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HOUSE BILL 1555

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State of Washington

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**By** Representatives Conway, Chase, Green, Dickerson, Rolfes, Goodman, Campbell, Morrell, Cody, Simpson, Ormsby, Van De Wege, Sequist, Appleton, Miloscia, Hunt, Blake, Williams, Hudgins, Kenney, Sullivan, Priest, Eddy, and Wood

Read first time 01/23/09. Referred to Committee on Commerce & Labor.

1 AN ACT Relating to the recommendations of the joint legislative  
2 task force on the underground economy in the construction industry;  
3 amending RCW 18.27.030, 18.27.020, 18.27.060, 60.28.010, 60.28.040, and  
4 50.12.070; adding new sections to chapter 18.27 RCW; adding a new  
5 section to chapter 35.21 RCW; adding a new section to chapter 35A.21  
6 RCW; adding a new section to chapter 36.01 RCW; adding a new section to  
7 chapter 39.12 RCW; adding a new section to chapter 51.04 RCW; adding a  
8 new chapter to Title 43 RCW; prescribing penalties; and providing an  
9 effective date.

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

11 **Sec. 1.** RCW 18.27.030 and 2008 c 120 s 1 are each amended to read  
12 as follows:

13 (1) An applicant for registration as a contractor shall submit an  
14 application under oath upon a form to be prescribed by the director and  
15 which shall include the following information pertaining to the  
16 applicant:

17 (a) Employer social security number.

18 (b) Unified business identifier number.

1 (c) Evidence of workers' compensation coverage for the applicant's  
2 employees working in Washington, as follows:

3 (i) The applicant's industrial insurance account number issued by  
4 the department;

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

7 (iii) For applicants domiciled in a state or province of Canada  
8 subject to an agreement entered into under RCW 51.12.120(7), as  
9 permitted by the agreement, filing a certificate of coverage issued by  
10 the agency that administers the workers' compensation law in the  
11 applicant's state or province of domicile certifying that the applicant  
12 has secured the payment of compensation under the other state's or  
13 province's workers' compensation law.

14 (d) Employment security department number.

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

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

20 (g) The name and address of each partner if the applicant is a firm  
21 or partnership, or the name and address of the owner if the applicant  
22 is an individual proprietorship, or the name and address of the  
23 corporate officers and statutory agent, if any, if the applicant is a  
24 corporation or the name and address of all members of other business  
25 entities.

26 (h) Photo identification.

27 (i) Certification that the applicant has attended training approved  
28 by the department on state law.

29 (2) The information contained in such application is a matter of  
30 public record and open to public inspection.

31 ~~((+2))~~ (3) The department may verify the workers' compensation  
32 coverage information provided by the applicant under subsection (1)(c)  
33 of this section, including but not limited to information regarding the  
34 coverage of an individual employee of the applicant. If coverage is  
35 provided under the laws of another state, the department may notify the  
36 other state that the applicant is employing employees in Washington.

37 ~~((+3))~~ (4)(a) The department shall deny an application for  
38 registration if: (i) The applicant has been previously performing work

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

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

28 (c) The department may suspend an active registration if the  
29 department has determined that an owner, principal, partner, or officer  
30 of the registrant was an owner, principal, or officer of a previous  
31 partnership, corporation, or other entity that has an unsatisfied final  
32 judgment against it.

33 ~~((+4))~~ (5) The department shall not deny an application or suspend  
34 a registration because of an unsatisfied final judgment if the  
35 applicant's or registrant's unsatisfied final judgment was determined  
36 by the director to be the result of the fraud or negligence of another  
37 party.

1        NEW SECTION.    **Sec. 2.**    A new section is added to chapter 18.27 RCW  
2 to read as follows:

3        The department shall approve training on state law for applicants  
4 for contractor registration.

5        NEW SECTION.    **Sec. 3.**    A new section is added to chapter 18.27 RCW  
6 to read as follows:

7        The department shall work with representatives of the business  
8 community to explore the need for continuing education for contractors.

9        NEW SECTION.    **Sec. 4.**    A new section is added to chapter 18.27 RCW  
10 to read as follows:

11        A contractor must maintain and have available for inspection by the  
12 department a list of all direct subcontractors and a copy of their  
13 certificate of registration.

14        **Sec. 5.**    RCW 18.27.020 and 2007 c 436 s 2 are each amended to read  
15 as follows:

16        (1) Every contractor shall register with the department.

17        (2) It is a gross misdemeanor for any contractor to:

18        (a) Advertise, offer to do work, submit a bid, or perform any work  
19 as a contractor without being registered as required by this chapter;

20        (b) Advertise, offer to do work, submit a bid, or perform any work  
21 as a contractor when the contractor's registration is suspended or  
22 revoked;

23        (c) Use a false or expired registration number in purchasing or  
24 offering to purchase an advertisement for which a contractor  
25 registration number is required;

26        (d) Transfer a valid registration to an unregistered contractor or  
27 allow an unregistered contractor to work under a registration issued to  
28 another contractor; or

29        (e) Subcontract to or use an unregistered contractor.

30        (3) It is not unlawful for a registered contractor to employ an  
31 unregistered contractor who was registered at the time he or she  
32 entered into a contract with the registered contractor, unless the  
33 registered contractor or his or her representative has been notified in  
34 writing by the department of labor and industries that the contractor  
35 has become unregistered.

1 (4) All gross misdemeanor actions under this chapter shall be  
2 prosecuted in the county where the infraction occurs.

3 (5) A person is guilty of a separate gross misdemeanor for each day  
4 worked if, after the person receives a citation from the department,  
5 the person works while unregistered, or while his or her registration  
6 is suspended or revoked, or works under a registration issued to  
7 another contractor. A person is guilty of a separate gross misdemeanor  
8 for each worksite on which he or she violates subsection (2) of this  
9 section. Nothing in this subsection applies to a registered  
10 contractor.

11 (6) A person is guilty of a class C felony for a third or  
12 subsequent conviction for a violation under this section.

13 (7) The director by rule shall establish a two-year audit and  
14 monitoring program for a contractor not registered under this chapter  
15 who becomes registered after receiving an infraction or conviction  
16 under this chapter as an unregistered contractor. The director shall  
17 notify the departments of revenue and employment security of the  
18 infractions or convictions and shall cooperate with these departments  
19 to determine whether any taxes or registration, license, or other fees  
20 or penalties are owed the state.

21 **Sec. 6.** RCW 18.27.060 and 2006 c 185 s 14 are each amended to read  
22 as follows:

23 (1) A certificate of registration shall be valid for two years and  
24 shall be renewed on or before the expiration date. The department  
25 shall issue to the applicant a certificate of registration upon  
26 compliance with the registration requirements of this chapter.

27 (2) If the department approves an application, it shall issue a  
28 certificate of registration to the applicant.

29 (3) If a contractor's surety bond or other security has an  
30 unsatisfied judgment against it or is canceled, or if the contractor's  
31 insurance policy is canceled, the contractor's registration shall be  
32 automatically suspended on the effective date of the impairment or  
33 cancellation. The department shall mail notice of the suspension to  
34 the contractor's address on the certificate of registration by  
35 certified and by first-class mail within two days after suspension.

36 (4) Renewal of registration is valid on the date the department  
37 receives the required fee and proof of bond and liability insurance, if

1 sent by certified mail or other means requiring proof of delivery. The  
2 receipt or proof of delivery shall serve as the contractor's proof of  
3 renewed registration until he or she receives verification from the  
4 department. Photo identification is required for renewal of  
5 registration.

6 (5) The department shall immediately suspend the certificate of  
7 registration of a contractor who has been certified by the department  
8 of social and health services as a person who is not in compliance with  
9 a support order or a visitation order as provided in RCW 74.20A.320.  
10 The certificate of registration shall not be reissued or renewed unless  
11 the person provides to the department a release from the department of  
12 social and health services stating that he or she is in compliance with  
13 the order and the person has continued to meet all other requirements  
14 for certification during the suspension.

15 (6) For a contractor who employs plumbers, as described in RCW  
16 18.106.010(10)(c), and is also required to be licensed as an electrical  
17 contractor as required in RCW 19.28.041, while doing pump and  
18 irrigation or domestic pump work described in rule as authorized by RCW  
19 19.28.251, the department shall establish a single  
20 registration/licensing document for those who qualify for both general  
21 contractor registration as defined by this chapter and an electrical  
22 contractor license as defined by chapter 19.28 RCW.

23 NEW SECTION. Sec. 7. A new section is added to chapter 18.27 RCW  
24 to read as follows:

25 A city, town, or county shall not issue a business license to a  
26 person required to be registered under this chapter without verifying  
27 that the person is registered under this chapter and meets other  
28 requirements.

29 NEW SECTION. Sec. 8. A new section is added to chapter 35.21 RCW  
30 to read as follows:

31 A city shall not issue a business license to a person required to  
32 be registered under chapter 18.27 RCW without verifying that the person  
33 is registered under chapter 18.27 RCW and meets other requirements.

34 NEW SECTION. Sec. 9. A new section is added to chapter 35A.21 RCW  
35 to read as follows:

1 A city shall not issue a business license to a person required to  
2 be registered under chapter 18.27 RCW without verifying that the person  
3 is registered under chapter 18.27 RCW and meets other requirements.

4 NEW SECTION. **Sec. 10.** A new section is added to chapter 36.01 RCW  
5 to read as follows:

6 A county shall not issue a business license to a person required to  
7 be registered under chapter 18.27 RCW without verifying that the person  
8 is registered under chapter 18.27 RCW and meets other requirements.

9 NEW SECTION. **Sec. 11.** A new section is added to chapter 39.12 RCW  
10 to read as follows:

11 For the purposes of this chapter, an individual is not considered  
12 a laborer, worker, or mechanic when:

13 (1) The individual has been, and will continue to be, free from  
14 control or direction over the performance of the service, both under  
15 the contract of service and in fact;

16 (2) The service is either outside the usual course of business for  
17 which the service is performed, the service is performed outside all of  
18 the places of business of the enterprise for which the service is  
19 performed, or the individual is responsible, both under the contract  
20 and in fact, for the costs of the principal place of business from  
21 which the service is performed;

22 (3) The individual is customarily engaged in an independently  
23 established trade, occupation, profession, or business, of the same  
24 nature as that involved in the contract of service, or the individual  
25 has a principal place of business for the business the individual is  
26 conducting that is eligible for a business deduction for federal income  
27 tax purposes other than that furnished by the employer for which the  
28 business has contracted to furnish services;

29 (4) On the effective date of the contract of service, the  
30 individual is responsible for filing at the next applicable filing  
31 period, both under the contract of service and in fact, a schedule of  
32 expenses with the internal revenue service for the type of business the  
33 individual is conducting;

34 (5) On the effective date of the contract of service, or within a  
35 reasonable period after the effective date of the contract of service,  
36 the individual has an active and valid certificate of registration with

1 the department of revenue, and an active and valid account with any  
2 other state agencies as required by the particular case, for the  
3 business the individual is conducting for the payment of all state  
4 taxes normally paid by employers and businesses and has registered for  
5 and received a unified business identifier number from the state of  
6 Washington;

7 (6) On the effective date of the contract of service, the  
8 individual is maintaining a separate set of books or records that  
9 reflect all items of income and expenses of the business which the  
10 individual is conducting; and

11 (7) On the effective date of the contract of service, the  
12 individual has a valid contractor registration pursuant to chapter  
13 18.27 RCW or an electrical contractor license pursuant to chapter 19.28  
14 RCW.

15 **Sec. 12.** RCW 60.28.010 and 2007 c 218 s 91 are each amended to  
16 read as follows:

17 (1) Contracts for public improvements or work, other than for  
18 professional services, by the state, or any county, city, town,  
19 district, board, or other public body, herein referred to as "public  
20 body", shall provide, and there shall be reserved by the public body  
21 from the moneys earned by the contractor on estimates during the  
22 progress of the improvement or work, a sum not to exceed five percent,  
23 said sum to be retained by the state, county, city, town, district,  
24 board, or other public body, as a trust fund for the protection and  
25 payment of any person or persons, mechanic, subcontractor or material  
26 supplier who shall perform any labor upon such contract or the doing of  
27 said work, and all persons who shall supply such person or persons or  
28 subcontractors with provisions and supplies for the carrying on of such  
29 work, and the state with respect to taxes imposed pursuant to Titles  
30 50, 51, and 82 RCW which may be due from such contractor. Every person  
31 performing labor or furnishing supplies toward the completion of said  
32 improvement or work shall have a lien upon said moneys so reserved:  
33 PROVIDED, That such notice of the lien of such claimant shall be given  
34 in the manner and within the time provided in RCW 39.08.030 as now  
35 existing and in accordance with any amendments that may hereafter be  
36 made thereto: PROVIDED FURTHER, That the board, council, commission,  
37 trustees, officer or body acting for the state, county or municipality



1 or other public body; (a) at any time after fifty percent of the  
2 original contract work has been completed, if it finds that  
3 satisfactory progress is being made, may make any of the partial  
4 payments which would otherwise be subsequently made in full; but in no  
5 event shall the amount to be retained be reduced to less than five  
6 percent of the amount of the moneys earned by the contractor:  
7 PROVIDED, That the contractor may request that retainage be reduced to  
8 one hundred percent of the value of the work remaining on the project;  
9 and (b) thirty days after completion and acceptance of all contract  
10 work other than landscaping, may release and pay in full the amounts  
11 retained during the performance of the contract (other than continuing  
12 retention of five percent of the moneys earned for landscaping) subject  
13 to the provisions of RCW 60.28.020.

14 (2) The moneys reserved under the provisions of subsection (1) of  
15 this section, at the option of the contractor, shall be:

16 (a) Retained in a fund by the public body until thirty days  
17 following the final acceptance of said improvement or work as  
18 completed;

19 (b) Deposited by the public body in an interest bearing account in  
20 a bank, mutual savings bank, or savings and loan association, not  
21 subject to withdrawal until after the final acceptance of said  
22 improvement or work as completed, or until agreed to by both parties:  
23 PROVIDED, That interest on such account shall be paid to the  
24 contractor;

25 (c) Placed in escrow with a bank or trust company by the public  
26 body until thirty days following the final acceptance of said  
27 improvement or work as completed. When the moneys reserved are to be  
28 placed in escrow, the public body shall issue a check representing the  
29 sum of the moneys reserved payable to the bank or trust company and the  
30 contractor jointly. Such check shall be converted into bonds and  
31 securities chosen by the contractor and approved by the public body and  
32 such bonds and securities shall be held in escrow. Interest on such  
33 bonds and securities shall be paid to the contractor as the said  
34 interest accrues.

35 (3) The contractor or subcontractor may withhold payment of not  
36 more than five percent from the moneys earned by any subcontractor or  
37 sub-subcontractor or supplier contracted with by the contractor to  
38 provide labor, materials, or equipment to the public project. Whenever

1 the contractor or subcontractor reserves funds earned by a  
2 subcontractor or sub-subcontractor or supplier, the contractor or  
3 subcontractor shall pay interest to the subcontractor or sub-  
4 subcontractor or supplier at a rate equal to that received by the  
5 contractor or subcontractor from reserved funds.

6 (4) With the consent of the public body the contractor may submit  
7 a bond for all or any portion of the amount of funds retained by the  
8 public body in a form acceptable to the public body. Such bond and any  
9 proceeds therefrom shall be made subject to all claims and liens and in  
10 the same manner and priority as set forth for retained percentages in  
11 this chapter. The public body shall release the bonded portion of the  
12 retained funds to the contractor within thirty days of accepting the  
13 bond from the contractor. Whenever a public body accepts a bond in  
14 lieu of retained funds from a contractor, the contractor shall accept  
15 like bonds from any subcontractors or suppliers from which the  
16 contractor has retained funds. The contractor shall then release the  
17 funds retained from the subcontractor or supplier to the subcontractor  
18 or supplier within thirty days of accepting the bond from the  
19 subcontractor or supplier.

20 (5) If the public body administering a contract, after a  
21 substantial portion of the work has been completed, finds that an  
22 unreasonable delay will occur in the completion of the remaining  
23 portion of the contract for any reason not the result of a breach  
24 thereof, it may, if the contractor agrees, delete from the contract the  
25 remaining work and accept as final the improvement at the stage of  
26 completion then attained and make payment in proportion to the amount  
27 of the work accomplished and in such case any amounts retained and  
28 accumulated under this section shall be held for a period of thirty  
29 days following such acceptance. In the event that the work shall have  
30 been terminated before final completion as provided in this section,  
31 the public body may thereafter enter into a new contract with the same  
32 contractor to perform the remaining work or improvement for an amount  
33 equal to or less than the cost of the remaining work as was provided  
34 for in the original contract without advertisement or bid. The  
35 provisions of this chapter 60.28 RCW shall be deemed exclusive and  
36 shall supersede all provisions and regulations in conflict herewith.

37 (6) Whenever the department of transportation has contracted for  
38 the construction of two or more ferry vessels, thirty days after

1 completion and final acceptance of each ferry vessel, the department  
2 may release and pay in full the amounts retained in connection with the  
3 construction of such vessel subject to the provisions of RCW 60.28.020:  
4 PROVIDED, That the department of transportation may at its discretion  
5 condition the release of funds retained in connection with the  
6 completed ferry upon the contractor delivering a good and sufficient  
7 bond with two or more sureties, or with a surety company, in the amount  
8 of the retained funds to be released to the contractor, conditioned  
9 that no taxes shall be certified or claims filed for work on such ferry  
10 after a period of thirty days following final acceptance of such ferry;  
11 and if such taxes are certified or claims filed, recovery may be had on  
12 such bond by the department of revenue and the material suppliers and  
13 laborers filing claims.

14 (7) Contracts on projects funded in whole or in part by farmers  
15 home administration and subject to farmers home administration  
16 regulations shall not be subject to subsections (1) through (6) of this  
17 section.

18 **Sec. 13.** RCW 60.28.040 and 1985 c 80 s 1 are each amended to read  
19 as follows:

20 (1) Subject to subsection (3) of this section, the amount of all  
21 taxes, increases, and penalties due or to become due under Title 82  
22 RCW, from a contractor or the contractor's successors or assignees with  
23 respect to a public improvement contract wherein the contract price is  
24 twenty thousand dollars or more, shall be a lien prior to all other  
25 liens upon the amount of the retained percentage withheld by the  
26 disbursing officer under such contract(~~(, except that)~~).

27 (2) Subject to subsection (3) of this section, after payment of all  
28 taxes, increases, and penalties due or to become due under Title 82  
29 RCW, the amount of all premiums, taxes, and penalties due or to become  
30 due under Titles 50 and 51 RCW from the contractor or the contractor's  
31 successors or assignees with respect to a public improvement contract  
32 wherein the contract price is twenty thousand dollars or more shall be  
33 a lien prior to all other liens upon the amount of the retained  
34 percentage withheld by the disbursing officer under such contract.

35 (3) The employees of a contractor or the contractor's successors or  
36 assignees who have not been paid the prevailing wage under such a  
37 public improvement contract shall have a first priority lien against

1 the bond or retainage prior to all other liens. The amount of all  
2 other taxes, increases and penalties due and owing from the contractor  
3 shall be a lien upon the balance of such retained percentage remaining  
4 in the possession of the disbursing officer after all other statutory  
5 lien claims have been paid.

6 NEW SECTION. **Sec. 14.** A new section is added to chapter 51.04 RCW  
7 to read as follows:

8 The department shall conduct education and outreach to employers on  
9 workers' compensation requirements and premium responsibilities,  
10 including independent contractor issues. The department shall work  
11 with new employers on an individual basis and also establish mass  
12 education campaigns.

13 **Sec. 15.** RCW 50.12.070 and 2008 c 120 s 7 are each amended to read  
14 as follows:

15 (1)(a) Each employing unit shall keep true and accurate work  
16 records, containing such information as the commissioner may prescribe.  
17 Such records shall be open to inspection and be subject to being copied  
18 by the commissioner or his or her authorized representatives at any  
19 reasonable time and as often as may be necessary. The commissioner may  
20 require from any employing unit any sworn or unsworn reports with  
21 respect to persons employed by it, which he or she deems necessary for  
22 the effective administration of this title. Any employer who fails to  
23 keep and preserve the records required by this section shall be subject  
24 to a penalty determined by the commissioner but not to exceed two  
25 hundred fifty dollars or two hundred percent of the quarterly tax for  
26 each offense, whichever is greater.

27 (b) An employer who contracts with another person or entity for  
28 work subject to chapter 18.27 or 19.28 RCW shall obtain and preserve a  
29 record of the unified business identifier account number for and  
30 compensation paid to the person or entity performing the work. Failure  
31 to obtain or maintain the record is subject to RCW 39.06.010 and to a  
32 penalty determined by the commissioner, but not to exceed two hundred  
33 fifty dollars, to be collected as provided in RCW 50.24.120.

34 (2)(a) Each employer shall register with the department and obtain  
35 an employment security account number. Registration must include the  
36 names and social security numbers of the owners, partners, members, or

1 corporate officers of the business, as well as their mailing addresses  
2 and telephone numbers and other information the commissioner may by  
3 rule prescribe. Registration of corporations must also include the  
4 percentage of stock ownership for each corporate officer, delineated by  
5 zero percent, less than ten percent, or ten percent or more. Any  
6 changes in the owners, partners, members, or corporate officers of the  
7 business, and changes in percentage of ownership of the outstanding  
8 shares of stock of the corporation, must be reported to the department  
9 at intervals prescribed by the commissioner under (b) of this  
10 subsection.

11 (b) Each employer shall make periodic reports at such intervals as  
12 the commissioner may by regulation prescribe, setting forth the  
13 remuneration paid for employment to workers in its employ, the full  
14 names and social security numbers of all such workers, and the total  
15 hours worked by each worker and such other information as the  
16 commissioner may by regulation prescribe.

17 (c) If the employing unit fails or has failed to report the number  
18 of hours in a reporting period for which a worker worked, such number  
19 will be computed by the commissioner and given the same force and  
20 effect as if it had been reported by the employing unit. In computing  
21 the number of such hours worked, the total wages for the reporting  
22 period, as reported by the employing unit, shall be divided by the  
23 dollar amount of the state's minimum wage in effect for such reporting  
24 period and the quotient, disregarding any remainder, shall be credited  
25 to the worker: PROVIDED, That although the computation so made will  
26 not be subject to appeal by the employing unit, monetary entitlement  
27 may be redetermined upon request if the department is provided with  
28 credible evidence of the actual hours worked. Benefits paid using  
29 computed hours are not considered an overpayment and are not subject to  
30 collections when the correction of computed hours results in an invalid  
31 or reduced claim; however:

32 (i) A contribution paying employer who fails to report the number  
33 of hours worked will have its experience rating account charged for all  
34 benefits paid that are based on hours computed under this subsection;  
35 and

36 (ii) An employer who reimburses the trust fund for benefits paid to  
37 workers and fails to report the number of hours worked shall reimburse

1 the trust fund for all benefits paid that are based on hours computed  
2 under this subsection.

3 NEW SECTION. **Sec. 16.** (1) An interagency advisory committee on  
4 the underground economy is created. The committee shall conduct a  
5 continuing study of the underground economy with the goal of reducing  
6 or eliminating the underground economy in this state.

7 (2) The committee is composed of:

8 (a) One representative each from the department of labor and  
9 industries, the employment security department, and the department of  
10 revenue;

11 (b) One representative of cities, appointed by an association of  
12 cities and one representative of counties, appointed by an association  
13 of counties; and

14 (c) Three representatives each of labor and employers, appointed by  
15 the director of the department of labor and industries.

16 (3) Members shall serve a term of three years beginning on  
17 September 1, 2009, except that the terms of the members representing  
18 labor and employers shall be staggered so that the term of one member  
19 appointed from each group expires in two years and the term of one  
20 member appointed from each group expires in one year. Vacancies shall  
21 be filled in the same manner as initial appointments.

22 (4) The member representing the department of labor and industries  
23 shall serve as chair.

24 (5) Beginning December 1, 2010, and annually thereafter, the  
25 committee shall report to the appropriate committees of the legislature  
26 on its findings and recommendations.

27 (6) The report due December 1, 2010, shall include, but not be  
28 limited to, the following issues:

29 (a) Shortening of reporting times for new hire reporting under RCW  
30 26.23.040 as a means of improving state agency data cross-matching  
31 capabilities and usefulness;

32 (b) Modifying resale certificate provisions;

33 (c) Requiring contractors to place subcontractor unified business  
34 identifier numbers on checks;

35 (d) Establishing penalties for owners who intentionally do not  
36 follow the law;

1 (e) Establishing penalties for persons who offer or accept  
2 undocumented cash payment;

3 (f) Enhancing funding for the master business application system;  
4 and

5 (g) Establishing additional benchmarks and measures for purposes of  
6 section 17 of this act.

7 (7) Members, except those representing an employer or organization,  
8 shall be reimbursed for travel expenses as provided in RCW 43.03.050  
9 and 43.03.060.

10 (8) The department of labor and industries, the employment security  
11 department, and the department of revenue shall coordinate and provide  
12 staff support for the committee.

13 NEW SECTION. **Sec. 17.** The department of labor and industries, the  
14 employment security department, and the department of revenue shall  
15 coordinate and report to the appropriate committees of the legislature  
16 by December 1st of each year on the effectiveness of efforts  
17 implemented since July 1, 2008, to address the underground economy.  
18 The agencies shall use benchmarks and measures established by the  
19 institute for public policy and other measures it determines  
20 appropriate.

21 NEW SECTION. **Sec. 18.** Sections 16 and 17 of this act constitute  
22 a new chapter in Title 43 RCW.

23 NEW SECTION. **Sec. 19.** Section 15 of this act takes effect October  
24 1, 2009.

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