

Managers have authority to manage the business affairs of an LLC if specified in the Certificate of Formation. (Managers have similar authority to officers). [Certificate of Formation](#) is the document used to register the LLC with the Secretary of State.

NOTE: Staff will need to determine that the members which have management authority of the day to day operations of the LLC, actually have and exercise management authority in the day to day operations of the LLC.

Members who don't have and exercise authority in the management of the day to day operations of the LLC are covered workers.

2. LLCs are structured in one of two models.

2a. Partnership Model:

- Only members exercise control over the business operations, no managers.
- For coverage exclusion, members must have substantial management responsibilities in the company.
- None of the members require coverage unless there is an agreement designating which members have control over the business. Then only those designated members don't require coverage.

Example: One member may receive approval for full responsibilities to manage the general operations of the LLC. If this is the case, that member is the only exempt member; or

Job duties may be split among several members with approval to perform management duties such as finance, purchasing, operations etc. These members don't require coverage.

- In the partnership model, optional coverage is elected (or waived) individually as in a sole proprietorship or partnership.

2b. Corporate model:

- Members that are also managers exercise control over the business operations.
- Eight (8) or less members that are also managers in total don't require coverage if:
 - They work in the business operations, and
 - They have substantial control over management.

NOTE: These members who are also managers can perform manual labor and still not require coverage.

- Family LLCs may exempt any number of members that are also managers if they have relation within the third degree of kin by blood, marriage, or a registered domestic partnership.

Degrees of relation:

1st degree - Parent or child.

2nd degree - Grandchild, brother, sister, grandparent.

3rd degree - Great grandchild, nephew, niece, uncle, aunt, or great grandparent.

- For coverage exclusion, members that are also managers of family LLCs don't need to have and exercise authority in the management of the day to day operations of the LLC.
- In the corporate model, an LLC can elect a manager who isn't a member. These managers require coverage.
- **All or None:** When optional coverage is elected or waived in the corporate model, coverage must be for all who are exempt, not on an individual basis.

3. LLC members or members that are also managers may elect optional coverage.

Coverage is effective at 12:01 a.m. the day after the completed application for optional coverage is received by the department, unless a later date is indicated.

Cancellation of coverage is effective 30 days after the date the written request is received by the department.

- 4. There are certain classifications for reporting excluded LLC members or members that are also managers who meet the tests of WAC 296-17-31018.**
- Duties limited to clerical, outside sales, and administrative tasks report in classification [7100](#).
 - Duties restricted to only outside sales or estimating report in classification 6303.
 - Duties exposed to, or direct supervision exposed to the operative hazard of the business, must report in the basic classification applicable to the work performed.
 - Must not be reported in classification [4904](#).
 - Must report either the number of actual hours worked (if accurate records kept) or 480 hours per quarter for each covered LLC member or members that are also managers.
- 5. The department will cancel elective member coverage when an account is not in good standing.**

For technical questions please contact Employer Services Policy Coordinator at 360-902-4777.