

FINAL BILL REPORT

SSB 5227

C 250 L 13
Synopsis as Enacted

Brief Description: Changing the corporate officer provisions of the employment security act.

Sponsors: Senate Committee on Commerce & Labor (originally sponsored by Senators Schoesler, Holmquist Newbry, Delvin, Hatfield, Shin, King, Hobbs, Sheldon, Padden, Honeyford, Dammeier and Roach).

Senate Committee on Commerce & Labor
House Committee on Labor & Workforce Development

Background: Corporate officers living in Washington are automatically covered for unemployment insurance unless the corporation opts out of coverage for its officers. Corporations may exempt corporate officers for the purposes of unemployment insurance and not pay state unemployment taxes on them if they meet certain criteria, depending on the type of corporation. Exempt officers will not be eligible to receive unemployment benefits. Corporations that exempt corporate officers from state unemployment taxes may still be required to pay federal unemployment taxes on wages earned by the corporate officers.

Corporations must also register with the Employment Security Department (ESD) and provide specific information about owners, partners, members, and corporate officers of the business, including names, social security numbers, and percentage of stock ownership.

Corporations where all personal services are performed by corporate officers are excluded from the definition of employer and employing unit unless the corporation registers with ESD and elects to provide coverage for its officers.

Summary: The current opt-out unemployment compensation corporate officer provisions are changed to opt-in provisions. Services performed by a corporate officer are not considered services in employment, and the employer is not obligated to pay state unemployment taxes on wages earned by the officers, unless the corporation elects to cover all of its corporate officers. If an employer chooses to not cover its corporate officers, the employer must notify the officers in writing that they are ineligible for benefits. If an employer fails to provide notice, the officers remain ineligible for benefits.

Employers are no longer required to provide names, social security numbers, and percentage of stock ownership of owners, partners, members, and corporate officers when registering with ESD.

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.

Language regarding the definition of employer and employing unit, as they pertain to corporations where all services are performed by corporate officers, is eliminated.

Votes on Final Passage:

Senate	38	11	
House	94	0	(House amended)
Senate	43	5	(Senate concurred)

Effective: December 29, 2013.