

Department of Fiscal Services  
Maryland General Assembly

FISCAL NOTE  
Revised

House Bill 226 (Delegate Hecht, et al.)  
Economic Matters

Referred to Finance

Workers' Compensation -  
Exempt Employees of Subcontractors - Liability of Principal Contractor

This amended bill clarifies that a principal contractor is not liable for workers' compensation coverage for corporate officers or members of limited liability companies who elect to be exempt from coverage under the workers' compensation law, or partners in a partnership or sole proprietors who do not elect to be covered by the workers' compensation law.

The bill creates a presumption that an individual is a sole proprietor and is not covered by workers' compensation law if certain conditions are met.

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Fiscal Summary

**State Effect:** State finances would not be affected by this bill. Expenditures of the Injured Workers' Insurance Fund (IWIF) could decrease by an indeterminate amount, as discussed below. However, since IWIF is an off-budget agency, any impact would not directly affect State revenues or expenditures.

**Local Effect:** None.

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Fiscal Analysis

**State Effect:** To the extent that this bill eliminates principle contractors' liability for subcontractors who have chosen not to be covered by workers' compensation laws, IWIF could pay five to ten fewer claims per year. Since the average claim costs approximately \$21,000, total claim payments potentially could be \$105,000 to \$210,000 lower per year. A decrease this small would not likely result in any change in premiums.

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**Information Source(s):** Workers' Compensation Commission, Injured Workers' Insurance Fund, Subsequent Injury Fund, Uninsured Employers' Fund

**Fiscal Note History:** First Reader - February 2, 1996

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Revised - House Third Reader - March 21, 1996

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