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To: The Honorable Dereck E. Davis
Chair, House Economic Matters Committee

From: The Office of the Attorney General

Re: House Bill 1448 – Commissioner of Labor and Industry – Classification of Employees
and Independent Contractors – Guidelines – **SUPPORT**

The Office of the Attorney General urges the favorable report of House Bill 1448, which would require the Commissioner of Labor and Industry, in consultation with the Office of the Attorney General to produce short, plain-language written guidelines that establish the meanings of “employ,” “employee,” “employer,” and “independent contractor” to ensure compliance with State employment law. This bill is a win-win for both businesses and Maryland workers alike, as it encourages front-end compliance on the part of businesses, which will lead to lower litigation costs, and provides a significant benefit to Maryland workers through the elimination of worker misclassification.

Worker misclassification occurs when a business, whether knowingly or accidentally, classifies an individual in the wrong category of worker; often, as an independent contractor rather than an employee.¹ Some employers who have misclassified workers honestly believe that they have classified their worker correctly as an independent contractor, often due to the lack of legal knowledge and misunderstanding of the law.² When an employee is misclassified as an independent contractor, the employee is left without many of the protections afforded to employees, notably minimum wage and overtime benefits, unemployment benefits, workers’ compensation benefits, protections against illegal employment discrimination, and protections

¹ Maryland Dep’t of Labor, *Worker Classification Protection – Division of Labor and Industry*, <https://www.dllr.state.md.us/workplace/>.

² *Id.*

against wage theft.³ Often, disputes over classification lead to expensive litigation costs, which can have a devastating financial impact on the parties involved.

House Bill 1448 would alleviate the lack of legal knowledge and misunderstanding with proper guidelines on how to classify workers. The bill does not target any particular industry, rather, it clarifies existing law so that companies and workers alike do not suffer from misclassification costs.

For these reasons, the Attorney General urges the Committee to favorably report House Bill 1448.

cc: Members of the House Economic Matters Committee

³ Maryland Dep't of Labor, *Employee or Independent Contractor? – The Maryland Guide to Wage Payment and Employment Standards*, <https://www.dllr.state.md.us/labor/wagepay/wpempindcont.shtml>.