

SENATE BILL NO. 214

INTRODUCED BY D. LEWIS

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4 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING LAWS RELATING TO INDEPENDENT CONTRACTORS;
5 CLARIFYING THAT CERTAIN INDEPENDENT CONTRACTORS ARE NOT EXEMPT FOR UNEMPLOYMENT
6 INSURANCE PURPOSES; EXPANDING ELIGIBILITY FOR WORKERS' COMPENSATION PURPOSES;
7 AMENDING SECTIONS 39-51-204 AND 39-71-417, MCA; AND PROVIDING AN EFFECTIVE DATE."

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9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 39-51-204, MCA, is amended to read:

"39-51-204. Exclusions from definition of employment. (1) The term "employment" does not include:

13 (a) domestic or household service in a private home, local college club, or local chapter of a college
14 fraternity or sorority, except as provided in 39-51-202(3). If an employer is otherwise subject to this chapter and
15 has domestic or household service employment, all employees engaged in domestic or household service must
16 be excluded from coverage under this chapter if the employer:

17 (i) does not meet the monetary payment test in any quarter or calendar year, as applicable, for the
18 subject wages attributable to domestic or household service; and

19 (ii) keeps separate books and records to account for the employment of persons in domestic or
20 household service.

21 (b) service performed by a dependent member of a sole proprietor for whom an exemption may be
22 claimed under 26 U.S.C. 152 or service performed by a sole proprietor's spouse for whom an exemption based
23 on marital status may be claimed by the sole proprietor under 26 U.S.C. 7703;

24 (c) service performed as a freelance correspondent or newspaper carrier if the person performing the
25 service, or a parent or guardian of the person performing the service in the case of a minor, has acknowledged
26 in writing that the person performing the service and the service are not covered. As used in this subsection:

27 (i) "freelance correspondent" means a person who submits articles or photographs for publication and
28 is paid by the article or by the photograph; and

29 (ii) "newspaper carrier" means a person who provides a newspaper with the service of delivering
30 newspapers singly or in bundles. The term does not include an employee of the paper who, incidentally to the

- 1 employee's main duties, carries or delivers papers.
- 2 (d) services performed by qualified real estate agents, as defined in 26 U.S.C. 3508, or insurance
3 salespeople paid solely by commission and without a guarantee of minimum earnings;
- 4 (e) service performed by a cosmetologist or barber who is licensed under Title 37, chapter 31, and:
5 (i) who has acknowledged in writing that the cosmetologist or barber is not covered by unemployment
6 insurance and workers' compensation;
- 7 (ii) who contracts with a salon or shop, as defined in 37-31-101, and the contract must show that the
8 cosmetologist or barber:
9 (A) is free from all control and direction of the owner in the contract;
10 (B) receives payment for service from individual clientele; and
11 (C) leases, rents, or furnishes all of the cosmetologist's or barber's own equipment, skills, or knowledge;
12 and
13 (iii) whose contract gives rise to an action for breach of contract in the event of contract termination. The
14 existence of a single license for the salon or shop may not be construed as a lack of freedom from control or
15 direction under this subsection.
- 16 (f) casual labor not in the course of an employer's trade or business performed in any calendar quarter,
17 unless the cash remuneration paid for the service is \$50 or more and the service is performed by an individual
18 who is regularly employed by the employer to perform the service. "Regularly employed" means that the service
19 is performed during at least 24 days in the same quarter.
- 20 (g) service performed by sole proprietors, working members of a partnership, members of a
21 member-managed limited liability company that has filed with the secretary of state, or partners in a limited liability
22 partnership that has filed with the secretary of state;
- 23 (h) service performed for the installation of floor coverings if the installer:
24 (i) bids or negotiates a contract price based upon work performed by the yard or by the job;
25 (ii) is paid upon completion of an agreed-upon portion of the job or after the job is completed;
26 (iii) may perform service for anyone without limitation;
27 (iv) may accept or reject any job;
28 (v) furnishes substantially all tools and equipment necessary to provide the service; and
29 (vi) works under a written contract that:
30 (A) gives rise to a breach of contract action if the installer or any other party fails to perform the contract

- 1 obligations;
- 2 (B) states that the installer is not covered by unemployment insurance; and
- 3 (C) requires the installer to provide a current workers' compensation policy or to obtain an exemption
- 4 from workers' compensation requirements;
- 5 (i) service performed as a direct seller as defined by 26 U.S.C. 3508;
- 6 (j) service performed by a petroleum land professional. As used in this subsection, "petroleum land
- 7 professional" means a person who:
- 8 (i) is engaged primarily in negotiating for the acquisition or divestiture of mineral rights or in negotiating
- 9 a business agreement for the exploration or development of minerals;
- 10 (ii) is paid for service that is directly related to the completion of a contracted specific task rather than on
- 11 an hourly wage basis; and
- 12 (iii) performs all services as an independent contractor pursuant to a written contract.
- 13 (k) service performed by an ordained, commissioned, or licensed minister of a church in the exercise
- 14 of the church's ministry or by a member of a religious order in the exercise of duties required by the order;
- 15 (l) service performed by an individual receiving rehabilitation or remunerative work in a facility conducted
- 16 for the purpose of carrying out a program of rehabilitation for individuals whose earning capacity is impaired by
- 17 age or physical or mental deficiency or injury or providing remunerative work for individuals who, because of
- 18 impaired physical or mental capacity, cannot be readily absorbed in the competitive labor market;
- 19 (m) service performed as part of an unemployment work-relief or work-training program assisted or
- 20 financed in whole or in part by a federal agency, any agency of a state or political subdivision of the state, or an
- 21 Indian tribe by an individual receiving work relief or work training;
- 22 (n) service performed for a state prison or other state correctional or custodial institution by an inmate
- 23 of that institution;
- 24 (o) service performed by an individual who is sentenced to perform court-ordered community service
- 25 or similar work;
- 26 (p) service performed by elected public officials;
- 27 (q) agricultural labor, except as provided in 39-51-202(2), (4), or (6). If an employer is otherwise subject
- 28 to this chapter and has agricultural employment, all employees engaged in agricultural labor must be excluded
- 29 from coverage under this chapter if the employer:
- 30 (i) in any quarter or calendar year, as applicable, does not meet either of the tests relating to the

1 monetary amount or number of employees and days worked for the subject wages attributable to agricultural
2 labor; and

3 (ii) keeps separate books and records to account for the employment of persons in agricultural labor.

4 (r) service performed in the employ of any other state or its political subdivisions or of the United States
5 government or of an instrumentality of any other state or states or their political subdivisions or of the United
6 States, except that national banks organized under the national banking law are not entitled to exemption under
7 this subsection and are subject to this chapter the same as state banks, if the service is excluded from
8 employment as defined in 5 U.S.C. 8501(1)(I) and section 3306(c)(6) of the Federal Unemployment Tax Act;

9 (s) service in which unemployment insurance is payable under an unemployment insurance system
10 established by an act of congress if the department enters into agreements with the proper agencies under an
11 act of congress and those agreements become effective in the manner prescribed in the Montana Administrative
12 Procedure Act for the adoption of rules, to provide reciprocal treatment to individuals who have, after acquiring
13 potential rights to benefits under this chapter, acquired rights to unemployment insurance under an act of
14 congress or who have, after acquiring potential rights to unemployment insurance under the act of congress,
15 acquired rights to benefits under this chapter;

16 (t) service performed in the employ of a school or university if the service is performed by a student who
17 is enrolled and is regularly attending classes at a school or university or by the spouse of a student if the spouse
18 is advised, at the time that the spouse commences to perform the service, that the employment of the spouse
19 to perform the service is provided under a program to provide financial assistance to the student by the school
20 or university and that the employment is not covered by any program of unemployment insurance;

21 (u) service performed by an individual who is enrolled at a nonprofit or public educational institution that
22 normally maintains a regular faculty and curriculum and normally has a regularly organized body of students in
23 attendance at the place where its educational activities are carried on, as a student in a full-time program taken
24 for credit at an institution that combines academic instruction with work experience if the service is an integral
25 part of the program and the institution has certified that fact to the employer, except that this subsection (1)(u)
26 does not apply to service performed in a program established for or on behalf of an employer or group of
27 employers;

28 (v) service performed as an officer or member of the crew of a vessel on the navigable waters of the
29 United States;

30 (w) service performed by an alien as identified in 8 U.S.C. 1101(a)(15)(F), (a)(15)(H)(ii)(a), (a)(15)(J),

1 (a)(15)(M), or (a)(15)(Q);

2 (x) service performed in a fishing rights-related activity of an Indian tribe by a member of the tribe for
3 another member of that tribe or for a qualified Indian entity, as defined in 26 U.S.C. 7873;

4 (y) service performed to provide companionship services, as defined in 29 CFR 552.6, or respite care
5 for individuals who, because of age or infirmity, are unable to care for themselves when the person providing the
6 service is employed directly by a family member or an individual who is a legal guardian;

7 (z) service performed by an individual as an official, including a timer, referee, umpire, or judge, at an
8 amateur athletic event; or

9 (aa) services performed by an election judge appointed pursuant to 13-4-101 if the remuneration received
10 for those services is less than \$1,000 in the calendar year.

11 (2) ~~(a) An~~ Except as provided in subsection (2)(b), an individual found to be an independent contractor
12 by the department under the terms of 39-71-417 is considered an independent contractor for the purposes of this
13 chapter. An independent contractor is not precluded from filing a claim for benefits and receiving a determination
14 pursuant to 39-51-2402.

15 ~~(b) An officer of a quasi-public or private corporation or a manager of a manager-managed limited liability~~
16 ~~company~~ WHO IS EXEMPT UNDER 39-71-401(2)(R)(III) OR (2)(R)(IV) AND who obtains an independent contractor
17 exemption pursuant to ~~39-71-417(1)(c)(v)~~ 39-71-417(1)(A)(II) is not considered an independent contractor for the
18 purposes of this chapter.

19 (3) This section does not apply to a state or local governmental entity, an Indian tribe or tribal unit, or a
20 nonprofit organization defined under section 501(c)(3) of the Internal Revenue Code unless the service is
21 excluded from employment for purposes of the Federal Unemployment Tax Act."

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23 **Section 2.** Section 39-71-417, MCA, is amended to read:

24 "**39-71-417. Independent contractor certification.** (1) (a) ~~(i)~~ EXCEPT AS PROVIDED IN SUBSECTION
25 (1)(A)(II), A person who regularly and customarily performs services at a location other than the person's own fixed
26 business location shall apply to the department for an independent contractor exemption certificate unless the
27 person has elected to be bound personally and individually by the provisions of compensation plan No. 1, 2, or
28 3.

29 (II) AN OFFICER OR MANAGER WHO IS EXEMPT UNDER 39-71-401(2)(R)(III) OR (2)(R)(IV) MAY APPLY, BUT IS NOT
30 REQUIRED TO APPLY, TO THE DEPARTMENT FOR AN INDEPENDENT CONTRACTOR EXEMPTION CERTIFICATE.

1 (b) A person who meets the requirements of this section and receives an independent contractor
2 exemption certificate is not required to obtain a personal workers' compensation insurance policy.

3 (c) For the purposes of this section, "person" means:

4 (i) a sole proprietor;

5 (ii) a working member of a partnership;

6 (iii) a working member of a limited liability partnership; OR

7 (iv) ~~of~~ a working member of a member-managed limited liability company; ~~or.~~

8 ~~(v) an individual who meets the conditions specified in 39-71-401(2)(r)(iii) or (2)(r)(iv).~~

9 (2) The department shall adopt rules relating to an original application for or renewal of an independent
10 contractor exemption certificate. The department shall adopt by rule the amount of the fee for an application or
11 certificate renewal. The application or renewal must be accompanied by the fee.

12 (3) The department shall deposit the application or renewal fee in an account in the state special revenue
13 fund to pay the costs of administering the program.

14 (4) (a) To obtain an independent contractor exemption certificate, the applicant shall swear to and
15 acknowledge the following:

16 (i) that the applicant has been and will continue to be free from control or direction over the performance
17 of the person's own services, both under contract and in fact; and

18 (ii) that the applicant is engaged in an independently established trade, occupation, profession, or
19 business and will provide sufficient documentation of that fact to the department.

20 (b) For the purposes of subsection (4)(a)(i), an endorsement required for licensure, as provided in
21 37-47-303, does not imply or constitute control.

22 (5) An applicant for an independent contractor exemption certificate shall submit an application under
23 oath on a form prescribed by the department and containing the following:

24 (a) the applicant's name and address;

25 (b) the applicant's social security number;

26 (c) each occupation for which the applicant is seeking independent contractor certification; and

27 (d) other documentation as provided by department rule to assist in determining if the applicant has an
28 independently established business.

29 (6) The department shall issue an independent contractor exemption certificate to an applicant if the
30 department determines that an applicant meets the requirements of this section.

1 (7) (a) When the department approves an application for an independent contractor exemption certificate
2 and the person is working under the independent contractor exemption certificate, the person's status is
3 conclusively presumed to be that of an independent contractor.

4 (b) A person working under an approved independent contractor exemption certificate has waived all
5 rights and benefits under the Workers' Compensation Act and is precluded from obtaining benefits unless the
6 person has elected to be bound personally and individually by the provisions of compensation plan No. 1, 2, or
7 3.

8 (c) For the purposes of the Workers' Compensation Act, a person is working under an independent
9 contractor exemption certificate if:

10 (i) the person is performing work in the trade, business, occupation, or profession listed on the person's
11 independent contractor exemption certificate; and

12 (ii) the hiring agent and the person holding the independent contractor exemption certificate do not have
13 a written or an oral agreement that the independent contractor exemption certificate holder's status with respect
14 to that hiring agent is that of an employee.

15 (8) Once issued, an independent contractor exemption certificate remains in effect for 2 years unless:

16 (a) suspended or revoked pursuant to 39-71-418; or

17 (b) canceled by the independent contractor.

18 (9) If the department denies an application for an independent contractor exemption certificate, the
19 applicant may contest the denial by petitioning the workers' compensation court within 30 days of the mailing of
20 the denial."

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22 NEW SECTION. **Section 3. Effective date.** [This act] is effective July 1, 2007.

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