

Workers' Compensation

Recordkeeping and Reporting Guides



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 - For reporting information, go to Labor & Industries: Lni.wa.gov
 - Report industrial insurance employer fraud: Lni.wa.gov/Fraud, 1-888-811-5974



Washington State Department of
Labor & Industries

Recordkeeping and Reporting Guides

Workers' Compensation

State law requires every employer to keep records that will allow the Department of Labor & Industries (L&I) to compute premiums. These records must be open for examination by L&I. Failure to maintain these records will result in penalties subject to WAC 296-17-35201. To properly document hours reported on quarterly reports, maintain the following records for three full calendar years following the year in which employment occurred.

Employment Records

For each worker:

- Name
- Social Security Number
- Beginning and ending date of employment
- Basis of pay
- Units earned or produced for pieceworkers
- Worker's total gross pay
- Time Record showing days worked and hours worked each day (unless WAC rules provide an alternative to actual hours). Daily and summary time records must show the applicable occupation and risk class.
- Summary of hours worked each quarter
- Worker's specific withholding (with purpose of withholding)
- Worker's net pay
- Risk class for each worker

Financial Records

- Check register and canceled checks
- Bank statements
- Employers who pay their workers by check are required to keep and preserve all check registers and bank statements. Employers who pay their workers by cash are required to keep and preserve records of these cash transactions which provide a detailed record of wages paid to each worker.
- Cash disbursements journal

Tax Records

- Employment Security Department (ESD) Reports
- Department of Revenue (DOR) Reports
- Internal Revenue Service (IRS) Forms
- Annual tax return
- W-2 Wage and Tax Statements
- Form 941 (Quarterly Report)
- Form 1099-MISC (Miscellaneous Information)

Other Records to Maintain

- Purchase records for materials and supplies
- Miscellaneous contract labor documents
- Corporate documents
- Articles of Incorporation
- Bylaws, minutes of meetings
- LLC documents
- Certificate of Formation
- Contracts
- Invoices
- Financial statements
- Worksheets maintained for L&I reports

Construction Contractors

Contractors may be liable for premiums on their subcontractors if the subcontractors provide essentially labor only or if the subcontractor is controlled. If you have subcontractors that you consider exempt from coverage you must keep the following records:

- Subcontractor's legal name
- Contractor Registration Number AND expiration date
- UBI (Unified Business Identifier) Number (or L&I Account ID Number)
AND
- If you supply materials to the subcontractor, you must also keep records of:
 - Type and amount of material supplied
 - Project name or location
 - Date material was supplied
 - Completion date of contracted work

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Your Company Name

Your Company Slogan

Address

City, State, ZIP

123-456-7890 Fax 123-456-7890

TIME SHEET

Employee Name: John Doe

Title: Crew Lead

Employee Number: 12345

Status: In Training

Department: Painting

Supervisor: Dave Smith

Date	Start Time	End Time	Total Hours	Type of Work	Job Number
MM/DD/YYYY	8:00 a.m.	4:30 p.m.	8	Interior Painting	306 Calvary
MM/DD/YYYY	8:00 a.m.	4:30 p.m.	8	Interior Painting	865 Capital
MM/DD/YYYY	8:00 a.m.	4:30 p.m.	8	Exterior Painting	421 Elm St.
MM/DD/YYYY	8:00 a.m.	4:30 p.m.	8	Interior Painting	865 Capital
MM/DD/YYYY	8:00 a.m.	4:30 p.m.	8	Exterior Painting	421 Elm St.
WEEKLY TOTALS:			40	Total Hours	
			24	Interior Painting	
			16	Exterior Painting	

Employee Signature: *John Doe*

Date: MM/DD/YYYY

Supervisor Signature: *Dave Smith*

Date: MM/DD/YYYY

Computing Worker Hours

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Hourly Workers

Workers who receive an hourly wage.

- Actual hours.
- Includes overtime.
- Excludes holiday, vacation, and sick pay.

Salaried Workers, Owners with Optional Coverage

Workers who receive a fixed wage each pay period.

- 160 hours per month = 480 hours per quarter
- or
- Actual hours.

The same method must be used for all salaried workers.

Commissioned Personnel

Persons whose compensation is based upon a percentage of the amount received for the commodity or service rendered.

- Different rules apply to Outside Commissioned workers (who work primarily away from your premises) and Inside Commissioned workers (who work primarily at your premises).

- You may report either actual or assumed hours for Outside Commissioned workers. If you choose to report assumed hours, report:
 - 8 hours per day for part time
 - or
 - 160 hours per month for full time.
- You must choose one method (actual hours or assumed hours) and report all Outside Commissioned workers using that method. You cannot report some using actual hours and others using assumed hours.
- You can only report actual hours for Inside Commissioned workers.

Pieceworkers

Workers who are paid per piece of production.

- Actual hours.

The above methods of reporting do not exempt the employer from Federal Labor Standards Act requirements and overtime computation.

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Standard Exception Classifications

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WAC 296-17-31018: *Employments referred to as standard exceptions are to be separately rated unless these employments are specifically included within the scope of the basic classification.*

A division of a single worker's hours SHALL NOT be permitted between two standard exception classifications or between a standard exception classification and a basic business classification.

Clerical Office – Class 4904 workers are defined as those individuals whose duties are confined to keeping the books or records of the employer, in or about the employer's premises. Clerical workers may make bank deposits, pick up and deliver mail at the post office, or purchase office supplies if the primary work duties are clerical in nature. They may not handle product. Clerical workers may not handle, show, demonstrate, or deliver any product sold by the employer. Draftsmen will be considered to be clerical office workers when their duties are limited to office work only and they are not exposed to the operative hazard of the business.

Sales Personnel, Outside – Class 6301 and 6303 are defined as workers engaged in duties away from the premises of the employer, who sell, solicit, or service accounts of customers for the employer, provided that their duties do not include handling merchandise such as delivery, stocking, or display setup. Messengers will be considered sales workers, provided that they are used solely by the employer in connection with the administration of the employer's business operation and not as a general delivery service.

Optional Coverage is available for:

Corporate Officers – Class 7101 are defined as individuals of a corporation elected and empowered in accordance with the articles of incorporation or bylaws as officers who are also shareholders and may serve on the board of directors and whose duties are limited to administrative, clerical office and outside sales activities for the corporation. (See RCW 51.12.020 (8)). Classification 7101 will only be assigned if the classification describing the nature of the business does not already include administrative/clerical duties. Any corporate officer who is exposed to any operative hazard of the business or directly supervises workers who are exposed to any operative hazard of the business may not report in class 7101. A corporate officer engaged exclusively in outside sales shall be assigned classification 6303. In no event however will a corporate officer be assigned the clerical office classification 4904.

Members/Managers of LLC are reported in class 7100 if their duties are limited to administrative, clerical or outside sales duties. Classification 7100 will only be assigned if the classification describing the business does not already include administrative/clerical duties. Any Member/Manager of an LLC who is exposed to the operative hazard or directly supervising workers exposed to the operative hazard of the business, may not report in class 7100. If engaged exclusively in outside sales, they are reported in class 6303.

If any worker described above is exposed to any operative hazard of the business, their entire worker hours shall be assigned to the highest rated classification of work to which they are exposed.

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Excluded Employments

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RCW 51.12.020

Note for the following: Application for Elective Coverage, Sole Proprietor, Partners, For Profit Corporate Officers, or Member/Managers of Limited Liability Company (LLC) (form F213-042-000), may be filed with the department to elect coverage for partners, sole proprietors or corporate officers. Each partner or owner who wants coverage must sign for coverage. However, corporations who elect coverage must cover all corporate officers who perform a service for the corporation and receive earnings (actual or anticipated).

Sole Proprietors and Partners

Sole proprietors and partners are excluded.

Corporate Officers

Excluded when meeting the criteria indicated on the 'Corporate Officer' quick reference card. (See RCW 51.12.020(8)).

Limited Liability Company Members and/or Managers

Excluded from coverage if the company is qualified under: Sect. 5 for Sole Proprietors and Partners OR Sect. 8 for Corporate Officers.

- For an LLC with members only and no managers, each member may elect coverage, individually.
- For an LLC with managers, the LLC may elect coverage for all exempt managers working for the business and receiving earnings (actual or anticipated).

Beauticians, Barbers and Manicurists

Services performed by a booth renter or lessee when leasing from a salon or shop are excluded.

Domestic Servant(s)

Domestic servants working in the private residence of an individual are excluded unless the individual employs two, or more, full time. If two servants are regularly working at least 40 hours each per week, then all domestic servants are covered.

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RCW 51.12.020

Note for the following: Optional coverage may be obtained for these employments by filing an Application for Elective Coverage of Excluded Employments (form F213-112-000) with L&I.

Gardening, Maintenance and Repairs

Work done at the employer's personal residence is excluded.

- Maintenance: Keep in proper condition.
- Repair: Restore to sound condition after damage.

Construction of Private Residence

Workers hired by an individual to build a private residence for the individual are excluded from coverage if the residence is not built for resale, rental or business use. Once the owner occupies the home, work on the residence that exceeds maintenance or repair is mandatorily covered.

Newspaper Carriers

Excluded if they sell or distribute newspapers on the street, to offices, to businesses, or from house to house. Also exempt, freelance news correspondents or "stringers" who, using their own equipment, choose to submit material for publication for free or for a fee when the material is published.

Services For Aid or Sustenance

Excluded when the aid is from a religious or charitable (nonprofit) organization.

Minor Children on Family Farm

- Children under 18 years of age are excluded if working on the family-owned farm.
- Children between ages 18 to 21 are mandatorily covered unless an application for exclusion is filed by the parents.
- At age 21, coverage is mandatory.

The Application for Exclusion/Inclusion of Mandatory Coverage form is available at your local L&I office. (The family farm may be a sole proprietorship, partnership or corporation so long as the controlling interest is with the family.)

Jockeys – Racing

Jockeys are excluded while participating in or preparing horses for race meets which are licensed by the Washington Horse Racing Commission.

Musicians and Entertainers

Excluded under the following circumstances:

1. Under contract of service for a specific engagement.
2. No other duties assigned.
3. Not regularly and continuously employed by the establishment.

Insurance Agents, Brokers and Solicitors

Insurance Producers (defined in RCW 48.17.010) or surplus line brokers (licensed under chapter 48.15. RCW) are excluded.

Corporate Officers

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To be exempt from industrial insurance coverage a corporate officer must meet the following criteria.

Non-public Corporation — Does not meet the definition of RCW 23B.01.400.

May exempt up to eight officers, even if they perform manual labor as long as they meet the following criteria:

1. Shareholder in the corporation.
2. Exercise substantial control in daily management of the corporation — on a daily basis, makes management decisions over a function or functions that have some effect on the entire corporation.

Family Corporation (all officers must be related)

May exempt all corporate officers if every officer is related by blood within the third degree or marriage and is a bona fide officer. They are not required to be shareholders or directors to be exempt from coverage.

- 1st Degree = Parent/child
- 2nd Degree = Grandchild/brother/sister/grandparent
- 3rd Degree = Great-grandchild/nephew/niece/uncle/aunt/great-grandparent

Related by marriage means legally married within the laws of Washington State.

Public Corporation

A public corporation normally makes shares of stock available on a stock exchange. See RCW 23B.01.400 for a complete definition of public corporation.

1. **Bona fide officer.**
Performing the duties of such office as defined in the corporate articles and bylaws.
2. **Voluntarily elected or appointed.**
Elected or appointed of their own free will and knowledge.
3. **Bona fide director and shareholder.**
Carrying out the duties of the director as defined in the corporate articles and bylaws and owning corporate stock in their own name.
4. **Exercise substantial control in the daily management of the corporation.**
On a daily basis, make management decisions over a function or functions which have some effect on the entire corporation.
5. **Primary responsibility not to include manual labor.**
Corporate officers are not exempt if their primary duties include functions other than administration or professional occupations. Those officers performing blue-collar type duties are not exempt.

Status of Corporate Officers will be determined by the following:

- Title 23B RCW (Corporate Laws)
- A corporation's own bylaws and articles
- Substance over form
- Those holding honorary titles are not exempt and are reportable if they provide a paid service as a worker.

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Limited Liability Companies (LLC)

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Members or Managers

To be exempt from industrial insurance coverage an LLC member or manager must meet the following rules.

For an LLC with Members Only and No Managers

- Members are excluded from coverage if they meet the requirements of RCW 51.12.020(5) for sole proprietors and partners.
- Generally, all members are exempt, unless management rights are restricted to certain members. If management of the company is restricted to certain members, only those members are exempt from coverage.

For an LLC with Managers

- If all managers are related within the third degree of kin:
 - The managers who are also members in the LLC are exempt from coverage.
 - The family relations may be by either blood or marriage.

- If any of the managers are not related to one another:

- Only the managers who are also members qualify for the exemption.

Related by marriage means legally married within the laws of Washington State.

- To be exempt, the manager must exercise substantial control in the daily management of the company. On a daily basis, the manager must make management decisions over a function or functions that have some effect on the entire company.
- No more than eight managers may be considered exempt.

Note: Coverage may be elected on form F213-042-000:

- For an LLC with members only and no managers, each member may elect coverage, individually.
- For an LLC with managers, the LLC may elect coverage for all exempt managers working for the business and receiving earnings (actual or anticipated).

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Independent Contractors

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Industrial Insurance: RCWs 51.08.180, 51.08.181 and 51.08.195

RCW 51.08.180 states that an independent contractor who provides essentially personal labor is covered by industrial insurance. If the individual provides the labor of others (has their own workers), they are exempt. If the individual provides equipment (beyond ordinary hand tools), and they are not controlled in the use of the equipment, they are exempt. In these instances the individual is providing more than their personal labor.

If the individual does not provide their own workers or equipment in performing the contract, they may still be exempt if they meet the six-part test in RCW 51.08.195. The independent contractor must meet ALL six parts of the test in order to be exempt.

For the construction trades, there are seven parts to the test (RCW 51.08.181). Independent contractors in the construction trades must meet ALL seven parts of the test in order to be exempt.

1. Be free from your direction and control.
2. Pass one of the following three subtests:
 - Perform a service which is outside the course of your business or,
 - Perform the service away from all your business locations or,
 - Be responsible, both under the contract and in fact, for the costs of the principal place of business from which the service is performed.

3. Pass one of the following two subtests:
 - Be customarily engaged in their own business to provide the services which are of the same nature as those performed under the contract or,
 - Provide a principal place of business that qualifies for an Internal Revenue Service (IRS) business deduction; the place must be used regularly and exclusively for business purposes.
4. Be required under IRS rules to file a business tax return with the IRS.
5. Have an active account and an active Unified Business Identifier (UBI) Number with the Department of Revenue (DOR) and an active and valid account with any other state agency as required.
6. Maintain their own set of books and records showing business income and expenses.

Additional requirement for the construction trades:

7. The individual must have a valid contractor registration pursuant to chapter 18.27 RCW, a plumbing contractor license pursuant to chapter 18.106 RCW, or an electrical contractor license pursuant to chapter 19.28 RCW.

If you have questions, check with your local Labor & Industries (L&I) office to verify if your subcontractor would be considered your covered worker for industrial insurance purposes, or online at: Lni.wa.gov/IndependentContractor.

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If family members work for you, know your obligations

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If you have relatives, including children, who work for you, they must be treated as covered workers with the same rights as any other paid worker in the state of Washington. This applies to anyone you expect to show up for work at a certain time. There are exceptions for those working on a farm owned by their family. See details on the Application For Exclusion/Inclusion Mandatory Coverage (Family Farm) form at Lni.wa.gov/go/F213-113-000.

As an employer of family members, you are required to:

- **Pay them at least minimum wage.** Find Washington State's current minimum wage at Lni.wa.gov/MinWage.
- **Provide workers' compensation insurance.** Workers' compensation insurance pays benefits to injured workers and also protects employers from potentially enormous claim costs and liability from work-related injuries and illnesses.
- **Provide a paid 10-minute break for every four hours of work.**
- **Provide an unpaid 30-minute meal break for every five hours of work.**
- **Make sure they work safely.**
- **Follow the state's child labor laws.**
- **Ensure that the work they do is appropriate to their age.**

What else you should know:

- These requirements do not include family members who share ownership of a business, or children under the age of 18 who work on a farm owned by their parents.
- The minimum age for employment is 14 years.

Need help or assistance?

Information is available at Lni.wa.gov. For additional help, call your local Department of Labor & Industries (L&I) office or one of the following phone numbers:

- For questions on wages, breaks, or child labor laws: Lni.wa.gov/workers-rights
1-866-219-7321
- For questions about workers' compensation insurance: Lni.wa.gov/Claims
360-902-4817
- For questions about workplace safety and health requirements: Lni.wa.gov/safety-health
1-800-423-7233

Spanish and English are spoken at the above phone numbers.

For those who speak Chinese, Korean, Russian, Thai, Vietnamese, or other languages, interpretative services are available.

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Upon request, language support and formats for persons with disabilities are available. Call 1-800-547-8367. TDD users, call 711. L&I is an equal opportunity employer.

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