
Labor & Workforce Development Committee

HB 1616

Brief Description: Addressing contractor liability for industrial insurance premiums.

Sponsors: Representatives Angel, Manweller and Johnson.

Brief Summary of Bill

- Applies the law specifying that a construction contractor is not liable for the industrial insurance premiums of a subcontractor if certain conditions are met to all contractors.

Hearing Date: 2/20/13

Staff: Joan Elgee (786-7106).

Background:

Under the state's industrial insurance laws, employers must insure through the State Fund administered by the Department of Labor and Industries (Department) or may self-insure if qualified. Employers insuring through the State Fund are responsible for paying quarterly premiums. Entities that let contracts for work are responsible for all premiums on the work. Under the law, prime contractors may be assessed for premiums owed by subcontractors. The entity letting the contract is entitled to collect the full amount of premiums from the contractor, and the contractor is entitled to collect from the subcontractor the proportionate share of the payment.

In construction, registered contractors and licensed electrical contractors are not responsible for premiums owed on a subcontractor's work if certain requirements are satisfied. Those requirements are that: (1) the subcontractor has a principal place of business which would be eligible for a tax deduction for federal tax purposes; (2) the subcontractor maintains a separate set of books or records that reflect all items of income and expenses of the business; and (3) the

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subcontractor has an industrial insurance account in good standing with the Department or self-insures. A subcontractor is in good standing if the contractor has verified the good standing with the Department and the contractor has not received notice from the Department that the subcontractor's account status has changed. Acceptable documentation of verification includes a Department document with an issue date or a dated printout of information from the Department's website. In addition, the subcontractor must be doing the registered contractor or electrical work and the subcontractor must be registered as a contractor or licensed as an electrical contractor.

Summary of Bill:

The law specifying that a prime contractor is not liable for a subcontractor's premiums if certain conditions are met applies to all contractors, and is not limited to construction. A contractor is not liable for a subcontractor's premiums if the subcontractor has a principal place of business which would be eligible for a tax deduction for federal tax purposes, the subcontractor maintains a separate set of books or records that reflect all items of income and expenses of the business, and the subcontractor has an industrial insurance account in good standing with the Department or self-insures.

Appropriation: None.

Fiscal Note: Requested on February 5, 2013.

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