



State or Federal Issues Contacts: Please refer to the list of State Relations Executives at the end of this report.

LEGISLATIVE ACTIVITY—LEGISLATIVE SESSION UPDATES

This report contains descriptions and/or excerpts of relevant bills that passed the first chamber, passed the second chamber, or were enacted during the specific periods. In addition, a recap of significant legislative and judicial activity impacting the workers compensation system will be included in the first report published each month. This report is issued on a weekly basis throughout the legislative season, and it provides updates on the content of these bills if and when they progress through the legislative process. This report includes bills from states where NCCI provides ratemaking services (see state list under Contact Information) and the US Congress.

BILLS ENACTED

The following workers compensation-related bill was enacted within the one-week period ending August 11, 2017.

North Carolina

SB 407 was:

- Passed by the first chamber on April 26, 2017
- Amended and passed by the second chamber on June 29, 2017
- Included in NCCI's July 7, 2017 **Legislative Activity Report** (RLA-2017-26)
- Amended and passed by the conference committee on August 3, 2017
- Enacted on August 11, 2017, with an effective date of December 31, 2017, for bill sections 1, 2, and 3. The remainder of the bill is effective August 11, 2017.

SECTION 1.

SB 407 creates new **Article 82** in **Chapter 143** of the North Carolina General Statutes to read:

Article 82.
Employee Fair Classification Act.

§ 143-761. Title.

This Article shall be known and may be cited as the "Employee Fair Classification Act."

§ 143-762. Definitions; scope.

(a) The following definitions apply in this Article:

(1) Chairman.—The Chairman of the Industrial Commission.

(2) Employ.—As defined by G.S. 95-25.2(3). For the purposes of this Article, an entity or individual shall not be deemed to be an employer of an individual hired or otherwise engaged by or through the entity or individual's independent contractor.

(3) Employee.—Any individual that is defined as an employee by either G.S. 95-25.2(4), 96-1(10), 97-2(2), or 105-163.1(4). The term does not mean an individual who is an independent contractor.

(4) Employee Classification Section or Section.—The Employee Classification Section within the Industrial Commission.

(5) Employee misclassification.—Avoiding tax liabilities and other obligations imposed by Chapter 95, 96, 97, 105, or 143 of the General Statutes by misclassifying an employee as an independent contractor.

(6) Employer.—Any individual or entity that employs one or more employees as defined by G.S. 97-2(3).

(7) Public notice statement.—Notice as set forth in G.S. 143-764(a)(5).

(b) Nothing in this Article shall be construed or is intended to change the definition of "employer" or "employee" under any other provision of law.

§ 143-763. Establishment of Employee Classification Section.

(a) The Employee Classification Section is established within the Industrial Commission.

(b) The Chairman shall appoint a director of the Section to serve at the Chairman's pleasure with such authority as the Chairman deems necessary to direct and oversee the Section in carrying out the purposes of this Article.

(c) The Chairman may employ clerical staff, investigators, and other staff within the Section as is necessary for the Section to perform its duties under this Article.

(d) The Office of the State Chief Information Officer shall ensure that the Section is provided with all necessary access to the Government Data Analytics Center and all other information technology services.

(e) The Secretary of Revenue, the Commissioner of Labor, the Chairman, and the Assistant Secretary of Commerce for the Division of Employment Security shall each designate an employee of their respective agencies to serve as liaisons to the Section.

§ 143-764. Section powers and duties.

(a) The Section shall have the following duties:

(1) Be available during business hours to receive reports of employee misclassification by telephonic, written, or electronic communication.

(2) Investigate reports of employee misclassification and coordinate with and assist all relevant State agencies in recovering any back taxes, wages, benefits, penalties, or other monies owed as a result of an employer engaging in employee misclassification.

(3) Coordinate with relevant State agencies and District Attorneys' offices in the prosecution of employers and individuals who fail to pay civil assessments or penalties assessed as a result of the employer's or individual's involvement in employee misclassification.

(4) Provide all relevant information pertaining to each instance of reported employee misclassification to the North Carolina Department of Labor, the Division of Employment Security within the North Carolina Department of Commerce, the North Carolina Department of Revenue, and the North Carolina Industrial Commission to facilitate investigation of potential violations of Chapter 95, 96, 97, 105, or 143 of the General Statutes.

(5) Create a publicly available notice that includes the definition of employee misclassification.

(6) Develop methods and strategies for information sharing between State agencies in order to proactively identify possible instances of employee misclassification.

(7) Develop methods and strategies to educate employers, employees, and the public about proper classification of employees and the prevention of employee misclassification.

(b) No later than October 1 of each year, the Section shall publish annually to the Office of the Governor and to the Joint Legislative Commission on Governmental Operations a report of the administration of this Article, together with any recommendations as the Section deems advisable. This report shall include, at a minimum, the number of reports of employee misclassification received, the number and amount of back taxes, wages, benefits, penalties, or other monies assessed, the amount of back taxes, wages, benefits, penalties, or other monies collected, and the number of cases referred to each State agency.

(c) The Section may adopt rules in accordance with Article 2A of Chapter 150B of the General Statutes for the purpose of carrying out the provisions of this Article and establishing the processes and procedures to be used under this Article.

§ 143-765. Occupational licensing boards and commissions; notice requirement; applicant certification and disclosure.

(a) Every State occupational licensing board or commission that is authorized to issue any license, permit, or certification shall include on every application for licensure, permit, or certification, or application for renewal of the same, the following:

(1) Certification by the applicant that the applicant has read and understands the public notice statement.

(2) Disclosure by the applicant of any investigations for employee misclassification and the result of the investigations for a time period determined by the occupational licensing board or commission.

(b) An occupational licensing board or commission shall deny the license, permit, or certification application of any applicant who fails to comply with the certification and disclosure requirements of this section.

§ 143-766. Confidentiality; access to records.

(a) The records of the Section are not public records under G.S. 132-1.

(b) The Section shall exchange information as required by this Article.

(c) The Section may share information with other State and federal agencies as permitted or required by law.

§ 143-767. Exchange of information among coordinating agencies.

The North Carolina Department of Revenue, the North Carolina Department of Labor, the Division of Employment Security within the North Carolina Department of Commerce, and the North Carolina Industrial Commission shall disclose all reports and investigations of employee misclassification to the Section. The Section shall distribute the information to the other agencies to allow each agency to conduct an investigation.

In addition, **SB 407** amends *sections 105-259. Secrecy required of officials; penalty for violation* and *95-25.15. Investigations and inspection of records; notice of law* and repeals section 97-81(c) of the North Carolina General Statutes as follows:

SECTION 2.

§ 105-259. Secrecy required of officials; penalty for violation.

...

(53) To furnish to the North Carolina Department of Labor, the Division of Employment Security within the North Carolina Department of Commerce, the North Carolina Industrial Commission, and the Employee Classification Section within the Industrial Commission employee misclassification information pursuant to Article 82 of Chapter 143 of the General Statutes.

SECTION 3.

§ 95-25.15. Investigations and inspection of records; notice of law.

...

(c) A poster summarizing the major provisions of this Article shall be displayed in every establishment subject to this Article. This poster shall also include notice indicating the following in plain language:

(1) Any worker who is defined as an employee by either G.S. 95-25.2(4), 143-761(2), 96-1(10), 97-2(2), or 105-163.1(4) shall be treated as an employee unless the individual is an independent contractor.

(2) Any employee who believes that the employee has been misclassified as an independent contractor by the employee's employer may report the suspected misclassification to the Employee Classification Section within the Industrial Commission.

(3) The physical location, mailing address, telephone number, and e-mail address where alleged incidents of employee misclassification may be reported to the Employee Classification Section within the Industrial Commission.

SECTION 5.

§ 97-81. Blank forms and literature; statistics; safety provisions; accident reports; studies and investigations and recommendations to General Assembly; to cooperate with other agencies for prevention of injury.

...

~~(c) The Commission shall make studies and investigations with respect to safety provisions and the causes of injuries in employments covered by this Article, and shall from time to time make to the General Assembly and to employers and carriers such recommendations as it may deem proper as to the best means of preventing such injuries.~~

...

SB 407 also includes the following language:

SECTION 4.(a)

The Industrial Commission shall adopt rules and guidelines, consistent with G.S. 97-25.4, for the utilization of opioids, related prescriptions, and pain management treatment.

SECTION 4.(b)

The Industrial Commission is exempt from the fiscal note requirement of G.S. 150B-21.4 in developing and implementing the rules and guidelines for opioids, related prescriptions, and pain management treatment.

SECTION 6.

Section 3.2(b) of S.L. 2017-8 reads as rewritten:

SECTION 3.2.(b) This section becomes effective July 1, 2018, applies to claims for benefits filed on or after that date, and applies to tax calculations on or after that date.

BILLS PASSING SECOND CHAMBER

There were no relevant workers compensation-related bills that passed the second chamber within the one-week period ending August 11, 2017.

BILLS PASSING FIRST CHAMBER

There were no relevant workers compensation-related bills that passed the first chamber within the one-week period ending August 11, 2017.

Contact Information

If you have any questions about the legislation or proposals mentioned, please contact the appropriate NCCI state relations executive (listed below) or a representative of your local insurance trade association.

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This report is informational and is not intended to provide an interpretation of state and federal legislation.