

**HB 519**

**HD1, SD1**



**Comments to the Senate Committee on Ways and Means  
Friday, April 1, 2011 at 9:00 a.m.  
Conference Room 211, State Capitol**

**RE: HOUSE BILL NO. 519 SD1 RELATING TO WORKERS'  
COMPENSATION**

Chair Ige, Vice Chair Kidani, and Members of the Committee:

The Chamber of Commerce of Hawaii ("The Chamber") is in strong support of House Bill No. 519 SD1, relating to Workers' Compensation. We respectfully ask that the committee change the defective to an effective date.

The Chamber is the largest business organization in Hawaii, representing more than 1,100 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of its members, which employ more than 200,000 individuals, to improve the state's economic climate and to foster positive action on issues of common concern.

This measure excludes services performed by an individual who is a member of a LLC or a partner of a LLP who has a distributional interest in the company or partnership of at least 50%, a partner of a partnership, and a sole proprietor from the definition of "employment" under the workers' compensation law.

Workers' compensation provides medical insurance and wage loss for work related injuries for employees while protecting employers from civil liability resulting from such injuries. The Chamber believes that this measure is consistent with the intent of protecting employees while helping employers reduce overhead costs by enabling businesses to save on workers' compensation premiums.

The Chamber supports this measure for the following reasons:

- Owners who do not work at the business would more than likely not suffer a work-related injury; therefore they do not benefit from workers' compensation.
- Owners would not gain any benefit from suing his or her own company for any injury, even for one that was suffered and was related to the business.
- Owners who work at the business would also have little incentive to file a workers' compensation claim. Essentially, owners would have nothing to gain from suing themselves because such action would result in increased premium costs, and potentially affect the viability of their business.

Accordingly, it makes sense for owners to opt out of the mandatory workers' compensation coverage. Mandatory coverage imposes additional costs on businesses, especially on sole proprietors; therefore, the proposed exclusion will alleviate some of the high costs of doing

business. Many states have some statutory provision that make workers' compensation coverage elective for sole proprietors and some statutory provision that makes workers' compensation coverage elective for LLC members.

For these reasons, the Chamber urges your Committee to pass this measure. Thank you very much for the opportunity to submit comments.



## **Before the Senate Committee on Ways and Means**

DATE: Friday, April 1, 2011  
TIME: 9:00 A.M.  
PLACE: Conference Room 211

### **HB 519 HD1 SD1: Relating to Workers' Compensation Testimony of Melissa Pavlicek for NFIB Hawaii**

Thank you for the opportunity to testify in support of HB 519 HD1 SD1. NFIB strongly supports this measure.

NFIB has long supported making the workers compensation law with respect to limited liability company owners equitable as compared to the owners of corporations and recommends this measure for approval. Because the state Workers' Compensation law predates the existence of the LLC in Hawaii, this bill will resolve an oversight in the language of the law. The law should be amended to allow LLC's the option to purchase Workers' Compensation insurance since often partners make up their entire workforce. This measure has the potential to save small business owners in Hawaii a sizeable amount each year that was unfairly and unnecessarily charged to them. We recognize and appreciate the efforts of legislators to address small business concerns.

The National Federation of Independent Business is the largest advocacy organization representing small and independent businesses in Washington, D.C., and all 50 state capitals. In Hawaii, NFIB represents more than 1,000 members. NFIB's purpose is to impact public policy at the state and federal level and be a key business resource for small and independent business in America. NFIB also provides timely information designed to help small businesses succeed.



Senator David Y. Ige, Chair  
Senator Michelle Kidani, Vice Chair  
Committee on Ways and Means  
State Capitol, Honolulu, Hawaii 96813

HEARING      Tuesday, March 15, 2011  
                  9:30 am  
                  Conference Room 016

**RE:    HB519 HD1, SD1, Relating to Workers' Compensation**

Chair Ige, Vice Chair Kidani, and Members of the Committee:

Retail Merchants of Hawaii (RMH) is a not-for-profit trade organization representing 200 members and over 2,000 storefronts, and is committed to support the retail industry and business in general in Hawaii. The retail industry is the one of the largest single employers in the state, employing almost 24% of the labor force.

**RMH supports HB519, HD1, SD1**, which excludes services performed by an individual who is a member of a limited liability company or a partner of a limited liability partnership who has a distributional interest in the company or partnership of at least 50%, a partner of a partnership, and a sole proprietor from the definition of "employment" under the workers' compensation law.

A business owner who is not actively involved in the day-to-day activities of the business most likely would not suffer a work-related injury and therefore would not benefit from workers' compensation insurance. Even if the owner does work at the business, there would be little or no gain to file a worker's compensation claim, which would result in increased premium costs borne by the business. In the case of a sole proprietorship, an injury would likely result in the termination of the business operations.

Admittedly, worker's compensation insurance imposes additional costs on the business. This exclusion would provide additional and much needed financial resources to the small business person.

The members of the Retail Merchants of Hawaii respectfully request that you pass HB519, HD1, SD1. Thank you for your consideration and for the opportunity to comment on this measure.

Carol Pregill, President

RETAIL MERCHANTS OF HAWAII  
1240 Ala Moana Boulevard, Suite 215  
Honolulu, HI 96814  
ph: 808-592-4200 / fax: 808-592-4202