

The City of Seattle Independent Contractor Protections Ordinance

A Guide for Hiring Entities

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What you need to know as a Business Owner hiring an Independent Contractor

About this Guide

It is commonly known that independent contractors are generally not afforded the same rights and protections as employees. As a result, independent contractors often face challenges such as non-payment or late payments and insufficient information surrounding the terms and conditions of the services they are hired to provide.

The Seattle City Council sought to address these issues with the passing of the Independent Contractor Protections Ordinance (ICPO), which provides certain workplace rights for independent contractors who provide services within the city of Seattle. Under the new law, individuals and businesses (referred to as “**hiring entities**”)

that hire independent contractors are required to **(1)** provide independent contractors with certain written notices about the services to be rendered also known as **disclosures**, and **(2)** make timely payment to independent contractors. The law also imposes penalties on hiring entities that fail to comply with their obligations under the ICPO.

This guide is designed to inform hiring entities of the new requirements arising from this ordinance and provide guidance on how to stay in compliance with the new law. Read below to learn more.

Acknowledgements

We wish to express our gratitude to Linda Fang and Sher Ling Kelly. This resource was a collaborative project that could not have been accomplished without their work and commitment as our trusted contributors and partners.

Disclaimer: This guide is for educational purposes only. This is not meant to be comprehensive, and in no way will this content be considered legal or any other form of professional advice or counsel. For legal or professional advice, please contact the relevant professional for your needs licensed in your jurisdiction.

How to use this Guide

This Guide has two parts:

A. Frequently Asked Questions

We have grouped the frequently asked questions into the following sections:

1. General Information
2. Does the new law apply to my business?
3. Does the new law apply to the services i'm hiring the Independent Contractor for?
4. What are the new requirements for my business under this new law?
5. How is this new law enforced?
6. Resources

B. Hiring Entity Compliance Checklist

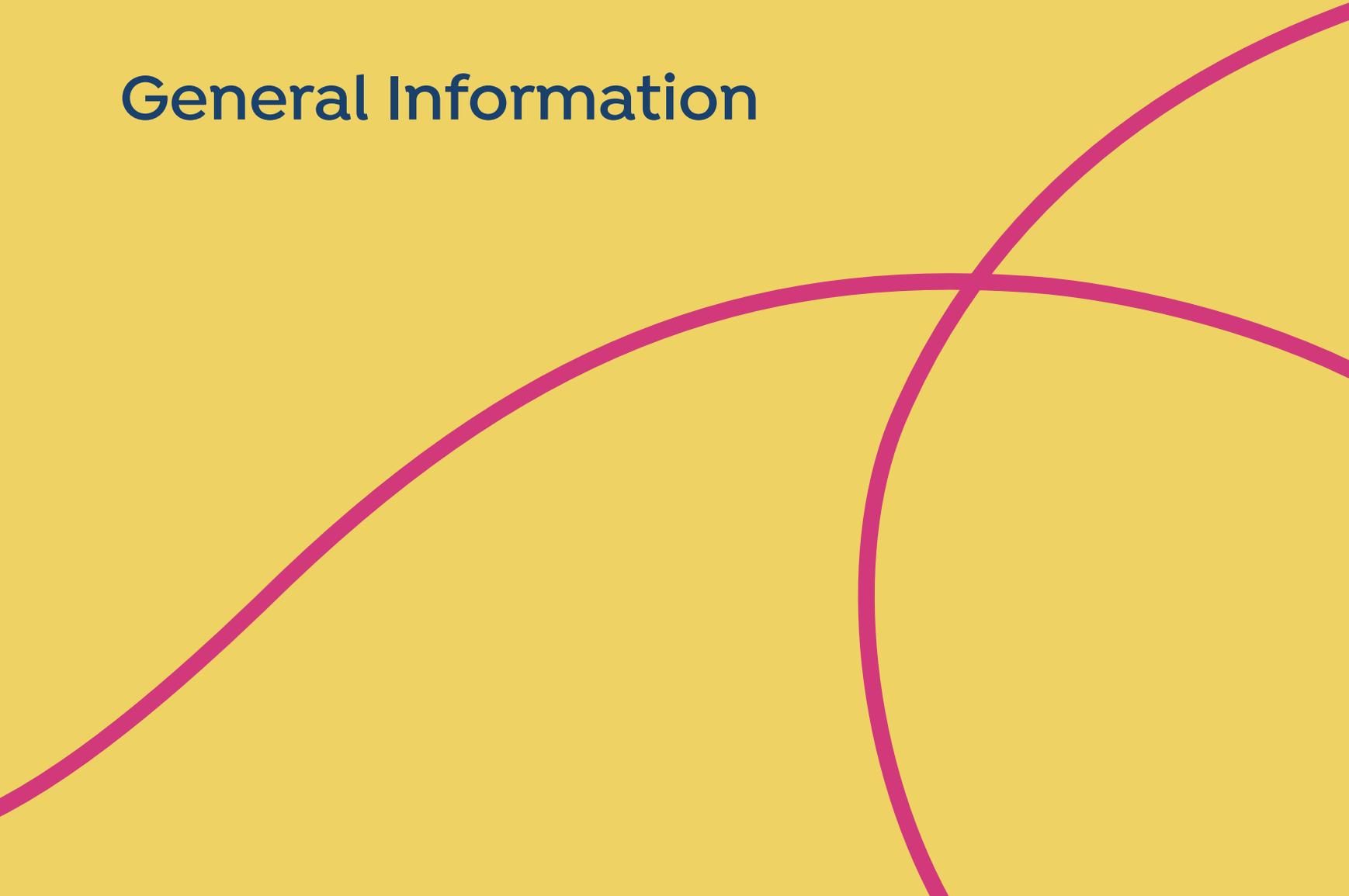
This checklist provides a quick overview for hiring entities wishing to know what their requirements are.

Frequently Asked Questions





General Information



1 General Information

A. What is the new law and when does it go into effect?

The City of Seattle made a new ordinance or law regarding the hiring of independent contractors. The new law is called the Independent Contractor Protections Ordinance (ICPO). The new law or rule became effective on September 1, 2022. It was designed to protect independent contractors from delayed and/or non-payments and ensure they have adequate information about the terms and conditions of their work. Under the law, individuals and businesses (referred to as “hiring entities”) that hire independent contractors are required to provide the workers with certain **written notices** and **timely payment**.

B. Where can I find a copy of this new law about independent contractors “ICPO”?

The [ICPO](#) and the administrative rules that apply to the new law, [SHRR 220](#) and [SHRR 140](#), may be found on the [The City of Seattle Office of Labor Standards ICPO webpage](#).

C. Does the City of Seattle, Office of Labor Standards (“OLS”) provide interpretation services or assistance in languages besides English?

Yes. If needed, OLS will arrange for an interpreter (free of charge) to assist with communication with a covered independent contractor. Those interested can reach OLS via phone at (206) 256-5297 or the online inquiry form via the [worker resources page](#). OLS has a multilingual voicemail system with many languages accessible for phone contacts. The online inquiry form asks folks to identify language interpretation or other accommodations needed. Interpreters are available for online or in-person meetings.

D. What if an independent contractor has a question or wants to request translation of notices for the new law?

Hiring entities that are covered by the ICPO may submit a question, request translation of notices, or make a request for training to OLS by calling (206) 256-5297, emailing business.laborstandards@seattle.gov,

or using the [OLS Worker Inquiry Form](#). OLS Business Inquiry staff will follow up regarding hiring entity/business inquiries. All inquiries are kept confidential and are not shared with OLS enforcement staff.

E. Does immigration status affect the application of this new law?

No. The immigration status of a hiring entity or independent contractor will not affect the protections they are otherwise owed under the ICPO.

Does this new law
apply to my business?



2 Does this new law apply to my business?

A. Is every business that hires independent contractors required to comply with the ICPO?

No. The ICPO applies to **hiring entities as defined below** that hire **certain types of independent contractors** to provide **covered services** specifically described in the law. The underlined terms are defined below.

B. What is a hiring entity?

A “hiring entity” is a sole proprietor, LLC, corporation, partnership, nonprofit organization, or other entity that hires an independent contractor to provide services to the hiring entity or a third party. Being a covered hiring entity simply refers to businesses that fall within the definition under the ICPO. Read on for examples of covered hiring entities.

The ICPO only applies to **commercial hiring entities**, which means hiring entities that are regularly engaged in any trade, occupation, or business, including not-for-profit businesses.

Example of covered hiring entity:

An LLC which hires an independent contractor to provide in-home child care for the customers or employees of the LLC or as part of their business would be covered by the ICPO.

Example of a hiring entity NOT covered: An individual who hires an independent contractor to provide in-home childcare for their own child would not be covered by the ICPO because the individual is hiring the independent contractor to provide personal services, not services for a business or commercial purpose. **But note:** this situation may be covered by other laws.

C. Who is considered a covered independent contractor under the new law? Who is not?

The ICPO defines an “independent contractor” as a self-employed person hired by a hiring entity to provide services in exchange for compensation. An independent contractor may be a sole proprietor with no employees or have a legal entity such as an LLC or corporation that is made up of only one person.

The ICPO does not protect employees of hiring entities, attorneys, independent contractors who work for a Transportation Network Company (such as Uber or Lyft), persons who only lease workspace from the hiring entity (such as hair stylists renting booths at a salon), or independent contractors who have employees.



Does this new law apply to
the services I'm hiring an
Independent Contractor for?



3 Does this new law apply to the services I'm hiring an Independent Contractor for?

A. Does the ICPO govern every contract for the services of an Independent Contractor?

No. The ordinance does not govern every kind of contract for services performed by an independent contractor for a hiring entity. Covered contracts for services under the ICPO must satisfy **both** of the following requirements:

1. Location of Services must be in Seattle:

The services provided by an independent contractor must be performed in whole or in part within the City of Seattle, and the hiring entity must know or have reason to know that the services will be performed in whole or in part in Seattle. Note that the new law will not apply to services performed outside Seattle even if the hiring entity resides in Seattle.

Example 1: How would a hiring entity know or have reason to know that the services will be performed in Seattle? (1) the hiring entity might specify or provide a location in Seattle where the work will be performed, (2) the hiring entity might know that the Independent Contractor lives or has a place of business in Seattle, or (3) the work itself might require the Independent Contractor to do certain things in Seattle.

Example 2: What if the independent contractor drives through Seattle?

Traveling through Seattle, without stopping in the city for a work-related or commercial reason does not count as a covered service under the ICPO. A stop in Seattle for refueling or personal meals or errands is not considered a work-related or commercial stop.

2. Amount of Compensation for Services is at least \$600:

The proposed or actual fees payable to the independent contractor must be \$600 or more, or reasonably expected to be \$600 or more, either on a one-time basis or as the combined total for all services provided by the independent contractor for the hiring entity during the calendar year (January through December).

B. If two or more businesses with common ownership and management hire the same independent contractor, are all the businesses covered by this new law?

Separate business entities whose operations are so intertwined that they form a single entity or an integrated enterprise are considered a single hiring entity under the ICPO. You may need to consult a legal professional to determine if you are running an integrated enterprise.

Example: Two Seattle restaurants have common ownership and management and they hire the same independent contractor (one for \$500 of services and the other for \$450 of services). The restaurants most likely would be treated as an integrated enterprise, meaning that the value of services provided by the independent contractor would be combined (\$500 + \$450). Since the value of services to the integrated enterprise exceeds \$600, both restaurants likely would be required to comply with the ICPO.

What are the new requirements for my business under this new law?



4 What are the new requirements for my business under this new law?

Under the new law, hiring entities are required to (1) provide independent contractors with certain disclosures also known as written notices about the services to be rendered and (2) provide timely payment to independent contractors.

I. Disclosure Requirements

A. What information must a hiring entity provide to an independent contractor before the work begins?

The ICPO requires hiring entities to provide the following written notices to independent contractors **before work begins**:

1. A **notice of rights** must be provided in English and the independent contractor's primary language. This is a written notice of the independent contractor's rights arising under the new ordinance. Download the notice of rights [here](#); and
2. A **pre-work written notice** specifying the proposed terms and conditions of work such as the date, name and work location of the independent contractor and the hiring entity, description of the work and work location(s), compensation details and payment schedule. A sample pre-work written notice may be found [here](#). Hiring entities are not required to use the sample form and any written notice such as an email or text exchange that includes the required terms and conditions will meet the obligations of the ICPO.

The pre-contract disclosure notice **must** provide the following information:

- The date;
- The name of the independent contractor;
- The name of the hiring entity;
- Contact information for the hiring entity, including physical address, mailing address, telephone number, and email address, as applicable;
- A description of the work to be performed by the independent contractor;
- The location(s) of work and the regular place of business of the independent contractor;
- The rate(s) of pay, including any applicable price multiplier or variable pricing policy or incentive pay applicable to the offer of work;
- The pay basis (per hour, day, week, month, fee per project, piece rate, or commission);
- The payment schedule.
- If applicable; the tip and/or service charge policy;
- If applicable; typical expenses that will be incurred in the course of work and which expenses will be reimbursed by the hiring entity; and

- If applicable, any deductions, fees, or other charges that the hiring entity may subtract from the payment to the independent contractor and accompanying policies for each charge.

B. What is the purpose of these written notices?

Previously, independent contractors were often provided little information about the terms and conditions of the services that they provided to hiring entities. The purpose of these notices is to provide independent contractors with certain required information before the work begins to prevent any confusion about the terms, conditions, and payment for the services to be provided.

C. Where can I find templates in various languages?

The City of Seattle Office of Labor Standards has templates in other languages [here](#). The resources can be found by clicking the desired language and searching that webpage. Upon request, OLS will translate any document into the language of your choice.

D. Does the pre-work written notice have to include all of the required information?

Yes. The pre-work written notice must include all the required information that is applicable to the work to be performed by the independent contractor. For any category of information that does not apply, the hiring entity may state “N/A.”

E. Can the pre-work written notice include a range or state that the payment is “TBD”?

It is not acceptable to state that the payment is “TBD” in a pre-work written notice. Before work is commenced, the pre-work written notice must clearly state the precise amount(s) or precise rate(s) of pay, if applicable, that the independent contractor will receive for all work performed. If multiple rates of pay apply, the pre-work written notice must specify the circumstances when each specified rate will apply.

F. If a contract or some other documentation containing all the information required by the ICPO exists, does a hiring entity still need to provide a pre-work written notice?

No. Once a hiring entity discloses all the required information in section 4(I)(A) in any single documentation such as a contract, application, offer, counteroffer, or any other single document, the hiring entity is not required to provide a separate pre-work written notice.

However, if a hiring entity provided an independent contractor with a written contract before this new law was enacted and the written contract does not disclose all the required information, then the hiring entity must provide a disclosure notice immediately.

G. What if the terms of the work or payment change after the initial pre-work written notice?

Hiring entities must provide an independent contractor with a written notice of any change to the information in the original pre-work written notice. The written notice of changes should be provided before the change takes place.

If there are six or fewer items being changed, then the **written notice of changes** only needs to include the items being changed. If there are more than six items being changed, then the hiring entity must issue a **revised pre-work written notice** with all of the required terms.

II. Timely Payment Rights

Under the ICPO, hiring entities must provide timely payment to an independent contractor. See below for what “timely payment” means.

A. What does timely payment mean?

“**Timely payment**” under the ICPO means the time specified in the terms of the contract or pre-work written notice, **OR**, if the contract does not specify when payment will be due, no later than 30 days after the independent contractor completes the work.

B. Does a hiring entity need to provide a written notice to an independent contractor at the time of payment?

Yes. Each time a hiring entity pays an independent contractor, the hiring entity must provide the independent contractor with a written itemized payment notice specifying the below payment information. A sample itemized payment notice may be found [here](#).

Each itemized payment notice must provide the following information:

- The date;
- The name of the independent contractor;
- The name of the hiring entity;
- A description of the services covered by the payment (a description of the project, tasks completed, or hours worked);
- The location(s) of services covered by the payment;
- The rate(s) of pay, including any applicable price multiplier or variable pricing policy or incentive pay applicable to the offer of work;
- The gross payment;
- The pay basis (per hour, day, week, month, fee per project, piece rate, or commission) with accounting of method(s) for determining payment earned during the pay period;
- If applicable, the tip compensation and/or service charge distributions;
- If applicable, expenses reimbursed by the hiring entity;
- If applicable, deductions, fees, or other charges; and
- Net payment after deductions, fees, or other charges.

C. Can a hiring entity pay less than the agreed compensation if they are not happy with the independent contractor’s work?

No. Once the independent contractor has started work under the pre-contract disclosure notice or contract, the hiring entity may not require the independent contractor to accept less than the amount stated in the contract or pre-work written notice.

D. Does the new law require that independent contractors be paid minimum rates or amounts?

No. The new law requires timely payment of the agreed-upon compensation to the independent contractor, but it does not require any minimum amounts that must be paid.

How is this new
law enforced?



5 How is this new law enforced?

A. Does the new law require hiring entities to keep certain records to remain in compliance?

Yes. Hiring entities must keep records that document their compliance with the new law for three (3) years. The records should include pre-work written notices, proof of timely payment, and itemized payment notices.

If a hiring entity fails to retain adequate records, it will be presumed that the hiring entity failed to comply with the new law for each independent contractor for whom records were not maintained, unless there is evidence to the contrary.

B. What are the penalties if a hiring entity fails to comply with the new law?

If a hiring entity does not comply with the ICPO, the Seattle Office of Labor Standards (OLS) may investigate and require payment of unpaid compensation, liquidated damages of two times the amount of unpaid compensation, penalties (up to

\$5,565.10 or 10% of the amount of unpaid compensation for each independent contractor), fines, interest, and attorneys' fees. Failure to comply with the ICPO also may result in denial, revocation, or refusal to renew a hiring entity's Seattle business license.

In addition, an independent contractor who suffers an injury as a result of a violation of the ICPO may sue the hiring entity in court and may be awarded damages, interest, and attorneys' fees and costs.

C. What is retaliation? How does the new law protect workers from retaliation?

Hiring entities are not allowed to take any adverse action or to discriminate against an independent contractor because they exercised their rights under the ICPO in good faith.

"Adverse actions" include denying the independent contractor's access to work, offering less desirable work, terminating, deactivating, or taking other actions that would discourage a reasonable person from exercising a right afforded by the law.

Rights protected by the new law include making inquiries about rights provided under the law, informing others about their rights under the law, filing a complaint about an alleged violation of the law, and participating in an investigation of an alleged violation of the law.

D. Does compliance with the new law mean that the independent contractor has been correctly categorized as an independent contractor rather than an employee?

Complying with the requirements of the ICPO does not mean that a person who performed services for a hiring entity was properly classified as an independent contractor under applicable federal, state, or local laws.

Determining whether a worker is properly classified as an independent contractor or as an employee, depends on the nature of the relationship between the worker and the hiring entity. More information about the test for employee vs. independent contractor status may be found [here](#).

Resources



6 Resources

A. Webinars for Independent Contractors and Hiring Entities

[Communities Rise](#) will be hosting two webinars in early 2023. One webinar will be for independent contractors and the other for hiring entities. Please join us to learn more about the ICPO. Representatives from the Office of Labor Standards will be present at the webinar and available for questions. Please be sure to keep an eye on our [upcoming events](#) for more information.

C. Helpful Links

[Independent Contractor Protections \(ICP\) Graphic Poster](#)

[Independent Contractor Protections Ordinance OLS website](#)

[A Guide for Hiring Entities can be found on the CR Small Business Resources webpage](#)

B. Communities Rise Legal Services for Low-income Business Owners

Communities Rise is proud to offer free legal support to eligible low-income BIPOC business owners. Communities Rise provides free legal clinics and trainings on a variety of topics throughout the year. Information on upcoming clinic dates and trainings can be found on our [upcoming events page](#). Feel free to reach us on our [contact page](#) or send us an email at smallbiz@communities-rise.org for any questions.

Hiring Entity Compliance Checklist



B Hiring Entity Compliance Checklist

Below is a summary of what hiring entities need to do to stay in compliance with the new law.

- Pre-work notices**
Before work begins, provide the notice of rights and pre-work disclosure notice to the independent contractor
- Notice of changes**
If there are changes to the terms of work or payment, provide written notice of those changes to the independent contractor
- Timely payment**
Make all payments to the independent contractor as specified in the contract or pre-work disclosure notice, or within 30 days of completion of work
- Itemized payment notice**
Provide itemized payment information with each payment to the independent contractor
- Records**
Keep records of all notices and proof of timely payments for 3 years

checklist

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