
SUBSTITUTE HOUSE BILL 2501

State of Washington 63rd Legislature 2014 Regular Session

By House Labor & Workforce Development (originally sponsored by Representatives Ormsby and Sells)

READ FIRST TIME 02/05/14.

1 AN ACT Relating to registration requirements for contractors;
2 amending RCW 18.27.030 and 18.27.070; and creating a new section.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 NEW SECTION. **Sec. 1.** The legislature finds that there are too
5 many individuals illegally engaging in business in the construction
6 industry and that should be registered under chapter 18.27 RCW, should
7 have state industrial insurance accounts, should be paying state
8 industrial insurance premiums in accordance with Title 51 RCW to
9 protect their workers, should have state unemployment insurance
10 accounts in accordance with Title 50 RCW, should be paying state
11 unemployment insurance taxes in accordance with Title 50 RCW, and
12 should be paying state business taxes and remitting state sales taxes
13 in accordance with Title 82 RCW. These illegal businesses are
14 competing unfairly against legally registered contractors that are
15 paying their state industrial insurance premiums, paying their state
16 unemployment taxes, paying their state business taxes, and remitting
17 their sales taxes, and are taking work away from the employees of the
18 legally operating businesses. It is the intent of the legislature to
19 curtail the operations of illegal businesses in the construction

1 industry and hereby enact legislation to require businesses that apply
2 for a contractor registration under chapter 18.27 RCW to have a state
3 industrial insurance account in accordance with Title 51 RCW and have
4 a state unemployment insurance account in accordance with Title 50 RCW,
5 in addition to having a state business tax account in accordance with
6 Title 82 RCW. In addition, the legislature will encourage an owner,
7 officer, or partner of a contractor registration applicant issued in
8 accordance with chapter 18.27 RCW to complete a preregistration
9 contractor training class to better ensure that the applicant knows
10 his, her, or its responsibilities when doing business as a contractor
11 in Washington state by charging an additional contractor registration
12 fee for any applicant that has not completed the preregistration
13 training class. The legislature also directs the department of labor
14 and industries to provide preregistration training in each of its
15 service regions at least once each month.

16 **Sec. 2.** RCW 18.27.030 and 2008 c 120 s 1 are each amended to read
17 as follows:

18 (1) An applicant for registration as a contractor shall submit an
19 application under oath upon a form to be prescribed by the director and
20 which shall include the following information pertaining to the
21 applicant:

22 (a) Employer social security number.

23 (b) Unified business identifier number.

24 (c) Evidence of an established workers' compensation account for
25 the coverage for the applicant's employees working in Washington, as
26 follows:

27 (i) The applicant's industrial insurance account number issued by
28 the department, regardless of whether the applicant has employees at
29 the time of registration;

30 (ii) The applicant's self-insurer number issued by the department;
31 or

32 (iii) For applicants domiciled in a state or province of Canada
33 subject to an agreement entered into under RCW 51.12.120(7), as
34 permitted by the agreement, filing a certificate of coverage issued by
35 the agency that administers the workers' compensation law in the
36 applicant's state or province of domicile certifying that the applicant

1 has secured the payment of compensation under the other state's or
2 province's workers' compensation law.

3 (d) Employment security department unemployment insurance account
4 number, regardless of whether the applicant has employees at the time
5 of registration.

6 (~~(e) ((Unified business identifier (UBI) account number may be~~
7 ~~substituted for the information required by (c) and (d) of this~~
8 ~~subsection if the applicant will not employ employees in Washington.~~

9 (~~(f))~~) Type of contracting activity, whether a general or a
10 specialty contractor and if the latter, the type of specialty.

11 (~~(g))~~) (f) The name and address of each partner if the applicant
12 is a firm or partnership, or the name and address of the owner if the
13 applicant is an individual proprietorship, or the name and address of
14 the corporate officers and statutory agent, if any, if the applicant is
15 a corporation or the name and address of all members of other business
16 entities. The information contained in such application is a matter of
17 public record and open to public inspection.

18 (2) First-time applicants must complete a contractor
19 preregistration training program or pay an additional registration fee
20 of two hundred dollars. The program must be provided by the department
21 or by private entities approved by the department under criteria
22 established by rule. A contractor preregistration training program may
23 not exceed six hours in duration. The training must be taken by an
24 owner, officer, or partner of the entity applying for registration
25 under this chapter. The contractor preregistration training program
26 must be available at a minimum of once a month in each of the
27 department's service delivery regions. The department may not charge
28 a fee for the contractor preregistration training program it provides
29 using department staff. The department or private entities approved by
30 the department may also offer the contractor preregistration training
31 program via the internet, so long as the department has proof that the
32 applicant participated in the entire preregistration training program.
33 All applicants must pass a test showing that the applicant reasonably
34 retained the information presented in the training. The department of
35 revenue and the employment security department shall assist the
36 department in presenting the contractor preregistration training
37 program.

1 (3) The department may verify the workers' compensation coverage
2 information provided by the applicant under subsection (1)(c) of this
3 section, including but not limited to information regarding the
4 coverage of an individual employee of the applicant. If coverage is
5 provided under the laws of another state, the department may notify the
6 other state that the applicant is employing employees in Washington.

7 (~~(3)~~) (4)(a) The department shall deny an application for
8 registration if: (i) The applicant has been previously performing work
9 subject to this chapter as a sole proprietor, partnership, corporation,
10 or other entity and the department has notice that the applicant has an
11 unsatisfied final judgment against him or her in an action based on
12 work performed subject to this chapter or the applicant owes the
13 department money for penalties assessed or fees due under this chapter
14 as a result of a final judgment; (ii) the applicant was an owner,
15 principal, or officer of a partnership, corporation, or other entity
16 that either has an unsatisfied final judgment against it in an action
17 that was incurred for work performed subject to this chapter or owes
18 the department money for penalties assessed or fees due under this
19 chapter as a result of a final judgment; (iii) the applicant does not
20 have a valid unified business identifier number; (iv) the department
21 determines that the applicant has falsified information on the
22 application, unless the error was inadvertent; or (v) the applicant
23 does not have an active and valid certificate of registration with the
24 department of revenue.

25 (b) The department shall suspend an active registration if (i) the
26 department has determined that the registrant has an unsatisfied final
27 judgment against it for work within the scope of this chapter; (ii) the
28 department has determined that the registrant is a sole proprietor or
29 an owner, principal, or officer of a registered contractor that has an
30 unsatisfied final judgment against it for work within the scope of this
31 chapter; (iii) the registrant does not maintain a valid unified
32 business identifier number; (iv) the department has determined that the
33 registrant falsified information on the application, unless the error
34 was inadvertent; or (v) the registrant does not have an active and
35 valid certificate of registration with the department of revenue.

36 (c) The department may suspend an active registration if the
37 department has determined that an owner, principal, partner, or officer

1 of the registrant was an owner, principal, or officer of a previous
2 partnership, corporation, or other entity that has an unsatisfied final
3 judgment against it.

4 ((+4)) (5) The department shall not deny an application or suspend
5 a registration because of an unsatisfied final judgment if the
6 applicant's or registrant's unsatisfied final judgment was determined
7 by the director to be the result of the fraud or negligence of another
8 party.

9 **Sec. 3.** RCW 18.27.070 and 1997 c 314 s 7 are each amended to read
10 as follows:

11 The department shall charge fees for issuance, renewal, and
12 reinstatement of certificates of registration; and changes of name,
13 address, or business structure. Subject to RCW 18.27.030(4), the
14 department shall set the fees by rule.

15 The entire amount of the fees are to be used solely to cover the
16 full cost of issuing certificates, filing papers and notices, and
17 administering and enforcing this chapter. The costs shall include
18 reproduction, travel, per diem, and administrative and legal support
19 costs.

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