

# HOUSE BILL REPORT

## SB 5771

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**As Passed House:**

April 10, 1995

**Title:** An act relating to third party employers.

**Brief Description:** Establishing unemployment insurance liability for third party employers.

**Sponsors:** Senators Pelz, Newhouse and Deccio; by request of Employment Security Department.

**Brief History:**

**Committee Activity:**

Commerce & Labor: 3/29/95 [DP].

**Floor Activity:**

Passed House: 4/10/95, 97-0.

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### HOUSE COMMITTEE ON COMMERCE & LABOR

**Majority Report:** Do pass. Signed by 10 members: Representatives Lisk, Chairman; Hargrove, Vice Chairman; Thompson, Vice Chairman; Romero, Ranking Minority Member; Conway, Assistant Ranking Minority Member; Cairnes; Cody; Cole; Fuhrman and Goldsmith.

**Staff:** Chris Cordes (786-7117).

**Background:** For purposes of coverage under unemployment insurance, an employer is an entity who has persons under its employment. Employment is defined as personal services performed for wages or under a contract providing for the performance of personal services. Washington courts have required that the services must clearly benefit the employer for an employment relationship to exist.

In arrangements in which services are performed for one party and another party is responsible for paying wages, it is unclear who acts as the "employer" for payment of unemployment insurance contributions.

**Summary of Bill:** Personal services that are performed for, or for the benefit of, a third party under a contract with a temporary services agency, employee leasing

agency, service referral agency, or other entity are considered to be services for the agency when the agency is responsible for payment of wages for these services.

A temporary services agency is one that furnishes people who work part-time or on a temporary basis for a third party. An employee leasing agency is one that places employees of a client on the agency's payroll for a fee and leases the employees back to the client. A service referral agency is one that provides people to do specific tasks for a third party.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** This bill will provide a clear standard regarding who is obligated to pay the unemployment insurance tax when employees are referred for work by a temporary or referral agency. If these taxes cannot be collected because of a dispute about who is the "employer," the trust fund incurs additional socialized costs.

**Testimony Against:** None.

**Testified:** Graeme Sackrison, Employment Security Department.