

SENATE BILL 542

K1

8lr2206

By: **Senator Haines**

Introduced and read first time: February 1, 2008

Assigned to: Finance

A BILL ENTITLED

1 AN ACT concerning

2 **Workers' Compensation – Covered Employment – Nonstock Corporations**

3 FOR the purpose of authorizing certain directors and officers of certain nonstock
4 corporations to elect to be exempt from coverage under the workers'
5 compensation law; and generally relating to coverage under workers'
6 compensation law.

7 BY repealing and reenacting, without amendments,
8 Article – Corporations and Associations
9 Section 5–202
10 Annotated Code of Maryland
11 (2007 Replacement Volume)

12 BY repealing and reenacting, with amendments,
13 Article – Labor and Employment
14 Section 9–206
15 Annotated Code of Maryland
16 (1999 Replacement Volume and 2007 Supplement)

17 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
18 MARYLAND, That the Laws of Maryland read as follows:

19 **Article – Corporations and Associations**

20 5–202.

21 (a) The charter of each nonstock corporation formed after June 1, 1951, shall
22 provide that the corporation has no authority to issue capital stock.

23 (b) Notwithstanding any other provision of this article, the charter or bylaws
24 of a nonstock corporation may:

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



- 1 (1) Divide the directors or members of the corporation into classes;
- 2 (2) Prescribe the tenure and conditions of office of its directors, but no
3 class of director may be elected to serve for a period shorter than the interval between
4 annual meetings unless:
- 5 (i) All or a class of directors must be members; and
- 6 (ii) Qualifications for membership have the effect of shortening
7 their tenure of office;
- 8 (3) Prescribe the rights, privileges, and qualifications of its members;
- 9 (4) Prescribe the manner of giving notice of any meeting of its
10 members;
- 11 (5) Provide for the number or proportion of voting members whose
12 presence in person or by proxy constitutes a quorum at any meeting of its members;
- 13 (6) Provide that any action may be taken or authorized by any number
14 or proportion of the votes of all its members or all its directors entitled to vote;
- 15 (7) Deny or limit the right of its members to vote by proxy; and
- 16 (8) Provide for the right of members to vote by mail on a stated
17 proposal or for the election of directors or any officers who are elected by members.

18 **Article – Labor and Employment**

19 9–206.

20 (a) Subject to subsection (b) of this section, an officer of a corporation or a
21 member of a limited liability company is a covered employee if the officer or member
22 provides a service for the corporation or limited liability company for monetary
23 compensation.

24 (b) An individual who otherwise would be a covered employee under this
25 section may elect to be exempt from coverage if:

26 (1) the individual is an officer of a close corporation, as defined in §
27 4–101(b) of the Corporations and Associations Article;

28 (2) the individual:

29 (i) is an officer of a corporation that earns at least 75% of its
30 income from farm operations; and

1 (ii) owns at least 20% of the outstanding capital stock of the
2 corporation;

3 (3) the individual:

4 (i) is an officer of a professional corporation, as defined in §
5 5–101(f) of the Corporations and Associations Article;

6 (ii) owns at least 20% of the outstanding capital stock of the
7 corporation; and

8 (iii) performs for the corporation a professional service, as
9 defined in § 5–101(g) of the Corporations and Associations Article; or

10 (4) the individual:

11 (i) is a member of a limited liability company; and

12 (ii) owns at least 20% of the outstanding interests in profits of
13 the limited liability company; **OR**

14 **(5) THE INDIVIDUAL:**

15 **(I) IS A DIRECTOR OR OFFICER OF A NONSTOCK**
16 **CORPORATION, ORGANIZED UNDER TITLE 5, SUBTITLE 2 OF THE**
17 **CORPORATIONS AND ASSOCIATIONS ARTICLE; AND**

18 **(II) RECEIVES NO MONETARY COMPENSATION FOR**
19 **SERVICES PERFORMED FOR THE CORPORATION.**

20 (c) (1) A corporation or limited liability company shall submit to the
21 Commission and to the insurer of the corporation or limited liability company a
22 written notice that names the individual who has elected to be excluded from coverage.

23 (2) An election under subsection (b)(1) or (b)(4) of this section is not
24 effective until a corporation or limited liability company complies with this subsection.

25 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
26 October 1, 2008.