

Department of Legislative Services
Maryland General Assembly
2000 Session

FISCAL NOTE

House Bill 870 (Delegate Menes. *et al.*)

Economic Matters

Labor and Employment - New Hires Directory - Independent Contractors

This bill requires all employers to submit detailed information on any new employee within 20 days of employment. The bill includes independent contractors as employees for the reporting requirement, and provides for a written warning and civil penalties for a subsequent failure to submit the required information.

Fiscal Summary

State Effect: General fund expenditure increases, which cannot be reliably estimated at this time, are expected for the Department of Human Resources (DHR) to reimburse the Department of Labor, Licensing, and Regulation (DLLR) for the costs of compliance. Minimal increase in general fund revenues due to the bill's penalty provisions.

Local Effect: None.

Small Business Effect: Meaningful. Most independent contractors are individuals or small businesses with few employees. Small businesses that currently do not have to report detailed information on employees for unemployment or Social Security purposes would be required to report.

Analysis

Bill Summary: This bill requires an employer to submit detailed information to the Secretary of the Department of Labor, Licensing, and Regulation concerning new employees. The information is to be submitted within 20 days of the date of employment and must include the employee's Social Security number, name, address, employment date, and employer information. The employer can report by mail each time an employee starts work

or, if submitted magnetically or electronically, twice a month.

If an employer fails to report as required, a written warning will be issued. Further violations result in a civil penalty of \$20 for each month in which a subsequent violation occurs. All violations occurring in a single month are considered to be a single violation. If failure to report, or the reporting of false information, is the result of a conspiracy between the employer and the employee, the fine is \$500. An employer may apply to the Secretary for a hearing within 15 days after the mailing of the assessment and the Secretary may forward the application to the Office of Administrative Hearings for adjudication.

The DHR must reimburse the Secretary of the DLLR for all costs incurred to comply with the provisions of this bill.

Current Law: This bill mirrors existing law on reporting requirements for Social Security and unemployment insurance purposes. Independent contractors are not considered “employees” and all persons engaged in a business, industry, profession, trade, or other enterprise are not considered to be employment units for reporting purposes. Only those businesses or enterprises which are subject to the unemployment insurance law are required to meet the current law reporting requirements.

State Fiscal Effect: DHR currently uses DLLR employment data in its New Hires Registry Database to facilitate child support collection and enforcement efforts by DHR. The reporting of independent contractor information would expand the registry with new wage-earner information, potentially increasing child support collections. General fund expenditures for reimbursement by DHR to DLLR will be based on the extent of the database expansion. The exact amount of the reimbursement depends on the number of independent contractors statewide, which cannot be reliably estimated at this time. Similarly, potential increases in child support collection revenues from independent contractors as a result of this bill cannot be reliably estimated at this time. Under the provisions of this bill, State special fund revenues could increase depending on the amount of child support collected on behalf of Temporary Cash Assistance (TCA) recipients. TCA recipients must assign their support rights to the State and federal government as partial reimbursement for TCA payments made in support of the children. As a result, TCA child support collections are distributed 50% to the State and 50% to the federal government.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Human Resources; State Highway Administration; Department of Labor, Licensing, and Regulation; Department of Legislative Services

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drg/jr

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