

**WORKER'S COMPENSATION AND UNEMPLOYMENT COMPENSATION
COVERAGE BASICS FOR THE CONSTRUCTION INDUSTRY IN
MINNESOTA**

We are often approached by contractor clients who are confused about whether they must provide worker's compensation and/or unemployment compensation coverage for their principal owners and relatives. This summary provides the basic law in Minnesota addressing these limited issues but does not replace proper consultation with professional advisors including attorneys and accountants.

WORKER'S COMPENSATION

Coverage is not required for:

- sole proprietors, their spouses, parents and childrenⁱ
- partners in a partnership, their spouses, parents and childrenⁱⁱ
- executive officers of a closely held corporation with less than 22,880 hours in payroll in the prior calendar year who owns at least 25% of the stock of the corporation, their spouses, parents and childrenⁱⁱⁱ
 - For the foregoing executive officers, coverage can also be excluded by providing written notice of exclusion to the Commissioner of the Minnesota Department of Labor and Industry for brothers, sisters, grandparents, grandchildren, nieces, nephews, aunts, uncles, and the executive's spouse's parents, brothers, sisters and grandparents^{iv}
- managers of limited liability companies having fewer than 10 members and less than 22,880 hours in payroll in the prior calendar year who own at least 25% of the membership interest of the company, their spouses, parents and children^v
 - For the foregoing managers, coverage can also be excluded by providing written notice of exclusion to the Commissioner of the Minnesota Department of Labor and Industry for brothers, sisters, grandparents, grandchildren, nieces, nephews, aunts, uncles, and the manager's spouse's parents, brothers, sisters and grandparents^{vi}

Coverage may, however, be obtained by election of coverage if desired^{vii}.

ACUMEN LEGAL ADVISORS

PLLC

MN UNEMPLOYMENT COMPENSATION

Coverage is not required for:

- Sole proprietors^{viii}
- Individual's employment by their son, daughter or spouse^{ix}
- Individual's employment of their children under the age of 18^x
- Officer of a corporation owning at least 25% of the corporation^{xi}
- Manager of a limited liability company owning at least 25% of the company^{xii}
- Subcontractors who meet the 9 point test (see our Independent Contractor v. Employee Summary for the Construction Industry in Minnesota)^{xiii}

Certain types of employment listed above (such as officers of corporations and managers of limited liability companies if taxed as entities) may be exempt from coverage of Minnesota unemployment compensation insurance (SUTA) but required to be covered by Federal unemployment compensation insurance (FUTA). You are encouraged to seek the advice of a competent account regarding these coverage issues.

This information is being provided as general educational materials by Acumen Legal Advisors, PLLC. It is not specific legal advice to you and does not create an attorney-client relationship. We encourage you to obtain competent legal advice from an attorney in determining how you will be affected by Worker's Compensation and/or Unemployment Compensation law.

© 2013 by Acumen Legal Advisors, PLLC. 992 Inwood Avenue North, Oakdale, MN 55128.
Tel. (651) 224-9000. www.AcumenLegalAdvisors.com

ⁱ Minn. Stat. §176.041, Subd. 1(d).

ⁱⁱ Minn. Stat. §176.041, Subd. 1(e) (2008).

ⁱⁱⁱ Minn. Stat. §176.041, Subd. 1(g) and Subd. 1(i) (2008).

^{iv} Minn. Stat. §176.041, Subd. 1(o) (2008).

^v Minn. Stat. §176.041, Subd. 1(r) and Subd. 1(s) (2008).

^{vi} Minn. Stat. §176.041, Subd. 1(t) (2008).

^{vii} Minn. Stat. §176.041, Subd. 1a (2008).

^{viii} Minn. Stat. §176.041 (2008) (*generally*).

^{ix} Minn. Stat. §268.035, Subd. 20(18) (2008).

^x Minn. Stat. §268.035, Subd. 20(18) (2008).

^{xi} Minn. Stat. §268.035, Subd. 20(28) (2008).

^{xii} Minn. Stat. §268.035, Subd. 20(28) (2008).

^{xiii} Minn. Stat. §268.035, Subd. 9 (2008).