

1 \*\*\*\* BILL NO. \*\*\*\*  
2 INTRODUCED BY \*\*\*\*  
3 BY REQUEST OF THE \*\*\*\*  
4

5 A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING INDEPENDENT CONTRACTOR LAWS;  
6 PROVIDING DEPARTMENT ANALYSIS IN THE EVENT OF MISREPRESENTATIONS RELATING TO  
7 INDEPENDENT CONTRACTOR STATUS; AMENDING SECTIONS 39-51-203, 39-71-417, AND 39-71-419,  
8 MCA."

9  
10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:  
11

12 NEW SECTION. Section 1. Independent contractor misrepresentations. (1) The employment  
13 status of a person is determined by this section if:

- 14 (a) the person represents to a hiring agent that they have an independent contractor exemption  
15 certificate and is required by 39-71-417 to have the certificate; and  
16 (b) one of the following occurs:  
17 (i) the person applied for an independent contractor exemption certificate prior to the event triggering a  
18 departmental investigation;  
19 (ii) the person provided the hiring agent a forged independent contractor exemption certificate;  
20 (iii) the hiring agent contacted the department and was informed the person was an independent  
21 contractor;  
22 (iv) the person's independent contractor exemption certificate expires during the working relationship;  
23 or  
24 (v) the person fraudulently induced the hiring agent to commence the working relationship based upon  
25 the worker's status as an independent contractor.

26 (2) If the person's status is not conclusively determined because of subsection (1), the department  
27 shall investigate whether, as to the particular hiring agent:

- 28 (a) the person was free from direction and control in the performance of services; and

1 (b) the person was engaged in an independently established trade, occupation, profession, or  
2 business.

3 (3) A person found to meet the requirements of subsection (2)(a) and (2)(b) is an independent  
4 contractor.

5

6 **Section 2.** Section 39-51-203, MCA, is amended to read:

7 **"39-51-203. Employment defined.** (1) "Employment", subject to other provisions of this section,  
8 means service by an individual, by a manager or member of a limited liability company treated as a corporation  
9 pursuant to 39-51-207, or by an officer of a corporation, including service in interstate commerce, performed for  
10 wages or under any contract of hire, written or oral, express or implied.

11 (2) (a) The term "employment" includes an individual's entire service performed within or both within  
12 and outside this state if:

13 (i) the service is localized in this state; or

14 (ii) the service is not localized in any state but some of the service is performed in this state and:

15 (A) the base of operations or, if there is no base of operations, the place from which the service is  
16 directed or controlled is in this state; or

17 (B) the base of operations or the place from which the service is directed or controlled is not in any  
18 state in which some part of the service is performed, but the individual's residence is in this state.

19 (b) Service is considered to be localized within a state if:

20 (i) the service is performed entirely within the state; or

21 (ii) the service is performed both within and outside the state, but the service performed outside the  
22 state is incidental to the individual's service within the state; for example, the out-of-state service is temporary  
23 or transitory in nature or consists of isolated transactions.

24 (3) Service not covered under subsection (2) and performed entirely outside the state and on which  
25 contributions are neither required nor paid under an unemployment insurance law of any other state or of the  
26 federal government is considered to be employment subject to this chapter if the individual performing the  
27 services is a resident of this state and the department approves the election of the employing unit for whom the  
28 services are performed in order that the entire service of the individual is considered to be employment subject

1 to this chapter.

2 (4) Service performed by an individual for wages is considered to be employment subject to this  
3 chapter until it is shown to the satisfaction of the department that the individual is an independent contractor. ~~An  
4 individual may not be determined to be an employee based solely on not having an independent contractor  
5 exemption certificate.~~

6 (5) The term "employment" includes service performed by an individual in the employ of this state or  
7 any of its instrumentalities (or in the employ of this state and one or more other states or their instrumentalities)  
8 for a hospital or institution of higher education located in this state. The term "employment" includes service  
9 performed by all individuals, including those individuals who work for the state of Montana, its universities,  
10 public schools, components or units of universities or public schools, or any local government unit and one or  
11 more other states or their instrumentalities or political subdivisions whose services are compensated by salary  
12 or wages.

13 (6) The term "employment" includes service performed by an individual in the employ of a religious,  
14 charitable, scientific, literary, or educational organization.

15 (7) (a) The term "employment" includes the service of an individual who is a citizen of the United  
16 States performed outside the United States, except in Canada, in the employ of an American employer, other  
17 than service that is considered employment under the provisions of subsection (2) or the parallel provisions of  
18 another state's law, if:

19 (i) the employer's principal place of business in the United States is located in this state;

20 (ii) the employer has no place of business in the United States, but:

21 (A) the employer is an individual who is a resident of this state;

22 (B) the employer is a corporation that is organized under the laws of this state; or

23 (C) the employer is a partnership or a trust and the number of the partners or trustees who are  
24 residents of this state is greater than the number who are residents of any other state; or

25 (iii) none of the criteria of subsections (7)(a)(i) and (7)(a)(ii) are met, but the employer has elected  
26 coverage in this state or, the employer having failed to elect coverage in any state, the individual has filed a  
27 claim for benefits based on the service under the law of this state.

28 (b) An "American employer", for purposes of this subsection (7), means a person who is:

- 1 (i) an individual who is a resident of the United States;
- 2 (ii) a partnership if two-thirds or more of the partners are residents of the United States;
- 3 (iii) a trust if all of the trustees are residents of the United States; or
- 4 (iv) a corporation organized under the laws of the United States or of any state."

5

6 **Section 3.** Section 39-71-417, MCA, is amended to read:

7 **"39-71-417. Independent contractor certification.** (1) (a) (i) Except as provided in subsection  
8 (1)(a)(ii), a person who regularly and customarily performs services at a location other than the person's own  
9 fixed business location shall apply to the department for an independent contractor exemption certificate unless  
10 the person has elected to be bound personally and individually by the provisions of compensation plan No. 1, 2,  
11 or 3.

12 (ii) An officer or manager who is exempt under 39-71-401(2)(r)(iii) or (2)(r)(iv) may apply, but is not  
13 required to apply, to the department for an independent contractor exemption certificate.

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

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

17 (i) a sole proprietor;

18 (ii) a working member of a partnership;

19 (iii) a working member of a limited liability partnership;

20 (iv) a working member of a member-managed limited liability company; or

21 (v) a manager of a manager-managed limited liability company that is engaged in the work of the  
22 construction industry as defined in 39-71-116.

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

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

28 (4) (a) To obtain an independent contractor exemption certificate, the applicant shall swear to and

1 acknowledge the following:

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

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

6 (b) For the purposes of subsection (4)(a)(i), an endorsement required for licensure, as provided in 37-  
7 47-303, does not imply or constitute control.

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

10 (i) the applicant's name and address;

11 (ii) the applicant's social security number;

12 (iii) each occupation for which the applicant is seeking independent contractor certification; and

13 (iv) other documentation as provided by department rule to assist in determining if the applicant has an  
14 independently established business.

15 (b) The department shall adopt a retention schedule that maintains copies of documents submitted in  
16 support of an initial application or renewal application for an independent contractor exemption certificate for a  
17 minimum of 3 years after an application has been received by the department. The department shall, to the  
18 extent feasible, produce renewal applications that reduce the burden on renewal applicants to supply  
19 information that has been previously provided to the department as part of the application process.

20 (c) An applicant who applies on or after July 1, 2011, to renew an independent contractor exemption  
21 certificate is not required to submit documents that have been previously submitted to the department if:

22 (i) the applicant certifies under oath that the previously submitted documents are still valid and  
23 current; and

24 (ii) the department, if it considers it necessary, independently verifies a specific document or decides  
25 that a document has not expired pursuant to the document's own terms and is therefore still valid and current.

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

28 (7) (a) When the department approves an application for an independent contractor exemption

1 certificate and the person is working under the independent contractor exemption certificate, the person's status  
2 is conclusively presumed to be that of an independent contractor. Except as provided in [section 1], a person  
3 who does not have an independent contractor exemption certificate but is required to have one is conclusively  
4 presumed to be an employee.

5 (b) A person working under an approved independent contractor exemption certificate has waived all  
6 rights and benefits under the Workers' Compensation Act and is precluded from obtaining benefits unless the  
7 person has elected to be bound personally and individually by the provisions of compensation plan No. 1, 2, or  
8 3.

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

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

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

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

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

18 (b) canceled by the independent contractor.

19 (9) If the department's independent contractor central unit denies an application for an independent  
20 contractor exemption certificate, the applicant may contest that decision as provided in 39-71-415(2)."

21

22 **Section 4.** Section 39-71-419, MCA, is amended to read:

23 **"39-71-419. Independent contractor violations -- penalty.** (1) A person may not:

24 (a) perform work as an independent contractor without first:

25 (i) obtaining from the department an independent contractor exemption certificate unless the

26 individual is not required to obtain an independent contractor exemption certificate pursuant to 39-71-417(1)(a);

27 or

28 (ii) electing to be bound personally and individually by the provisions of compensation plan No. 1, 2, or

1 3;

2 (b) perform work as an independent contractor when the department has revoked or denied the  
3 independent contractor's exemption certificate;

4 (c) transfer to another person or allow another person to use an independent contractor exemption  
5 certificate that was not issued to that person;

6 (d) alter or falsify an independent contractor exemption certificate; or

7 (e) misrepresent the person's status as an independent contractor. ~~A person who falsely claimed,  
8 either in writing or through credible evidence, to have an independent contractor certification may not be  
9 considered to be an employee solely based on not actually having an independent contractor exemption  
10 certificate. The burden of proof that an independent contractor is certified rests with the independent contractor  
11 and not the hiring entity.~~

12 (2) An employer may not:

13 (a) require an employee through coercion, misrepresentation, or fraudulent means to adopt  
14 independent contractor status to avoid the employer's obligations to provide workers' compensation coverage;  
15 or

16 (b) exert control to a degree that causes the independent contractor to violate the provisions of 39-71-  
17 417(4).

18 (3) In addition to any other penalty or sanction provided in this chapter, a person or employer who  
19 violates a provision of this section is subject to a fine to be assessed by the department of up to \$1,000 for each  
20 violation. The department shall deposit the fines in the uninsured employers' fund. The lien provisions of 39-71-  
21 506 apply to any assessed fines.

22 (4) A person or employer who disputes a fine assessed by the department pursuant to this section  
23 may file an appeal with the department within 30 days of the date on which the fine was assessed. If, after  
24 mediation, the issue is not resolved, the issue must be transferred to the workers' compensation court for  
25 resolution."

26  
27 NEW SECTION. Section 5. Codification instruction. [Section 1] is intended to be codified as an  
28 integral part of Title 39, chapter 71, part 4, and the provisions of Title 39, chapter 71, part 4, apply to [section 1].

DRAFT