



## **Affidavit of Exemption for Workers' Compensation Insurance Applicable Statutory Provisions and Guidelines to be followed**

The Division has developed the "Affidavit of Exemption for Workers' Compensation Insurance Pursuant to §287.061, RSMo" that is required to be filed by a contractor in the construction industry when he/she applies for an occupational or business license in any city or county only if the contractor does not have proof of workers' compensation insurance coverage. If a contractor fails to comply with the requirements relating to providing proof of coverage or completing the "Affidavit of Exemption" form, he/she shall be denied the business license until the contractor obtains a certificate of insurance. If the contractor submits the "Affidavit of Exemption" form to obtain the business license he/she should familiarize himself/herself with the following key statutory provisions. **Those who are unsure as to whether they may lawfully submit such affidavit should seek competent legal advice.**

Every employer who is subject to the requirements of chapter 287, RSMo must insure its workers' compensation liability with an insurance company authorized to insure such liabilities in the state of Missouri by the Missouri Department of Insurance, Financial Institutions, and Professional Registration or meet the Division's requirements to be self-insured. If an employer fails to obtain the insurance coverage he/she may be held liable to an injured employee for all of the benefits under the Law in either a civil law suit or in an administrative proceeding before the Division.

**Employee:** §287.020, RSMo: The definition of "employee" includes both full- and part-time employees, and includes every person in the service of an employer under any contract of hire, express or implied, oral or written, or under any appointment or election, including executive officers of a corporation. It includes minors, whether or not they are employed in violation of the law, and family members. It may include volunteer workers who do not receive any income or compensation unless the exception noted below applies.

**Please Note:** As an exception, the workers' compensation law does not apply to volunteers if:

- The entity is a tax-exempt organization which operates under the standards of section 501(c)(3) or 501(c)(19) of the federal Internal Revenue Code;
- The volunteers are not paid wages; and
- The volunteers provide services purely on a charitable and voluntary basis.

All three requirements must be met in order for a volunteer worker not to be classified as an employee under §287.020, RSMo.

**Employer:** §287.030, RSMo, which defines "employer," includes a very broad category and states that every employer who has five or more employees must carry workers' compensation insurance with one exception for construction industry employers who erect, alter, demolish or repair improvements who must purchase workers' compensation insurance if they have one or more employees.

**Sole Proprietor and Partner:** §287.035, RSMo, provides that natural persons who are sole proprietors or partners are employers and are not required to purchase workers' compensation insurance on themselves but they may voluntarily choose to do so. Further, close relatives by blood or marriage of sole proprietors or partners may be withdrawn from coverage but, under §287.030, these relatives are still considered to be "countable" employees. Note that these provisions do not apply if the business is a corporation or a Limited Liability Company [LLC].

**Corporate Exemption (Two Owners/Employees):** §287.090.5, RSMo. A corporation may withdraw from the provisions of this chapter, when there are no more than two owners of the corporation who are also the only employees of the corporation, by filing with the Division a notice of election to be withdrawn. The election shall take effect and continue from the date of filing with the Division by the corporation of the notice of withdrawal from liability under this chapter. Any corporation making such an election may withdraw its election by filing with the Division a notice to withdraw the election, which shall take effect thirty days after the date of the filing or at such later date as may be specified in the notice of withdrawal.

**"S" Corporations:** Effective January 1, 2018, a shareholder in an "S" Corporation (as defined by Section 143.471.1, RSMo) who owns at least 40% of the outstanding stock in that corporation may individually reject workers' compensation insurance coverage for himself or herself by giving written notice of such rejection to the corporation and its workers' compensation insurer. See, Section 287.037.2, RSMo, as amended in 2017. However, there have been no changes in the law as to which employees are "countable" and which businesses are required to carry workers' compensation insurance coverage. So, if the "S" Corporation operates in the construction industry (it erects, demolishes, alters or repairs improvements), there still must be a workers' compensation insurance policy in force on the corporation itself and on any of its employees who are not eligible to reject individual coverage on themselves - unless the corporation has no more than two owners who are also the corporation's only employees and it has notified the Division of Workers' Compensation that it has withdrawn from the provisions of the Missouri Workers' Compensation Law, as allowed by Section 287.090.5 RSMo. Likewise, an "S" Corporation operating in any industry other than construction that has at least five or more employees still must have a workers' compensation insurance policy in force on the corporation itself and on any of its employees who are not eligible to reject individual coverage on themselves. See, Sections 287.030.1(3), RSMo.

**Statutory Employer:** §287.040, RSMo, provides that certain independent contractors may be considered to be "employees" of the person who hired them for workers' compensation purposes, under the legal principle known as "statutory employment." Missouri Law does not define "independent contractor." Missouri courts use three factors to determine when a statutory employment relationship exists: (1) the work is performed pursuant to a contract; (2) the injury occurs on or about the premises of the statutory employer; and (3) the work is in the usual course of the statutory employer's business. An employer cannot avoid its workers' compensation liability by hiring independent contractors to perform jobs that would otherwise be performed by its employees. A contract need not be in writing. The Missouri courts have ruled that the "employer's premises" can include a location where the employer is carrying on its business temporarily. As a construction industry employer you may be held responsible to pay workers' compensation benefits to an independent contractor or uninsured subcontractor or their employees. The immediate contractor or subcontractor is liable as an employer of the employees of the subcontractor. The liability of the immediate employer is primary and that of the others is secondary and any compensation benefits that are paid by those who are secondarily liable may be recovered from those primarily liable.

**Please Note:** A general contractor can require subcontractors to carry workers' compensation insurance. Generally, the Law says that the general contractor is liable for any injuries sustained by uninsured subcontractors or their uninsured employees (§287.040, RSMo). Because of this, the general contractor's insurer will charge an additional premium if the subcontractor cannot provide proof of coverage, even if the subcontractor has no employees. If the general contractor says he/she will not hire the subcontractor unless he/she has a policy and insures himself/herself, the subcontractor would need to buy a policy covering their business or himself/herself or work for a general contractor who does not make this a requirement.

**Criminal Penalties:** §287.128, RSMo makes it unlawful for any person to knowingly make or cause to be made any false or fraudulent material statement or material representation for the purpose of obtaining or denying any benefit. This is considered a class E felony punishable by fine up to \$10,000 or double the value of the fraud whichever is greater. A subsequent violation is a class D felony.

Any person who knowingly misrepresents any fact in order to obtain workers' compensation insurance at less than the proper rate for that insurance shall be guilty of a class A misdemeanor. A subsequent violation is a class E felony. Any employer who knowingly fails to insure his liability pursuant to this chapter shall be guilty of a class A misdemeanor and, in addition, is liable to the state of Missouri for a penalty in an amount up to three times the annual premium the employer would have paid had such employer been insured or up to \$50,000, whichever amount is greater. A subsequent violation is a class E felony.

Further, providing false information with the intent to deceive also can constitute a felony under §§570.090 (Forgery) and 575.040 (Perjury), and a misdemeanor under §§575.050 (False Affidavit) and 575.060 (False Declaration).

*Missouri Division of Workers' Compensation is an equal opportunity employer/program.  
Auxiliary aids and services are available upon request to individuals with disabilities.  
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