

SENATE BILL REPORT

EHB 1244

AS REPORTED BY COMMITTEE ON COMMERCE & LABOR, APRIL 1, 1991

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

SPONSORS: Representatives Heavey, Cole, R. King, Winsley, Jones, Prentice, O'Brien, R. Meyers, Ebersole and Rasmussen.

HOUSE COMMITTEE ON COMMERCE & LABOR

SENATE COMMITTEE ON COMMERCE & LABOR

Majority Report: Do pass.

Signed by Senators Matson, Chairman; Anderson, Vice Chairman; Bluechel, McDonald, McMullen, Moore, Murray, and Skratek.

Staff: Dave Cheal (786-7576)

Hearing Dates: March 28, 1991; April 1, 1991

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:

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.

Appropriation: none

Revenue: none

Fiscal Note: none requested

TESTIMONY FOR:

This practice by some contractors reduces revenue to those two programs and could invalidate some legitimate claim for benefit. A study is needed to develop corrective strategy, and determine the scope of the problem

TESTIMONY AGAINST: None

TESTIFIED: PRO: Robert Dilger, Washington State Building Trades Council; Graeme Sackrison, Employment Security Department; Doug Connell, Department of Labor and Industries; Duke Schaub, Associated General Contractors of Washington; Jeff Johnson, Washington State Labor Council