

# SENATE BILL REPORT

## SB 5572

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As of February 19, 1997

**Title:** An act relating to keeping records of unified business identifier account numbers.

**Brief Description:** Establishing requirements for keeping records of unified business identifier account numbers.

**Sponsors:** Senators Newhouse, Schow, Horn, Heavey, Franklin and Fraser; by request of Joint Task Force on Nonpayment of Employer Obligations.

**Brief History:**

**Committee Activity:** Commerce & Labor: 2/20/97.

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### SENATE COMMITTEE ON COMMERCE & LABOR

**Staff:** Jack Brummel (786-7428)

**Background:** Nearly all persons and entities that operate businesses in Washington are required to register with the Department of Revenue and to obtain a unified business identifier (UBI) number that is reported on tax returns. Registering (and having a UBI number) is among the factors that may be used to distinguish between an independent contractor— and an employee— by the agencies responsible for collecting taxes, industrial insurance premiums and unemployment insurance contributions. Although a person or entity contracting with another as an independent contractor should be registered with a UBI number, there is no requirement in current law that the UBI number be checked by the person seeking independent contractor services.

For purposes of industrial insurance and unemployment insurance, a registered contractor or a licensed electrical contractor is not considered the employer of another registered contractor or licensed electrical contractor with whom he or she contracts when certain statutory criteria are met. Although the independent contractor must be registered or licensed, an applicant for contractor registration or for electrical contractor licensing is not required by statute to provide information about his or her UBI number to the Department of Labor and Industries. The statute requires the applicant to supply the applicant's industrial insurance account number, the Employment Security Department number, and the state excise tax registration number. The UBI number is permitted as a substitute for these numbers.

**Summary of Bill:** Persons contracting with independent contractors in the construction industry are to obtain and maintain a record of the independent contractor's unified business identifier number. Failure to obtain the number subjects the contractor to 1) an administrative penalty to be imposed by the Department of Labor and Industries, the Employment Security Department, or the Department of Revenue when noncompliance is revealed in an audit by the respective agency; or 2) barring the employing contractor from bidding on public works contracts for two years.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.