

# HOUSE BILL 405

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By: **Chair, Economic Matters Committee (By Request – Departmental –  
Workers’ Compensation Commission)**

Introduced and read first time: January 29, 2010

Assigned to: Economic Matters

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## A BILL ENTITLED

1 AN ACT concerning

2 **Workers’ Compensation – Covered Employees and Employers – Corporate or**  
3 **Limited Liability Company Officer**

4 FOR the purpose of authorizing an officer of a close corporation, as defined under the  
5 laws of the jurisdiction where the corporation is incorporated, to elect to be  
6 exempt from workers’ compensation coverage; clarifying that members of  
7 certain limited liability companies may elect to be exempt from workers’  
8 compensation coverage; requiring the State Workers’ Compensation  
9 Commission to adopt certain regulations; and generally relating to exemptions  
10 from workers’ compensation coverage requirements.

11 BY repealing and reenacting, with amendments,  
12 Article – Labor and Employment  
13 Section 9–206  
14 Annotated Code of Maryland  
15 (2008 Replacement Volume and 2009 Supplement)

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

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.

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



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

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

5 (I) IS AN OFFICER OF A CLOSE CORPORATION, AS DEFINED  
6 IN § 4–101(B) OF THE CORPORATIONS AND ASSOCIATIONS ARTICLE; OR

7 (II) IS AN OFFICER OF A CLOSE CORPORATION, AS DEFINED  
8 UNDER THE LAWS OF THE JURISDICTION IN WHICH THE CORPORATION IS  
9 INCORPORATED;

10 (2) the individual:

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

13 (ii) owns at least 20% of the outstanding capital stock of the  
14 corporation;

15 (3) the individual:

16 (i) is an officer of a professional corporation, as defined in §  
17 5–101(C) OR (f) of the Corporations and Associations Article;

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

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

22 (4) the individual:

23 (i) is a member of a limited liability company, AS DEFINED IN  
24 § 4A–101(J) OR (L) OF THE CORPORATIONS AND ASSOCIATIONS ARTICLE; and

25 (ii) owns at least 20% of the outstanding interests in profits of  
26 the limited liability company.

27 (c) (1) A corporation or limited liability company shall submit to the  
28 Commission and to the insurer of the corporation or limited liability company a  
29 written notice that names the individual who has [elected to be excluded from  
30 coverage] MADE AN ELECTION TO BE EXEMPT UNDER SUBSECTION (B) OF THIS  
31 SECTION.

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

3                   **(D)    THE COMMISSION SHALL ADOPT REGULATIONS TO CARRY OUT THIS**  
4 **SECTION.**

5                   SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
6 October 1, 2010.