



# Workers' Compensation

## *Record Keeping and Reporting Guides*

### Packet Contents:

- Record Keeping
- Computing Worker Hours
- Standard Exception Classifications
- Excluded Employments
- Corporate Officers
- Limited Liability Companies (LLC)
- Independent Contractor
- If Family Members Work for You

For a Washington Business License Application [www.bls.dor.wa.gov](http://www.bls.dor.wa.gov)

For reporting information go to Labor & Industries [www.lni.wa.gov](http://www.lni.wa.gov)

Report industrial insurance employer fraud [www.lni.wa.gov/Fraud](http://www.lni.wa.gov/Fraud)  
**1-888-811-5974**







# Record Keeping

State law requires every employer to keep records that will allow the department to compute premiums. These records must be open for examination by the department. Failure to maintain these records will result in penalties subject to WAC 296-17-35201 (\$250 per worker). *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
- SSN
- Beginning & Ending Date of Employment
- Basis of Pay
- Units Earned or Produced for Pieceworkers
- Risk Class for each Employee
- 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 Total Gross Pay

- Worker's Specific Withholding (with purpose of withholding)
- Worker's Net Pay

## Financial Records

- Check Register and Canceled Checks
- Bank Statements
- Cash Disbursements Journal
- 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.

## Tax Records

- Employment Security Reports
- Department of Revenue Reports

- Internal Revenue Return, Forms
  - W-2
  - 941 (Quarterly Report)
  - 1099 (Miscellaneous Income)
  - Annual Tax Return

## Other Records to Maintain

- Purchase Records for
  - Materials and Supplies
  - Miscellaneous Contract Labor
- 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 Number (or L&I Account ID Number)

### AND

- If you supply materials to the subcontractor, you must also keep records on:
  - 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

# TIME SHEET

Address

City, State ZIP

123-456-7890 Fax 123-456-7890

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
4/21/2014	8:00 am	4:30 pm	8	Interior Painting	306 Calvary
4/22/2014	8:00 am	4:30 pm	8	Interior Painting	865 Capital
4/23/2014	8:00 am	4:30 pm	8	Exterior Painting	421 Elm St.
4/24/2014	8:00 am	4:30 pm	8	Interior Painting	865 Capital
4/25/2014	8:00 am	4:30 pm	8	Exterior Painting	421 Elm St.
WEEKLY TOTALS:			40	Total Hours	
			24	Interior Painting	
			16	Exterior Painting	

Employee Signature: *John Doe*

Date: 4/25/2014

Supervisor Signature: *Dave Smith*

Date: 4/25/2014



# Computing Worker Hours

## Hourly Employees

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

## Salaried Employees, Owners with Optional Coverage

*Employees who receive a fixed wage each pay period.*

- 160 hours per month = 480 hours/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** employees (who work primarily away from your premises) and **Inside Commissioned** employees (who work primarily at your premises).

- You may report either actual or assumed hours for **Outside Commissioned** employees. 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 employees using that method. You cannot report some using actual hours and others using assumed hours.
- You can only report actual hours for **Inside Commissioned** employees.

## Piecework

- 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

*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 employee's worker 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** employees are defined as those employees 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 as long 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 employees 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 those employees engaged in such duties away from the premises of the employer who sell, solicit or service accounts of customers for the employer. *Provided* that no employee duties include handling merchandise such as delivery, stocking or display set up. Messengers will be considered sales employees *provided* the messenger is used solely by the employer in connection with the administration of the employer's business operation and not a general delivery service.

Optional Coverage is available for:

**Corporate Officers – Class 7101** are defined as those employees 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

RCW 51.12.020

## **Sole Proprietors and Partners<sup>1</sup>**

Sole proprietors and partners are excluded.

## **Corporate Officers<sup>1</sup>**

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<sup>1</sup>**

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 firm and receiving earnings (actual or anticipated).

## **Beauticians, Barbers and Manicurists<sup>1</sup>**

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

## **Domestic Servant(s)<sup>2</sup>**

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.

## **Gardening, Maintenance and Repairs<sup>2</sup>**

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<sup>2</sup>**

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.

## **Minor Children on Family Farm**

Any child under eighteen years of age employed by his or her parent or parents in agricultural activities on the family farm.

## **Newspaper Carriers**

Excluded in they sell or distribute newspapers on the street, to offices, to businesses, or from house to house. Also exempt is any freelance news correspondent or "stringer" who, using his or her own equipment, chooses to submit material for publication for free or for a fee when the material is published.

Insurance Producer (defined in RCW 48.17.010) or surplus line broker (licensed under chapter 48.15. RCW).

*continued on reverse* ►

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## RCW 51.12.020

### **Services For Aid or Sustenance<sup>2</sup>**

Excluded when the aid is from a religious or charitable (non-profit) organization.

### **Minor Children on Family Farm<sup>2</sup>**

Children under 18 years of age are excluded if working on the family owned farm.

Children between ages 18 and 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 Labor and Industries office. (The family farm may be a sole proprietorship, partnership or corporation so long as the controlling interest is with the family.)

### **Jockeys – Racing<sup>2</sup>**

Excluded only when participating in a race or when preparing horses for race meets licensed with the Washington Horse Racing Commission.

### **Musicians and Entertainers<sup>2</sup>**

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.

### **Newspaper Carriers<sup>2</sup>**

Excluded if they sell papers house-to-house or on the street.

### **Insurance Agents, Brokers and Solicitors<sup>2</sup>**

#### NOTES

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1. Application for Optional Coverage, 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).
2. Optional coverage may be obtained for these employments by filing an Application for Optional Coverage form, F213-112-000 with the department.



# Corporate Officers

RCW 51.12.020

*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 (8) 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 his/her 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 his/her 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)

## 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.
- 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 firm and receiving earnings (actual or anticipated).

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# Independent Contractors

*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 employees) 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 employees 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. Need to pass one of the following three subtests:
  - a. Perform a service which is outside the course of your business or,
  - b. Perform the service away from all your business locations, including all your job sites or,
  - c. 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. Need to pass one of the following two subtests:
  - a. Be customarily engaged in their own business to provide the services which are of the same nature as those performed under the contract or,
  - b. Provide a principal place of business that qualifies for an 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 number (UBI) with the Department of Revenue.
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** or an electrical contractor license pursuant to chapter **19.28 RCW**.

If you have any questions, check with your local L&I field office to verify if your subcontractor would be considered your covered worker for industrial insurance purposes, or online at: <https://fortress.wa.gov/lni/crpsi>.

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# If family members work for you, know your obligations



If you have relatives, including children, who work for you, they must be treated as employees 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 family farm application at [www.Lni.wa.gov/go/F213-113-000](http://www.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 [www.Lni.wa.gov/MinWage](http://www.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 [www.Lni.wa.gov](http://www.Lni.wa.gov). For additional help, call your local Department of Labor & Industries office or one of these numbers:

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

## Spanish and English are spoken at all these numbers.

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

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Washington State Department of  
**Labor & Industries**  
*Employment Standards / Workplace Rights*

*Upon request, foreign 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.*