

Senate Engrossed

workers' compensation; disability; definitions

State of Arizona  
Senate  
Fifty-seventh Legislature  
First Regular Session  
2025

# SENATE BILL 1551

AN ACT

AMENDING SECTIONS 23-901, 23-908 AND 23-1045, ARIZONA REVISED STATUTES;  
RELATING TO WORKERS' COMPENSATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 23-901, Arizona Revised Statutes, is amended to  
3 read:

4 23-901. Definitions

5 In this chapter, unless the context otherwise requires:

6 1. "Award" means the finding or decision of an administrative law  
7 judge or the commission as to the amount of compensation or benefit due an  
8 injured employee or the dependents of a deceased employee.

9 2. "Client" means an individual, association, company, firm,  
10 partnership, corporation or any other legally recognized entity that is  
11 subject to this chapter and that enters into a professional employer  
12 agreement with a professional employer organization.

13 3. "Co-employee" means every person employed by an injured  
14 employee's employer.

15 4. "Commission" means the industrial commission of Arizona.

16 5. "Compensation" means the compensation and benefits provided by  
17 this chapter.

18 6. "Employee", "workman", "worker" and "operative" means:

19 (a) Every person in the service of this state or a county, city,  
20 town, municipal corporation or school district, including regular members  
21 of lawfully constituted police and fire departments of cities and towns,  
22 whether by election, appointment or contract of hire.

23 (b) Every person in the service of any employer subject to this  
24 chapter, including aliens and minors legally or illegally allowed to work  
25 for hire, but not including a person whose employment is both:

26 (i) Casual.

27 (ii) Not in the usual course of the trade, business or occupation  
28 of the employer.

29 (c) Lessees of mining property and the lessees' employees and  
30 contractors engaged in the performance of work that is a part of the  
31 business conducted by the lessor and over which the lessor retains  
32 supervision or control are within the meaning of this paragraph employees  
33 of the lessor, and are deemed to be drawing wages as are usually paid  
34 employees for similar work. The lessor may deduct from the proceeds of  
35 ores mined by the lessees the premium required by this chapter to be paid  
36 for such employees.

37 (d) Regular members of volunteer fire departments organized  
38 pursuant to title 48, chapter 5, article 1, regular firefighters of any  
39 volunteer fire department, including private fire protection service  
40 organizations, organized pursuant to title 10, chapters 24 through 40,  
41 volunteer firefighters serving as members of a fire department of any  
42 incorporated city or town or an unincorporated area without pay or without  
43 full pay and on a part-time basis, and voluntary policemen and volunteer  
44 firefighters serving in any incorporated city, town or unincorporated area  
45 without pay or without full pay and on a part-time basis, are deemed to be

1 employees, but for the purposes of this chapter, the basis for computing  
2 wages for premium payments and compensation benefits for regular members  
3 of volunteer fire departments organized pursuant to title 48, chapter 5,  
4 article 1, or organized pursuant to title 10, chapters 24 through 40,  
5 regular members of any private fire protection service organization,  
6 volunteer firefighters and volunteer policemen of these departments or  
7 organizations shall be the salary equal to the beginning salary of the  
8 same rank or grade in the full-time service with the city, town, volunteer  
9 fire department or private fire protection service organization, provided  
10 if there is no full-time equivalent then the salary equivalent shall be as  
11 determined by resolution of the governing body of the city, town or  
12 volunteer fire department or corporation.

13 (e) Members of the department of public safety reserve, organized  
14 pursuant to section 41-1715, are deemed to be employees. For the purposes  
15 of this chapter, the basis for computing wages for premium payments and  
16 compensation benefits for a member of the department of public safety  
17 reserve who is a peace officer shall be the salary received by officers of  
18 the department of public safety for the officers' first month of regular  
19 duty as an officer. For members of the department of public safety  
20 reserve who are not peace officers, the basis for computing premiums and  
21 compensation benefits is \$400 a month.

22 (f) Any person placed in on-the-job evaluation or in on-the-job  
23 training under the department of economic security's temporary assistance  
24 for needy families program or vocational rehabilitation program shall be  
25 deemed to be an employee of the department for the purpose of coverage  
26 under the state workers' compensation laws only. The basis for computing  
27 premium payments and compensation benefits shall be \$200 per month. Any  
28 person receiving vocational rehabilitation services under the department  
29 of economic security's vocational rehabilitation program whose major  
30 evaluation or training activity is academic, whether as an enrolled  
31 attending student or by correspondence, or who is confined to a hospital  
32 or penal institution, shall not be deemed to be an employee of the  
33 department for any purpose.

34 (g) Regular members of a volunteer sheriff's reserve, which may be  
35 established by resolution of the county board of supervisors, to assist  
36 the sheriff in the performance of the sheriff's official duties. A roster  
37 of the current members shall monthly be certified to the clerk of the  
38 board of supervisors by the sheriff and shall not exceed the maximum  
39 number authorized by the board of supervisors. Certified members of an  
40 authorized volunteer sheriff's reserve shall be deemed to be employees of  
41 the county for the purpose of coverage under the Arizona workers'  
42 compensation laws and occupational disease disability laws and shall be  
43 entitled to receive the benefits of these laws for any compensable  
44 injuries or disabling conditions that arise out of and occur in the course  
45 of the performance of duties authorized and directed by the sheriff.

1 Compensation benefits and premium payments shall be based on the salary  
2 received by a regular full-time deputy sheriff of the county involved for  
3 the first month of regular patrol duty as an officer for each certified  
4 member of a volunteer sheriff's reserve. This subdivision does not  
5 provide compensation coverage for any member of a sheriff's posse who is  
6 not a certified member of an authorized volunteer sheriff's reserve except  
7 as a participant in a search and rescue mission or a search and rescue  
8 training mission.

9       (h) A working member of a partnership may be deemed to be an  
10 employee entitled to the benefits provided by this chapter on written  
11 acceptance, by endorsement, at the discretion of the insurance carrier for  
12 the partnership of an application for coverage by the working partner.  
13 The basis for computing premium payments and compensation benefits for the  
14 working partner shall be an assumed average monthly wage of not less than  
15 \$600 or more than the maximum wage provided in section 23-1041 and is  
16 subject to the discretionary approval of the insurance carrier. Any  
17 compensation for permanent partial or permanent total disability payable  
18 to the partner is computed on the lesser of the assumed monthly wage  
19 agreed to by the insurance carrier on the acceptance of the application  
20 for coverage or the actual average monthly wage received by the partner at  
21 the time of injury.

22       (i) The sole proprietor of a business subject to this chapter may  
23 be deemed to be an employee entitled to the benefits provided by this  
24 chapter on written acceptance, by endorsement, at the discretion of the  
25 insurance carrier of an application for coverage by the sole proprietor.  
26 The basis for computing premium payments and compensation benefits for the  
27 sole proprietor is an assumed average monthly wage of not less than \$600  
28 or more than the maximum wage provided by section 23-1041 and is subject  
29 to the discretionary approval of the insurance carrier. Any compensation  
30 for permanent partial or permanent total disability payable to the sole  
31 proprietor shall be computed on the lesser of the assumed monthly wage  
32 agreed to by the insurance carrier on the acceptance of the application  
33 for coverage or the actual average monthly wage received by the sole  
34 proprietor at the time of injury.

35       (j) A member of the Arizona national guard, Arizona state guard or  
36 unorganized militia shall be deemed a state employee and entitled to  
37 coverage under the Arizona workers' compensation law at all times while  
38 the member is receiving the payment of the member's military salary from  
39 this state under competent military orders or on order of the governor.  
40 Compensation benefits shall be based on the monthly military pay rate to  
41 which the member is entitled at the time of injury, but not less than a  
42 salary of \$400 per month or more than the maximum provided by the workers'  
43 compensation law. Arizona compensation benefits shall not inure to a  
44 member compensable under federal law.

1       (k) Certified ambulance drivers and attendants who serve without  
2 pay or without full pay on a part-time basis are deemed to be employees  
3 and entitled to the benefits provided by this chapter and the basis for  
4 computing wages for premium payments and compensation benefits for  
5 certified ambulance personnel shall be \$400 per month.

6       (l) Volunteer workers of a licensed health care institution may be  
7 deemed to be employees and entitled to the benefits provided by this  
8 chapter on written acceptance by the insurance carrier of an application  
9 by the health care institution for coverage of such volunteers. The basis  
10 for computing wages for premium payments and compensation benefits for  
11 volunteers shall be \$400 per month.

12       (m) Personnel who participate in a search or rescue operation or a  
13 search or rescue training operation that carries a mission identifier  
14 assigned by the division of emergency management as provided in section  
15 35-192.01 and who serve without compensation as volunteer state employees.  
16 The basis for computation of wages for premium purposes and compensation  
17 benefits is the total volunteer man-hours recorded by the division of  
18 emergency management in a given quarter multiplied by the amount  
19 determined by the appropriate risk management formula.

20       (n) Personnel who participate in emergency management training,  
21 exercises or drills that are duly enrolled or registered with the division  
22 of emergency management or any political subdivision as provided in  
23 section 26-314, subsection C and who serve without compensation as  
24 volunteer state employees. The basis for computation of wages for premium  
25 purposes and compensation benefits is the total volunteer man-hours  
26 recorded by the division of emergency management or political subdivision  
27 during a given training session, exercise or drill multiplied by the  
28 amount determined by the appropriate risk management formula.

29       (o) Regular members of the Arizona game and fish department  
30 reserve, organized pursuant to section 17-214. The basis for computing  
31 wages for premium payments and compensation benefits for a member of the  
32 reserve is the salary received by game rangers and wildlife managers of  
33 the Arizona game and fish department for the game rangers' and wildlife  
34 managers' first month of regular duty.

35       (p) Every person employed pursuant to a professional employer  
36 agreement.

37       (q) A working member of a limited liability company who owns less  
38 than fifty percent of the membership interest in the limited liability  
39 company.

40       (r) A working member of a limited liability company who owns fifty  
41 percent or more of the membership interest in the limited liability  
42 company may be deemed to be an employee entitled to the benefits provided  
43 by this chapter on the written acceptance, by endorsement, of an  
44 application for coverage by the working member at the discretion of the  
45 insurance carrier for the limited liability company. The basis for

1 computing wages for premium payments and compensation benefits for the  
2 working member is an assumed average monthly wage of \$600 or more but not  
3 more than the maximum wage provided in section 23-1041 and is subject to  
4 the discretionary approval of the insurance carrier. Any compensation for  
5 permanent partial or permanent total disability payable to the working  
6 member is computed on the lesser of the assumed monthly wage agreed to by  
7 the insurance carrier on the acceptance of the application for coverage or  
8 the actual average monthly wage received by the working member at the time  
9 of injury.

10 (s) A working shareholder of a corporation who owns less than fifty  
11 percent of the beneficial interest in the corporation.

12 (t) A working shareholder of a corporation who owns fifty percent  
13 or more of the beneficial interest in the corporation may be deemed to be  
14 an employee entitled to the benefits provided by this chapter on the  
15 written acceptance, by endorsement, of an application for coverage by the  
16 working shareholder at the discretion of the insurance carrier for the  
17 corporation. The basis for computing wages for premium payments and  
18 compensation benefits for the working shareholder is an assumed average  
19 monthly wage of \$600 or more but not more than the maximum wage provided  
20 in section 23-1041 and is subject to the discretionary approval of the  
21 insurance carrier. Any compensation for permanent partial or permanent  
22 total disability payable to the working shareholder is computed on the  
23 lesser of the assumed monthly wage agreed to by the insurance carrier on  
24 the acceptance of the application for coverage or the actual average  
25 monthly wage received by the working shareholder at the time of injury.

26 7. "General order" means an order applied generally throughout this  
27 state to all persons under jurisdiction of the commission.

28 8. "Heart-related or perivascular injury, illness or death" means  
29 myocardial infarction, coronary thrombosis or any other similar sudden,  
30 violent or acute process involving the heart or perivascular system, or  
31 any death resulting therefrom, and any weakness, disease or other  
32 condition of the heart or perivascular system, or any death resulting  
33 therefrom.

34 9. "Insurance carrier" means every insurance carrier duly  
35 authorized by the director of the department of insurance and financial  
36 institutions to write workers' compensation or occupational disease  
37 compensation insurance in this state.

38 10. "Interested party" means the employer, the employee, or if the  
39 employee is deceased, the employee's estate, the surviving spouse or  
40 dependents, the commission, the insurance carrier, ~~or their~~ THE THIRD  
41 PARTY ADMINISTRATOR OR AN AUTHORIZED representative.

42 11. "Mental injury, illness or condition" means any mental,  
43 emotional, psychotic or neurotic injury, illness or condition.

1       12. "Order" means and includes any rule, direction, requirement,  
2 standard, determination or decision other than an award or a directive by  
3 the commission or an administrative law judge relative to any entitlement  
4 to compensation benefits, or to the amount of compensation benefits, and  
5 any procedural ruling relative to the processing or adjudicating of a  
6 compensation matter.

7       13. "Personal injury by accident arising out of and in the course  
8 of employment" means any of the following:

9       (a) Personal injury by accident arising out of and in the course of  
10 employment.

11       (b) An injury caused by the wilful act of a third person directed  
12 against an employee because of the employee's employment, but does not  
13 include a disease unless resulting from the injury.

14       (c) An occupational disease that is due to causes and conditions  
15 characteristic of and peculiar to a particular trade, occupation, process  
16 or employment, and not the ordinary diseases to which the general public  
17 is exposed, and subject to section 23-901.01 or 23-901.09 or, for  
18 heart-related, perivascular or pulmonary cases, section 23-1105.

19       14. "Professional employer agreement" means a written contract  
20 between a client and a professional employer organization:

21       (a) In which the professional employer organization expressly  
22 agrees to co-employ all or a majority of the employees providing services  
23 for the client. In determining whether the professional employer  
24 organization employs all or a majority of the employees of a client, any  
25 person employed pursuant to the terms of the professional employer  
26 agreement after the initial placement of client employees on the payroll  
27 of the professional employer organization shall be included.

28       (b) That is intended to be ongoing rather than temporary in nature.

29       (c) In which employer responsibilities for worksite employees,  
30 including hiring, firing and disciplining, are expressly allocated between  
31 the professional employer organization and the client in the agreement.

32       15. "Professional employer organization" means any person engaged  
33 in the business of providing professional employer services. Professional  
34 employer organization does not include a temporary help firm or an  
35 employment agency.

36       16. "Professional employer services" means the service of entering  
37 into co-employment relationships under this chapter to which all or a  
38 majority of the employees providing services to a client or to a division  
39 or work unit of a client are covered employees.

40       17. "Serve" or "service" means either:

41       (a) Mailing to the last known address of the receiving party.

42       (b) Transmitting by other means, including electronic transmission,  
43 with the written consent of the receiving party.

44       18. "Special order" means an order other than a general order.





1           2. Any medical provider or other entity referring a claimant to the  
2 pharmacy does not receive or accept any rebate, refund, commission,  
3 preference or other consideration as compensation for the referral.

4           C. If a schedule of fees for prescription medicines adopted  
5 pursuant to subsection B of this section includes provisions regarding the  
6 use of generic equivalent drugs or interchangeable biological products,  
7 those provisions shall comply with section 32-1963.01, subsections A, B  
8 and D through L. If the commission considers the adoption of fee schedule  
9 provisions that involve specific prices, values or reimbursements for  
10 prescription drugs, the commission shall base the adoption on studies or  
11 practices that are validated and accepted in the industry, including the  
12 applicability of formulas that use average wholesale price, plus a  
13 dispensing fee, and that have been made publicly available for at least  
14 one hundred eighty days before any hearing conducted by the commission.  
15 Before the commission takes final action on the schedule of fees pursuant  
16 to this subsection and subsection B of this section, except during a  
17 public health emergency, the commission shall:

18           1. Prominently post on its publicly accessible website the proposed  
19 schedule of fees at least thirty days before conducting a public hearing  
20 on that proposed schedule of fees.

21           2. Hold at least one meeting that all interested parties may  
22 jointly attend and interactively participate in after posting the proposed  
23 schedule of fees but before conducting the hearing on the proposed  
24 schedule of fees.

25           3. At least seven business days in advance, prominently post on its  
26 publicly accessible website the final proposed schedule of fees to be  
27 acted on for adoption.

28           D. Notwithstanding section 12-2235, information obtained by any  
29 physician or surgeon examining or treating an injured person shall not be  
30 considered a privileged communication if that information is requested by  
31 interested parties for a proper understanding of the case and a  
32 determination of the rights involved. Hospital records of an employee  
33 concerning an industrial claim shall not be considered privileged if  
34 requested by an interested party in order to determine the rights  
35 involved. Medical information from any source pertaining to conditions  
36 unrelated to the pending industrial claim shall remain privileged.

37           E. When an accident occurs to an employee, the employee shall  
38 forthwith report the accident and the injury resulting from the accident  
39 to the employer, and any physician employed by the injured employee shall  
40 forthwith report the accident and the injury resulting from the accident  
41 to the employer, the insurance carrier and the commission.

42           F. If an accident occurs to an employee, the employer may designate  
43 in writing a physician chosen by the employer, who shall be allowed by the  
44 employee, or any person in charge of the employee, to make one examination  
45 of the injured employee in order to ascertain the character and extent of

1 the injury occasioned by the accident. The physician so chosen shall  
2 forthwith report to the employer, the insurance carrier and the commission  
3 the character and extent of the injury as the physician ascertains. If  
4 the accident is not reported by the employee or the employee's physician  
5 forthwith, as required, or if the injured employee or those in charge of  
6 the employee refuse to allow the employer's physician to make the  
7 examination, and the injured employee is a party to the refusal, no  
8 compensation shall be paid for the injury claimed to have resulted from  
9 the accident. The commission may relieve the injured person or that  
10 person's dependents from the loss or forfeiture of compensation if ~~it~~ THE  
11 COMMISSION believes after investigation that the circumstances attending  
12 the failure on the part of the employee or physician to report the  
13 accident and injury are such as to have excused them.

14 G. Within ten days after receiving notice of an accident, the  
15 employer shall inform the insurance carrier and the commission on the  
16 forms and in the manner as prescribed by the commission.

17 H. Immediately on notice to the employer of an accident resulting  
18 in an injury to an employee, the employer shall provide the employee with  
19 the name and address of the employer's insurance carrier, the policy  
20 number and the expiration date.

21 I. THE COMMISSION SHALL PUBLISH ON THE COMMISSION'S PUBLICLY  
22 ACCESSIBLE WEBSITE THE SCHEDULE OF FEES AS PRESCRIBED IN SUBSECTIONS B AND  
23 C OF THIS SECTION. THE COMMISSION IS NOT REQUIRED TO PUBLISH THE SCHEDULE  
24 OF FEES IN THE ARIZONA ADMINISTRATIVE REGISTER.

25 ~~it~~ J. Any person failing or refusing to comply with this section  
26 is guilty of a petty offense.

27 ~~it~~ K. Subsection B of this section does not prohibit:

28 1. A health care provider or pharmacy from entering into a separate  
29 contract or network that governs fees, in which case reimbursement shall  
30 be made according to the applicable contracted charge or negotiated rate.

31 2. An employer from directing medical, surgical or hospital care  
32 pursuant to section 23-1070.

33 Sec. 3. Section 23-1045, Arizona Revised Statutes, is amended to  
34 read:

35 23-1045. Compensation for total disability; permanent total  
36 disability defined

37 A. For temporary total disability the following compensation shall  
38 be paid:

39 1. Compensation of sixty-six and two-thirds ~~per cent~~ PERCENT of the  
40 average monthly wage shall be paid during the period of disability.

41 2. If there are persons dependent for support ~~upon~~ ON the employee,  
42 compensation shall be paid as provided in this section, with an additional  
43 allowance of ~~twenty-five dollars~~ \$100 per month for such dependents during  
44 the period of disability. The additional allowance shall not be based

1 ~~upon~~ ON a per capita number of dependents but shall reflect a total  
2 monthly benefit increase of exactly ~~twenty-five dollars~~ \$100.

3 B. For permanent total disability, compensation of sixty-six and  
4 two-thirds ~~per cent~~ PERCENT of the average monthly wage shall be paid  
5 during the life of the injured person.

6 C. In the absence of proof to the contrary, disability shall be  
7 deemed total and permanent if caused by:

8 1. The total and permanent loss of sight of both eyes.

9 2. The loss by separation of both feet.

10 3. The loss by separation of both hands.

11 4. An injury to the spine resulting in permanent and complete  
12 paralysis of both legs or both arms, or one leg and one arm.

13 5. An injury to the skull resulting in incurable imbecility or  
14 insanity.

15 6. The loss by separation of one hand and one foot.

16 D. The enumeration in this section is not exclusive, and in all  
17 other cases permanent total disability shall be determined in accordance  
18 with the facts and in accordance with ~~the provisions of~~ section 23-1047.

# Senate Amendments to S.B. 1551