
HOUSE BILL 2501

State of Washington

63rd Legislature

2014 Regular Session

By Representatives Ormsby and Sells

Read first time 01/20/14. Referred to Committee on Labor & Workforce Development.

1 AN ACT Relating to registration requirements for contractors;
2 amending RCW 18.27.030 and 18.27.070; and creating a new section.

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

4 NEW SECTION. **Sec. 1.** The legislature finds that there are too
5 many individuals illegally engaging in business in the construction
6 industry and that should be registered under chapter 18.27 RCW, should
7 have state industrial insurance accounts, should be paying state
8 industrial insurance premiums in accordance with Title 51 RCW to
9 protect their workers, should have state unemployment insurance
10 accounts in accordance with Title 50 RCW, should be paying state
11 unemployment insurance taxes in accordance with Title 50 RCW, and
12 should be paying state business taxes and remitting state sales taxes
13 in accordance with Title 82 RCW. These illegal businesses are
14 competing unfairly against legally registered contractors that are
15 paying their state industrial insurance premiums, paying their state
16 unemployment taxes, paying their state business taxes, and remitting
17 their sales taxes, and are taking work away from the employees of the
18 legally operating businesses. It is the intent of the legislature to
19 curtail the operations of illegal businesses in the construction

1 industry and hereby enact legislation to require businesses that apply
2 for a contractor registration under chapter 18.27 RCW to have a state
3 industrial insurance account in accordance with Title 51 RCW and have
4 a state unemployment insurance account in accordance with Title 50 RCW,
5 in addition to having a state business tax account in accordance with
6 Title 82 RCW. In addition, the legislature will encourage an owner,
7 officer, or partner of a contractor registration applicant issued in
8 accordance with chapter 18.27 RCW to complete a preregistration
9 contractor training class to better ensure that the applicant knows
10 his, her, or its responsibilities when doing business as a contractor
11 in Washington state by charging an additional contractor registration
12 fee for any applicant that has not completed the preregistration
13 training class. The legislature also directs the department of labor
14 and industries to provide preregistration training in each of its
15 service regions at least once each month.

16 **Sec. 2.** RCW 18.27.030 and 2008 c 120 s 1 are each amended to read
17 as follows:

18 (1) An applicant for registration as a contractor shall submit an
19 application under oath upon a form to be prescribed by the director and
20 which shall include the following information pertaining to the
21 applicant:

22 (a) Employer social security number.

23 (b) Unified business identifier number.

24 (c) Evidence of an established workers' compensation account for
25 the coverage for the applicant's employees working in Washington, as
26 follows:

27 (i) The applicant's industrial insurance account number issued by
28 the department, regardless of whether the applicant has employees or
29 not at the time of registration;

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

32 (iii) For applicants domiciled in a state or province of Canada
33 subject to an agreement entered into under RCW 51.12.120(7), as
34 permitted by the agreement, filing a certificate of coverage issued by
35 the agency that administers the workers' compensation law in the
36 applicant's state or province of domicile certifying that the applicant

1 has secured the payment of compensation under the other state's or
2 province's workers' compensation law.

3 (d) Employment security department unemployment insurance account
4 number, regardless of whether the applicant has employees or not at the
5 time of registration.

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

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

11 (g) The name and address of each partner if the applicant is a firm
12 or partnership, or the name and address of the owner if the applicant
13 is an individual proprietorship, or the name and address of the
14 corporate officers and statutory agent, if any, if the applicant is a
15 corporation or the name and address of all members of other business
16 entities. The information contained in such application is a matter of
17 public record and open to public inspection.

18 (2) The department may verify the workers' compensation coverage
19 information provided by the applicant under subsection (1)(c) of this
20 section, including but not limited to information regarding the
21 coverage of an individual employee of the applicant. If coverage is
22 provided under the laws of another state, the department may notify the
23 other state that the applicant is employing employees in Washington.

24 (3)(a) The department shall deny an application for registration
25 if: (i) The applicant has been previously performing work subject to
26 this chapter as a sole proprietor, partnership, corporation, or other
27 entity and the department has notice that the applicant has an
28 unsatisfied final judgment against him or her in an action based on
29 work performed subject to this chapter or the applicant owes the
30 department money for penalties assessed or fees due under this chapter
31 as a result of a final judgment; (ii) the applicant was an owner,
32 principal, or officer of a partnership, corporation, or other entity
33 that either has an unsatisfied final judgment against it in an action
34 that was incurred for work performed subject to this chapter or owes
35 the department money for penalties assessed or fees due under this
36 chapter as a result of a final judgment; (iii) the applicant does not
37 have a valid unified business identifier number; (iv) the department
38 determines that the applicant has falsified information on the

1 application, unless the error was inadvertent; or (v) the applicant
2 does not have an active and valid certificate of registration with the
3 department of revenue.

4 (b) The department shall suspend an active registration if (i) the
5 department has determined that the registrant has an unsatisfied final
6 judgment against it for work within the scope of this chapter; (ii) the
7 department has determined that the registrant is a sole proprietor or
8 an owner, principal, or officer of a registered contractor that has an
9 unsatisfied final judgment against it for work within the scope of this
10 chapter; (iii) the registrant does not maintain a valid unified
11 business identifier number; (iv) the department has determined that the
12 registrant falsified information on the application, unless the error
13 was inadvertent; or (v) the registrant does not have an active and
14 valid certificate of registration with the department of revenue.

15 (c) The department may suspend an active registration if the
16 department has determined that an owner, principal, partner, or officer
17 of the registrant was an owner, principal, or officer of a previous
18 partnership, corporation, or other entity that has an unsatisfied final
19 judgment against it.

20 (4) The department shall not deny an application or suspend a
21 registration because of an unsatisfied final judgment if the
22 applicant's or registrant's unsatisfied final judgment was determined
23 by the director to be the result of the fraud or negligence of another
24 party.

25 **Sec. 3.** RCW 18.27.070 and 1997 c 314 s 7 are each amended to read
26 as follows:

27 (1) The department shall charge fees for issuance, renewal, and
28 reinstatement of certificates of registration; and changes of name,
29 address, or business structure. The department shall set the fees by
30 rule.

31 (2) The entire amount of the fees are to be used solely to cover
32 the full cost of issuing certificates, filing papers and notices, and
33 administering and enforcing this chapter. The costs shall include
34 reproduction, travel, per diem, and administrative and legal support
35 costs.

36 (3) The department shall charge an additional fee of two hundred
37 dollars for any applicant who does not complete a department-approved

1 contractor preregistration training program. A contractor
2 preregistration training program may not exceed six hours in duration
3 and must be provided by the department or by entities approved by the
4 department. For the purposes of this section, an applicant must be an
5 owner, officer, or partner of the entity applying for registration
6 under this chapter. The contractor preregistration training program
7 must be available at a minimum of once a month in each of the
8 department's service delivery regions and the department may not charge
9 a fee for the contractor preregistration training program it provides
10 using department staff. The department may also offer the contractor
11 preregistration training program via the internet, so long as the
12 department has proof that the applicant participated in the entire
13 preregistration training program and also passed a test showing that
14 the applicant reasonably retained the information presented in the
15 training. The department may approve private entities to also present
16 the contractor preregistration training program in accordance with
17 criteria established by rule by the department. The department of
18 revenue and the employment security department shall assist the
19 department of labor and industries in presenting the contractor
20 preregistration training program.

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