

SSB 5227 - H COMM AMD

By Committee on Labor & Workforce Development

ADOPTED 04/09/2013

1 Strike everything after the enacting clause and insert the
2 following:

3 "Sec. 1. RCW 50.12.070 and 2009 c 432 s 11 are each amended to
4 read as follows:

5 (1)(a) Each employing unit shall keep true and accurate work
6 records, containing such information as the commissioner may prescribe.
7 Such records shall be open to inspection and be subject to being copied
8 by the commissioner or his or her authorized representatives at any
9 reasonable time and as often as may be necessary. The commissioner may
10 require from any employing unit any sworn or unsworn reports with
11 respect to persons employed by it, which he or she deems necessary for
12 the effective administration of this title.

13 (b) An employer who contracts with another person or entity for
14 work subject to chapter 18.27 or 19.28 RCW shall obtain and preserve a
15 record of the unified business identifier account number for and
16 compensation paid to the person or entity performing the work. In
17 addition to the penalty in subsection (3) of this section, failure to
18 obtain or maintain the record is subject to RCW 39.06.010.

19 (2)(a) Each employer shall register with the department and obtain
20 an employment security account number. (~~Registration must include the~~
21 ~~names and social security numbers of the owners, partners, members, or~~
22 ~~corporate officers of the business, as well as their mailing addresses~~
23 ~~and telephone numbers and other information the commissioner may by~~
24 ~~rule prescribe. Registration of corporations must also include the~~
25 ~~percentage of stock ownership for each corporate officer, delineated by~~
26 ~~zero percent, less than ten percent, or ten percent or more. Any~~
27 ~~changes in the owners, partners, members, or corporate officers of the~~
28 ~~business, and changes in percentage of ownership of the outstanding~~
29 ~~shares of stock of the corporation, must be reported to the department~~

1 at intervals prescribed by the commissioner under (b) of this
2 subsection.

3 (b)) Each employer shall make periodic reports at such intervals
4 as the commissioner may by regulation prescribe, setting forth the
5 remuneration paid for employment to workers in its employ, the full
6 names and social security numbers of all such workers, and the total
7 hours worked by each worker and such other information as the
8 commissioner may by regulation prescribe.

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

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

28 (ii) An employer who reimburses the trust fund for benefits paid to
29 workers and fails to report the number of hours worked shall reimburse
30 the trust fund for all benefits paid that are based on hours computed
31 under this subsection.

32 (3) Any employer who fails to keep and preserve records required by
33 this section shall be subject to a penalty determined by the
34 commissioner but not to exceed two hundred fifty dollars or two hundred
35 percent of the quarterly tax for each offense, whichever is greater.

36 **Sec. 2.** RCW 50.04.165 and 2007 c 146 s 4 are each amended to read
37 as follows:

1 ~~((1)(a))~~ Services performed by a person appointed as an officer
2 of a corporation under RCW 23B.08.400 ~~((are)), other than those covered~~
3 ~~by chapters 50.44 and 50.50 RCW, shall not be considered services in~~
4 ~~employment. However, a corporation(, other than those covered by~~
5 ~~chapters 50.44 and 50.50 RCW,)) may elect to ((exempt from coverage~~
6 ~~under this title as provided in subsection (2) of this section, any~~
7 ~~bona fide officer of a public company as defined in RCW 23B.01.400 who:~~

8 ~~(i) Is voluntarily elected or voluntarily appointed in accordance~~
9 ~~with the articles of incorporation or bylaws of the corporation;~~

10 ~~(ii) Is a shareholder of the corporation;~~

11 ~~(iii) Exercises substantial control in the daily management of the~~
12 ~~corporation; and~~

13 ~~(iv) Whose primary responsibilities do not include the performance~~
14 ~~of manual labor.~~

15 ~~(b) A corporation, other than those covered by chapters 50.44 and~~
16 ~~50.50 RCW, that is not a public company as defined in RCW 23B.01.400~~
17 ~~may exempt from coverage under this title as provided in subsection (2)~~
18 ~~of this section:~~

19 ~~(i) Eight or fewer bona fide officers who: Voluntarily agree to be~~
20 ~~exempted from coverage; are voluntarily elected or voluntarily~~
21 ~~appointed in accordance with the articles of incorporation or bylaws of~~
22 ~~the corporation; and who exercise substantial control in the daily~~
23 ~~management of the corporation, from coverage under this title without~~
24 ~~regard to the officers' performance of manual labor if the exempted~~
25 ~~officer is a shareholder of the corporation; and~~

26 ~~(ii) Any number of officers if all the exempted officers are~~
27 ~~related by blood within the third degree or marriage.~~

28 ~~(c) Determinations with respect to the status of persons performing~~
29 ~~services for a corporation must be made, in part, by reference to Title~~
30 ~~23B RCW and to compliance by the corporation with its own articles of~~
31 ~~incorporation and bylaws. For the purpose of determining coverage~~
32 ~~under this title, substance controls over form, and mandatory coverage~~
33 ~~under this title extends to all workers of this state, regardless of~~
34 ~~honorary titles conferred upon those actually serving as workers.~~

35 ~~(2)(a) The corporation must notify the department when it elects to~~
36 ~~exempt one or more corporate officers from coverage. The notice must~~
37 ~~be in a format prescribed by the department and signed by the officer~~

1 ~~or officers being exempted and by another corporate officer verifying~~
2 ~~the decision to be exempt from coverage.~~

3 ~~(b) The election to exempt one or more corporate officers from~~
4 ~~coverage under this title may be made when the corporation registers as~~
5 ~~required under RCW 50.12.070. The corporation may also elect exemption~~
6 ~~at any time following registration; however, an exemption will be~~
7 ~~effective only as of the first day of a calendar year. A written~~
8 ~~notice from the corporation must be sent to the department by January~~
9 ~~15th following the end of the last calendar year of coverage.~~
10 ~~Exemption from coverage will not be retroactive, and the corporation is~~
11 ~~not eligible for a refund or credit for contributions paid for~~
12 ~~corporate officers for periods before the effective date of the~~
13 ~~exemption.~~

14 ~~(3) A corporation may elect to reinstate coverage for one or more~~
15 ~~officers previously exempted under this section, subject to the~~
16 ~~following:~~

17 ~~(a) Coverage may be reinstated only at set intervals of five years~~
18 ~~beginning with the calendar year that begins five years after January~~
19 ~~1, 2009.~~

20 ~~(b) Coverage may only be reinstated effective the first day of the~~
21 ~~calendar year. A written notice from the corporation must be sent to~~
22 ~~the department by January 15th following the end of the last calendar~~
23 ~~year the exemption from coverage will apply.~~

24 ~~(c) Coverage will not be reinstated if the corporation: Has~~
25 ~~committed fraud related to the payment of contributions within the~~
26 ~~previous five years; is delinquent in the payment of contributions; or~~
27 ~~is assigned the array calculation factor rate for nonqualified~~
28 ~~employers because of a failure to pay contributions when due as~~
29 ~~provided in RCW 50.29.025, or for related reasons as determined by the~~
30 ~~commissioner.~~

31 ~~(d) Coverage will not be reinstated retroactively.~~

32 ~~(4) Except for corporations covered by chapters 50.44 and 50.50~~
33 ~~RCW, personal services performed by bona fide corporate officers for~~
34 ~~corporations described under RCW 50.04.080(3) and 50.04.090(2) are not~~
35 ~~considered services in employment, unless the corporation registers~~
36 ~~with the department as required in RCW 50.12.070 and elects to provide~~
37 ~~coverage for its corporate officers under RCW 50.24.160)) cover not~~
38 ~~less than all of its corporate officers under RCW 50.24.160. If an~~

1 employer does not elect to cover its corporate officers under RCW
2 50.24.160, the employer must notify its corporate officers in writing
3 that they are ineligible for unemployment benefits. However, if the
4 employer fails to provide notice, the individual's status as a
5 corporate officer is unchanged and the person remains ineligible for
6 unemployment benefits.

7 **Sec. 3.** RCW 50.04.080 and 2007 c 146 s 19 are each amended to read
8 as follows:

9 ((+1)) "Employer" means any individual or type of organization,
10 including any partnership, association, trust, estate, joint stock
11 company, insurance company, limited liability company, or corporation,
12 whether domestic or foreign, or the receiver, trustee in bankruptcy,
13 trustee, or the legal representative of a deceased person, having any
14 person in employment or, having become an employer, has not ceased to
15 be an employer as provided in this title.

16 ~~((2) For the purposes of collection remedies available under~~
17 ~~chapter 50.24 RCW, "employer," in the case of a corporation or limited~~
18 ~~liability company, includes persons found personally liable for any~~
19 ~~unpaid contributions and interest and penalties on those contributions~~
20 ~~under RCW 50.24.230.~~

21 ~~(3) Except for corporations covered by chapters 50.44 and 50.50~~
22 ~~RCW, "employer" does not include a corporation when all personal~~
23 ~~services are performed only by bona fide corporate officers, unless the~~
24 ~~corporation registers with the department as required in RCW 50.12.070~~
25 ~~and elects to provide coverage for its corporate officers under RCW~~
26 ~~50.24.160.))~~

27 **Sec. 4.** RCW 50.04.090 and 2007 c 146 s 20 are each amended to read
28 as follows:

29 ((+1)) "Employing unit" means any individual or any type of
30 organization, including any partnership, association, trust, estate,
31 joint stock company, insurance company, or corporation, whether
32 domestic or foreign, or the receiver, trustee in bankruptcy, trustee or
33 successor thereof, or the legal representative of a deceased person,
34 which has or subsequent to January 1, 1937, had in its employ or in its
35 "employment" one or more individuals performing services within this
36 state. The state and its political subdivisions shall be deemed

1 employing units as to any transactions occurring on or after September
2 21, 1977, which would render an employing unit liable for
3 contributions, interest, or penalties under RCW 50.24.130. "Employing
4 unit" includes Indian tribes as defined in RCW 50.50.010.

5 ~~((2) Except for corporations covered by chapters 50.44 and 50.50
6 RCW, "employing unit" does not include a corporation when all personal
7 services are performed only by bona fide corporate officers, unless the
8 corporation registers with the department as required in RCW 50.12.070
9 and elects to provide coverage for its corporate officers under RCW
10 50.24.160.))~~

11 NEW SECTION. **Sec. 5.** If any part of this act is found to be in
12 conflict with federal requirements that are a prescribed condition to
13 the allocation of federal funds to the state or the eligibility of
14 employers in this state for federal unemployment tax credits, the
15 conflicting part of this act is inoperative solely to the extent of the
16 conflict, and the finding or determination does not affect the
17 operation of the remainder of this act. Rules adopted under this act
18 must meet federal requirements that are a necessary condition to the
19 receipt of federal funds by the state or the granting of federal
20 unemployment tax credits to employers in this state.

21 NEW SECTION. **Sec. 6.** If any provision of this act or its
22 application to any person or circumstance is held invalid, the
23 remainder of the act or the application of the provision to other
24 persons or circumstances is not affected.

25 NEW SECTION. **Sec. 7.** This act takes effect December 29, 2013."

26 Correct the title.

EFFECT: Restores current law providing that a corporate officer
who owns 10 percent or more of the corporation (or a family member of
such a person) is not unemployed unless the corporation dissolves or
the officer resigns or is removed from office.

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