" means a general contractor or specialty contractor that provides construction services regardless of whether the general contractor or specialty contractor is registered.

"Entity" includes a sole proprietorship, partnership, corporation, limited liability company, trust, association, financial institution, governmental entity other than the federal government, and any other individual or group, which is engaged in a trade, occupation, enterprise, governmental function, or similar activity in this state.

"Payment" does not include wages paid by the entity to an employee.

Appropriation: None.

Fiscal Note: Requested on 1/30/13.

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