

HOUSE BILL REPORT

HB 1244

*As Reported By House Committee on:
Commerce & Labor*

Title: An act relating to employers' payment of industrial insurance premiums and unemployment compensation contributions.

Brief Description: Requiring a study by the legislative budget committee of employer avoidance of industrial insurance premiums and unemployment compensation contributions.

Sponsor(s): Representatives Heavey, Cole, R. King, Winsley, Jones, Prentice, O'Brien, R. Meyers, Ebersole and Rasmussen.

Brief History:

Reported by House Committee on:
Commerce & Labor, February 15, 1991, DPA.

**HOUSE COMMITTEE ON
COMMERCE & LABOR**

Majority Report: *Do pass as amended.* Signed by 11 members: Representatives Heavey, Chair; Cole, Vice Chair; Fuhrman, Ranking Minority Member; Lisk, Assistant Ranking Minority Member; Franklin; Jones; R. King; O'Brien; Prentice; Vance; and Wilson.

Staff: Chris Cordes (786-7117).

Background: Both unemployment insurance and industrial insurance law exempt certain construction and electrical contractors from mandatory coverage.

Under unemployment insurance provisions, "employment" does not include services performed by a registered contractor if (1) the contractor is performing work for another registered contractor; (2) the contractor has a principal place of business that is eligible for federal tax deductions as a business; (3) the contractor maintains a separate set of books for the business; (4) the work being performed is contractor work; and (5) the contractor's work is not supervised or controlled by a contractor.

The exemption of a registered contractor from the definition of "worker" for purposes of industrial insurance coverage is

substantially the same as the exclusion under unemployment insurance law.

Summary of Amended Bill: The Employment Security Department and the Department of Labor and Industries are directed to investigate the practice by some construction contractors of avoiding employer obligations under industrial insurance and unemployment insurance by requiring employees to be registered contractors. A report on the extent of the practice and the loss of revenue to the State, and any recommendations, must be submitted to the Legislature by December 1, 1991.

Amended Bill Compared to Original Bill: The amendment requires the study to be conducted by the Employment Security Department and the Department of Labor and Industries instead of the Legislative Budget Committee.

Fiscal Note: Not requested.

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

Testimony For: Many workers are being required to register as contractors by their employers. The employer then claims an exemption from the unemployment insurance and industrial insurance laws. This practice reduces revenues to the State and jeopardizes the workers' benefits. A study is needed to determine the extent of the practice and to review recommendations for change.

Testimony Against: None.

Witnesses: Bob Dilger, Washington State Building and Construction Trades Council; Otto Herman, Rebound; and Jim Curley.