HB 1247

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A bill to be entitled

An act relating to workers' compensation; amending s. 440.02, F.S.; revising and deleting definitions; amending s. 440.05, F.S.; revising provisions relating to election and revocation of exemption to remove references to sole proprietors and partners; removing requirement that corporate officers provide proof of status to claim exemption; amending s. 440.077, F.S.; applying provisions relating to election of exemption from ch. 440, F.S., to corporate officers rather than sole proprietors and partners; amending s. 440.10, F.S.; revising provisions relating to liability for compensation; requiring subcontractors to provide evidence of workers' compensation coverage; providing an effective date.

16 Be It Enacted by the Legislature of the State of Florida:

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Section 1. Subsections (8), (15), (16), (41), and (42) of section 440.02, Florida Statutes, are amended to read:

20 440.02 Definitions.--When used in this chapter, unless the 21 context clearly requires otherwise, the following terms shall 22 have the following meanings:

"Construction industry" means for-profit activities (8) 23 involving the carrying out of any building, clearing, filling, 24 excavation, or substantial improvement in the size or use of any 25 26 structure or the appearance of any land. When appropriate to the context, "construction" refers to the act of construction or the 27 result of construction. However, "construction" does shall not 28 mean a homeowner's landowner's act of construction or the result 29 of a construction upon his or her own premises, provided such 30

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premises are not intended to be sold, or leased by
the owner within 1 year after the commencement of construction.
The division may, by rule, establish standard industrial
classification codes and definitions thereof which meet the
criteria of the term "construction industry" as set forth in
this section.

(15)(a) "Employee" means any person <u>who receives</u> remuneration from an employer for the performance of any work or <u>service</u>, whether by engaged in any employment under any appointment or contract <u>for</u> of hire or apprenticeship, express or implied, oral or written, whether lawfully or unlawfully employed, and includes, but is not limited to, aliens and minors.

(b) "Employee" includes any person who is an officer of a
corporation and who performs services for remuneration for such
corporation within this state, whether or not such services are
continuous.

1. Any officer of a corporation may elect to be exempt
from this chapter by filing written notice of the election with
the department as provided in s. 440.05.

As to officers of a corporation who are actively 51 2. engaged in the construction industry, no more than three 52 officers of a corporation or of any group of affiliated 53 corporations may elect to be exempt from this chapter by filing 54 written notice of the election with the department as provided 55 in s. 440.05. Each officer must be a shareholder who owns at 56 least 10 percent of the stock of such corporation and is listed 57 as an officer of such corporation with the Division of 58 Corporations of the Department of State. However, any exemption 59 obtained by a corporate officer of a corporation actively 60

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HB 1247 2003 engaged in the construction industry is not applicable with 61 respect to any commercial building project estimated to be 62 valued at \$250,000 or greater. 63 64 3. An officer of a corporation who elects to be exempt from this chapter by filing a written notice of the election 65 with the department as provided in s. 440.05 is not an employee. 66 67 Services are presumed to have been rendered to the corporation 68 if the officer is compensated by other than dividends upon 69 shares of stock of the corporation which the officer owns. The 70 71 term "affiliated" means and includes one or more corporations or entities, any one of which is a corporation engaged in the 72 construction industry, under the same or substantially the same 73 control of a group of business entities which are connected or 74 associated so that one entity controls or has the power to 75

81 <u>equipment or income among business entities shall be prima facie</u>

corporation. The ownership by one business entity of a

control each of the other business entities. "Affiliated"

includes the officers, directors, executives, shareholders

active in management, employees, and agents of the affiliated

controlling interest in another business entity or a pooling of

82 evidence that one business is affiliated with the other.

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(c)1. "Employee" includes:

A sole proprietor or a partner who is not engaged in
 the construction industry, devotes full time to the
 proprietorship or partnership, and, except as provided in this
 paragraph, elects to be included in the definition of employee
 by filing notice thereof as provided in s. 440.05. Partners or
 sole proprietors actively engaged in the construction industry
 are considered employees unless they elect to be excluded from

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91	HB 1247 2003 the definition of employee by filing written notice of the
92	election with the department as provided in s. 440.05. However,
93	no more than three partners in a partnership that is actively
94	engaged in the construction industry may elect to be excluded. A
95	sole proprietor or partner who is actively engaged in the
96	construction industry and who elects to be exempt from this
97	chapter by filing a written notice of the election with the
98	department as provided in s. 440.05 is not an employee. For
99	purposes of this chapter, an independent contractor is an
100	employee unless he or she meets all of the conditions set forth
101	in subparagraph (d)1.
102	2. All persons who are being paid by a construction
103	contractor as a subcontractor, unless the subcontractor has
104	validly elected an exemption as permitted by this chapter, or
105	has otherwise secured the payment of compensation coverage as a
106	subcontractor, consistent with s. 440.10, for work performed by
107	or as a subcontractor.
108	3. An independent contractor working or performing
109	services in the construction industry.
110	4. A sole proprietor who engages in the construction
111	industry and a partner or partnership that is engaged in the
112	construction industry.
113	2. Notwithstanding the provisions of subparagraph 1., the
114	term "employee" includes a sole proprietor or partner actively
115	engaged in the construction industry with respect to any
116	commercial building project estimated to be valued at \$250,000
117	or greater. Any exemption obtained is not applicable, with
118	respect to work performed at such a commercial building project.
119	(d) "Employee" does not include:

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120	1. An independent contractor who is not engaged in the
121	construction industry., if:
122	a. In order to meet the definition of "independent
123	contractor," at least four of the following criteria must be
124	met: The independent contractor maintains a separate business
125	with his or her own work facility, truck, equipment, materials,
126	or similar accommodations;
127	(I) The independent contractor maintains a separate
128	business with his or her own work facility, truck, equipment,
129	materials, or similar accommodations;
130	(II) The independent contractor holds or has applied for a
131	federal employer identification number, unless the independent
132	contractor is a sole proprietor who is not required to obtain a
133	federal employer identification number under state or federal
134	regulations;
135	(III) The independent contractor receives compensation for
136	services rendered or work performed and such compensation is
137	paid to a business rather than to an individual;
138	(IV) The independent contractor holds one or more bank
139	accounts in the name of the business entity for purposes of
140	paying business expenses or other expenses related to services
141	rendered or work performed for compensation;
142	(V) The independent contractor performs work or is able to
143	perform work for any entity in addition to or besides the
144	employer at his or her own election without the necessity of
145	completing an employment application or process; or
146	(VI) The independent contractor receives compensation for
147	work or services rendered on a competitive-bid basis or
148	completion of a task or a set of tasks as defined by a

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149	contractual agreement, unless such contractual agreement
150	expressly states that an employment relationship exists.
151	b. If four of the above criteria do not exist, an
152	individual may still be presumed to be an independent contractor
153	and not an employee based on full consideration of the nature of
154	the individual situation with regard to satisfying any of the
155	following conditions: The independent contractor holds or has
156	applied for a federal employer identification number, unless the
157	independent contractor is a sole proprietor who is not required
158	to obtain a federal employer identification number under state
159	or federal requirements;
160	(I) The independent contractor performs or agrees to
161	perform specific services or work for a specific amount of money
162	and controls the means of performing the services or work;
163	(II) The independent contractor incurs the principal
164	expenses related to the service or work that he or she performs
165	or agrees to perform;
166	(III) The independent contractor is responsible for the
167	satisfactory completion of the work or services that he or she
168	performs or agrees to perform;
169	(IV) The independent contractor receives compensation for
170	work or services performed for a commission or on a per-job
171	basis and not on any other basis;
172	(V) The independent contractor may realize a profit or
173	suffer a loss in connection with performing work or services;
174	(VI) The independent contractor has continuing or
175	recurring business liabilities or obligations; and
176	(VII) The success or failure of the independent
177	contractor's business depends on the relationship of business
178	receipts to expenditures.
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179	c. Notwithstanding anything to the contrary in this
180	subparagraph, an individual claiming to be an independent
181	contractor has the burden of proving that he or she is an
182	independent contractor for purposes of this act. The independent
183	contractor performs or agrees to perform specific services or
184	work for specific amounts of money and controls the means of
185	performing the services or work;
186	d. The independent contractor incurs the principal
187	expenses related to the service or work that he or she performs
188	or agrees to perform;
189	e. The independent contractor is responsible for the
190	satisfactory completion of work or services that he or she
191	performs or agrees to perform and is or could be held liable for
192	a failure to complete the work or services;
193	f. The independent contractor receives compensation for
194	work or services performed for a commission or on a per-job or
195	competitive-bid basis and not on any other basis;
196	g. The independent contractor may realize a profit or
197	suffer a loss in connection with performing work or services;
198	h. The independent contractor has continuing or recurring
199	business liabilities or obligations; and
200	i. The success or failure of the independent contractor's
201	business depends on the relationship of business receipts to
202	expenditures.
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204	However, the determination as to whether an individual included
205	in the Standard Industrial Classification Manual of 1987,
206	Industry Numbers 0711, 0721, 0722, 0751, 0761, 0762, 0781, 0782,
207	0783, 0811, 0831, 0851, 2411, 2421, 2435, 2436, 2448, or 2449,
208	or a newspaper delivery person, is an independent contractor is
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governed not by the criteria in this paragraph but by common-law 209 principles, giving due consideration to the business activity of 210 the individual. Notwithstanding the provisions of this paragraph 211 212 or any other provision of this chapter, with respect to any commercial building project estimated to be valued at \$250,000 213 or greater, a person who is actively engaged in the construction 214 industry is not an independent contractor and is either an 215 employer or an employee who may not be exempt from the coverage 216 requirements of this chapter. 217

218 2. A real estate salesperson or agent, if that person
219 agrees, in writing, to perform for remuneration solely by way of
220 commission.

3. Bands, orchestras, and musical and theatrical performers, including disk jockeys, performing in licensed premises as defined in chapter 562, if a written contract evidencing an independent contractor relationship is entered into before the commencement of such entertainment.

4. An owner-operator of a motor vehicle who transports 226 property under a written contract with a motor carrier which 227 evidences a relationship by which the owner-operator assumes the 228 responsibility of an employer for the performance of the 229 contract, if the owner-operator is required to furnish the 230 necessary motor vehicle equipment and all costs incidental to 231 the performance of the contract, including, but not limited to, 232 fuel, taxes, licenses, repairs, and hired help; and the owner-233 operator is paid a commission for transportation service and is 234 not paid by the hour or on some other time-measured basis. 235

5. A person whose employment is both casual and not in the course of the trade, business, profession, or occupation of the employer.

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6. A volunteer, except a volunteer worker for the state or a county, municipality, or other governmental entity. A person who does not receive monetary remuneration for services is presumed to be a volunteer unless there is substantial evidence that a valuable consideration was intended by both employer and employee. For purposes of this chapter, the term "volunteer" includes, but is not limited to:

Persons who serve in private nonprofit agencies and who 246 a. receive no compensation other than expenses in an amount less 247 than or equivalent to the standard mileage and per diem expenses 248 249 provided to salaried employees in the same agency or, if such agency does not have salaried employees who receive mileage and 250 251 per diem, then such volunteers who receive no compensation other than expenses in an amount less than or equivalent to the 252 customary mileage and per diem paid to salaried workers in the 253 community as determined by the department; and 254

b. Volunteers participating in federal programsestablished under Pub. L. No. 93-113.

257 7. <u>Unless otherwise prohibited by this chapter</u>, any
258 officer of a corporation who elects to be exempt from this
259 chapter.

8. An a sole proprietor or officer of a corporation who 260 actively engages in the construction industry, and a partner in 261 a partnership that is actively engaged in the construction 262 industry, who elects to be exempt from the provisions of this 263 chapter, as otherwise permitted by this chapter. Such sole 264 proprietor, officer, or partner is not an employee for any 265 reason until the notice of revocation of election filed pursuant 266 to s. 440.05 is effective. 267

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9. An exercise rider who does not work for a single horse farm or breeder, and who is compensated for riding on a case-bycase basis, provided a written contract is entered into prior to the commencement of such activity which evidences that an employee/employer relationship does not exist.

10. A taxicab, limousine, or other passenger vehicle-forhire driver who operates said vehicles pursuant to a written agreement with a company which provides any dispatch, marketing, insurance, communications, or other services under which the driver and any fees or charges paid by the driver to the company for such services are not conditioned upon, or expressed as a proportion of, fare revenues.

11. A person who performs services as a sports official 280 for an entity sponsoring an interscholastic sports event or for 281 a public entity or private, nonprofit organization that sponsors 282 an amateur sports event. For purposes of this subparagraph, such 283 a person is an independent contractor. For purposes of this 284 subparagraph, the term "sports official" means any person who is 285 a neutral participant in a sports event, including, but not 286 limited to, umpires, referees, judges, linespersons, 287 scorekeepers, or timekeepers. This subparagraph does not apply 288 to any person employed by a district school board who serves as 289 a sports official as required by the employing school board or 290 who serves as a sports official as part of his or her 291 responsibilities during normal school hours. 292

(16)(a) "Employer" means the state and all political subdivisions thereof, all public and quasi-public corporations therein, every person carrying on any employment, and the legal representative of a deceased person or the receiver or trustees of any person. If the employer is a corporation, parties in

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HB 1247 2003 actual control of the corporation, including, but not limited 298 to, the president, officers who exercise broad corporate powers, 299 directors, and all shareholders who directly or indirectly own a 300 controlling interest in the corporation, are considered the 301 employer for the purposes of ss. 440.105 and 440.106. 302 (b) A landowner shall not be considered the employer of 303 persons hired by the homeowner to carry out construction on the 304 homeowner's own premises if those premises are not intended for 305 immediate sale or resale. 306 (41) "Commercial building" means any building or structure 307 308 intended for commercial or industrial use, or any building or structure intended for multifamily use of more than four 309 dwelling units, as well as any accessory use structures 310 constructed in conjunction with the principal structure. The 311 term, "commercial building," does not include the conversion of 312 any existing residential building to a commercial building. 313 (42)"Residential building" means any building or 314 structure intended for residential use containing four or fewer 315 316 dwelling units and any structures intended as an accessory use to the residential structure. 317 Section 2. Subsections (3), (6), (10), and (13) of section 318 440.05, Florida Statutes, are amended to read: 319 440.05 Election of exemption; revocation of election; 320 notice; certification. --321 Each sole proprietor, partner, or officer of a 322 (3) corporation who is actively engaged in the construction industry 323 and who elects an exemption from this chapter or who, after 324 electing such exemption, revokes that exemption, must mail a 325 written notice to such effect to the department on a form 326 prescribed by the department. The notice of election to be 327 Page 11 of 17 CODING: Words stricken are deletions; words underlined are additions.

HB 1247 2003 exempt from the provisions of this chapter must be notarized and 328 under oath. The notice of election to be exempt which is 329 submitted to the department by the sole proprietor, partner, or 330 officer of a corporation where such officer is allowed to claim 331 an exemption as provided by this chapter must list the name, 332 federal tax identification number, social security number, all 333 certified or registered licenses issued pursuant to chapter 489 334 held by the person seeking the exemption, a copy of relevant 335 documentation as to employment status filed with the Internal 336 Revenue Service as specified by the department, a copy of the 337 338 relevant occupational license in the primary jurisdiction of the business, and, for corporate officers and partners, the 339 registration number of the corporation or partnership filed with 340 the Division of Corporations of the Department of State along 341 with a copy of the stock certificate evidencing the required 342 ownership under this chapter. The notice of election to be 343 exempt must identify each sole proprietorship, partnership, or 344 corporation that employs the person electing the exemption and 345 must list the social security number or federal tax 346 identification number of each such employer and the additional 347 documentation required by this section. In addition, the notice 348 of election to be exempt must provide that the sole proprietor, 349 partner, or officer electing an exemption is not entitled to 350 benefits under this chapter, must provide that the election does 351 not exceed exemption limits for officers and partnerships 352 provided in s. 440.02, and must certify that any employees of 353 the corporation, the sole proprietor, partner, or officer of 354 which is electing an exemption, are covered by workers' 355 compensation insurance. Upon receipt of the notice of the 356 election to be exempt, receipt of all application fees, and a 357

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HB 1247 2003 determination by the department that the notice meets the 358 requirements of this subsection, the department shall issue a 359 certification of the election to the sole proprietor, partner, 360 or officer, unless the department determines that the 361 information contained in the notice is invalid. The department 362 shall revoke a certificate of election to be exempt from 363 coverage upon a determination by the department that the person 364 does not meet the requirements for exemption or that the 365 information contained in the notice of election to be exempt is 366 invalid. The certificate of election must list the name names of 367 368 the sole proprietorship, partnership, or corporation listed in the request for exemption. A new certificate of election must be 369 370 obtained each time the person is employed by a new sole proprietorship, partnership, or different corporation that is 371 not listed on the certificate of election. A copy of the 372 certificate of election must be sent to each workers' 373 compensation carrier identified in the request for exemption. 374 Upon filing a notice of revocation of election, an a sole 375 proprietor, partner, or officer who is a subcontractor or an 376 officer of a corporate subcontractor must notify her or his 377 contractor. Upon revocation of a certificate of election of 378 exemption by the department, the department shall notify the 379 workers' compensation carriers identified in the request for 380 exemption. 381

(6) A construction industry certificate of election to be exempt which is issued in accordance with this section shall be valid for 2 years after the effective date stated thereon. Both the effective date and the expiration date must be listed on the face of the certificate by the department. The construction industry certificate must expire at midnight, 2 years from its

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issue date, as noted on the face of the exemption certificate. 388 Any person who has received from the division a construction 389 industry certificate of election to be exempt which is in effect 390 on December 31, 1998, shall file a new notice of election to be 391 exempt by the last day in his or her birth month following 392 December 1, 1998. A construction industry certificate of 393 election to be exempt may be revoked before its expiration by 394 the sole proprietor, partner, or officer for whom it was issued 395 or by the department for the reasons stated in this section. At 396 least 60 days prior to the expiration date of a construction 397 398 industry certificate of exemption issued after December 1, 1998, the department shall send notice of the expiration date and an 399 400 application for renewal to the certificateholder at the address on the certificate. 401

Each sole proprietor, partner, or officer of a (10)402 corporation who is actively engaged in the construction industry 403 and who elects an exemption from this chapter shall maintain 404 business records as specified by the division by rule, which 405 rules must include the provision that any corporation with 406 exempt officers and any partnership actively engaged in the 407 construction industry with exempt partners must maintain written 408 statements of those exempted persons affirmatively acknowledging 409 each such individual's exempt status. 410

(13) Any corporate officer <u>permitted by this chapter to</u>
<u>claim claiming</u> an exemption <u>under this section</u> must be listed on
the records of this state's Secretary of State, Division of
Corporations, as a corporate officer. If the person who claims
an exemption as a corporate officer is not so listed on the
records of the Secretary of State, the individual must provide
to the division, upon request by the division, a notarized

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HB 1247 2003 affidavit stating that the individual is a bona fide officer of 418 the corporation and stating the date his or her appointment or 419 election as a corporate officer became or will become effective. 420 421 The statement must be signed under oath by both the officer and the president or chief operating officer of the corporation and 422 must be notarized. The division shall issue a stop-work order 423 under s. 440.107(1) to any corporation who employs a person who 424 claims to be exempt as a corporate officer but who fails or 425 refuses to produce the documents required under this subsection 426 to the division within 3 business days after the request is 427 428 made. Section 3. Section 440.077, Florida Statutes, is amended 429 430 to read: 440.077 When a corporate sole proprietor, partner, or 431 officer rejects chapter, effect. -- An a sole proprietor, partner, 432 or officer of a corporation who is permitted to elect an 433 exemption under this chapter actively engaged in the 434 construction industry and who elects to be exempt from the 435 provisions of this chapter may not recover benefits under this 436 chapter. 437 Paragraphs (c), (d), and (g) of subsection (1) Section 4. 438 of section 440.10, Florida Statutes, are amended to read: 439 440.10 Liability for compensation. --440 (1)441 A contractor shall may require a subcontractor to 442 (C)provide evidence of workers' compensation insurance or a copy of 443 his or her certificate of election. A subcontractor that is a 444 445 corporation, and that has an electing to be exempt as a sole proprietor, partner, or officer who elects to be exempt, as 446 permitted under this chapter, of a corporation shall provide a 447

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HB 1247 2003 448 copy of his or her certificate of election <u>of exemption</u> to the 449 contractor.

(d)1. If a contractor becomes liable for the payment of compensation to the employees of a subcontractor who has failed to secure such payment in violation of s. 440.38, the contractor or other third-party payor shall be entitled to recover from the subcontractor all benefits paid or payable plus interest unless the contractor and subcontractor have agreed in writing that the contractor will provide coverage.

If a contractor or third-party payor becomes liable for 2. 457 458 the payment of compensation to the corporate officer employee of a subcontractor who is actively engaged in the construction 459 460 industry and has elected to be exempt from the provisions of this chapter, but whose election is invalid, the contractor or 461 third-party payor may recover from the claimant, partnership, or 462 corporation all benefits paid or payable plus interest, unless 463 the contractor and the subcontractor have agreed in writing that 464 the contractor will provide coverage. 465

466 (g) For purposes of this section, a person is conclusively
 467 presumed to be an independent contractor if:

468 1. The independent contractor provides the general 469 contractor with an affidavit stating that he or she meets all 470 the requirements of s. 440.02; and

471 2. The independent contractor provides the general 472 contractor with a valid certificate of workers' compensation 473 insurance or a valid certificate of exemption issued by the 474 department.

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Are <u>An</u> a sole proprietor, partner, or officer of a corporation who elects exemption from this chapter by filing a certificate of Page 16 of 17

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478	election under s. 440.05 may not recover benefits or
479	compensation under this chapter. An independent contractor who
480	provides the general contractor with both an affidavit stating
481	that he or she meets the requirements of s. 440.02 and a
482	certificate of exemption is not an employee under s. 440.02 and
483	may not recover benefits under this chapter. For purposes of
484	determining the appropriate premium for workers' compensation
485	coverage, carriers may not consider any officer of a corporation
486	person who <u>validly</u> meets the requirements of this paragraph to
487	be an employee.
488	Section 5. This act shall take effect upon becoming a law.