

## **OLS Announces Rulemaking for New Independent Contractor Law**

The Seattle Office of Labor Standards (OLS) recently announced it will conduct an administrative rulemaking process related to the city's new Independent Contractors Protections (ICP) ordinance. OLS will hold five virtual stakeholder meetings to solicit input on the administrative rules.

### **The Independent Contractors Protections Ordinance**

The Seattle City Council passed the Independent Contractors Protections ordinance in June 2021. *See generally* [SMC 14.34](#). That ordinance, which takes effect September 1, 2022, adds a new chapter to Seattle's Municipal Code that requires covered hiring entities to provide independent contractors certain disclosures at various points in the contracting relationship.

### **Who Is Covered?**

There are two key definitions in the ordinance: "hiring entity" and "independent contractor."

A "hiring entity" is essentially any company that regularly engages in business or commercial activity, including not-for-profit organizations. *See* Seattle Office of Labor Standards, [Independent Contractor Protections Ordinance Fact Sheet](#).

An "independent contractor" is any self-employed person who is hired to provide services in exchange for compensation. There are, however, a few exceptions: the law does not reach attorneys or contractors whose relationship with a "hiring entity" is limited to renting property. For example, a hair stylist who rents a chair at a salon is not considered to be an independent contractor.

Finally, the protections only cover certain kinds of contracts between independent contractors and hiring entities. Specifically, the law only covers contracts under which (1) the work will be performed in Seattle or the hiring entity has reason to know work will be performed in Seattle and (2) the contract value is greater than \$600. *See* SMC 14.34.030.

### **What Is Required?**

Hiring entities must make a series of disclosures to independent contractors under the new law.<sup>[1]</sup>

First, before the independent contractor begins work, the hiring entity must provide them with certain information about the proposed terms and conditions of work. Specifically, the hiring entity must disclose the following:

- Current date.
- Name of the independent contractor.
- Name of the hiring entity.
- Contact information for the hiring entity.
- Description of the work.
- Locations of the work and the regular place of business

- Rate or rates of pay, including any applicable price multiplier or variable pricing policy.
- Pay basis (e.g., is the pay hourly, piece rate, based on commission, etc.).
- Tips and or service charge distribution policy, if applicable.
- Typical expenses incurred in the course of work and which expenses will be paid or reimbursed by the hiring entity.
- Deductions, fees, or other charges that may be subtracted from payment.
- Payment schedule.

Second, each time the independent contractor is paid, hiring entities must provide itemized payment information, including the following:

- Current date.
- Name of independent contractor.
- Name of hiring entity.
- Description of services covered by the payment.
- Location of services covered by the payment.
- Rate or rates of pay, including multipliers or variable pricing policies.
- Tip or service charge distribution.
- The basis of pay.
- Any expenses that were reimbursed.
- Gross pay.
- Deductions, fees, or other charges.
- Net payment.

## **The Rulemaking Process**

OLS adopts administrative rules to clarify and facilitate implementation and enforcement of ordinances. Beginning in January 2022, the agency will convene up to five virtual meetings to solicit input from stakeholders on the forthcoming rules related to the ICP ordinance. Those interested in participating can register [here](#).

## **Takeaways for Employers**

The ICP ordinance has the potential to alter the way hiring entities engage with independent contractors. To ensure compliance with the new disclosure requirements when the law takes effect in September, companies should begin reviewing and updating practices related to hiring and paying contractors. Employers with feedback on how OLS may enforce or interpret the new law should also register to attend a comment session. OLS plans to identify specific meeting dates and times in the coming weeks.

## **Endnotes**

[1] Hiring entities are not required to provide these disclosures to Transportation Network Company drivers. However, drivers enjoy other protections under the law, such as the requirements of timely pay.

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