

Chapter 309

(House Bill 465)

AN ACT concerning

Workplace Fraud and Prevailing Wage – Violations – ~~Penalties~~ Civil Penalty and Referrals

FOR the purpose of ~~establishing certain criminal penalties for employers knowingly failing to properly classify individuals as employees and contractors and subcontractors knowingly violating State prevailing wage laws; altering the maximum civil penalty for the knowing failure of an employer to properly classify an individual as an employee;~~ requiring the Commissioner of Labor and Industry to refer to the Comptroller, certain State’s Attorneys, and certain federal departments certain complaints that allege a violation of certain tax laws under certain circumstances; and generally relating to violations of the workplace fraud and State prevailing wage laws.

BY repealing and reenacting, with amendments,
Article – Labor and Employment
Section 3–909 and 3–910
Annotated Code of Maryland
(2016 Replacement Volume and 2023 Supplement)

BY adding to
Article – State Finance and Procurement
Section 17–227
Annotated Code of Maryland
(2021 Replacement Volume and 2023 Supplement)

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
That the Laws of Maryland read as follows:

Article – Labor and Employment

3–909.

(a) An employer found to have knowingly failed to properly classify an individual in violation of § 3–904 of this subtitle:

~~(1)~~ shall be assessed a civil penalty of up to ~~\$5,000~~ **\$10,000** for each employee who was not properly classified; ~~AND~~

~~(2) IS GUILTY OF A MISDEMEANOR AND ON CONVICTION IS SUBJECT TO A FINE NOT TO EXCEED \$5,000 OR IMPRISONMENT NOT EXCEEDING 60 DAYS OR BOTH FOR EACH EMPLOYEE WHO WAS NOT PROPERLY CLASSIFIED.~~

(b) In determining the amount of the penalty ~~TO BE ASSESSED UNDER SUBSECTION (A)(1) OF THIS SECTION~~, the Commissioner or the administrative law judge shall consider:

- (1) the gravity of the violation;
- (2) the size of the employer's business;
- (3) the employer's good faith;
- (4) the employer's history of violations under this subtitle; and
- (5) whether the employer:

(i) has been found, by a court or an administrative unit, to have deprived the employee of any rights to which the employee would have been entitled under a State protective labor law, including but not limited to:

1. any provision of this article;
2. the State prevailing wage law, under §§ 17–221 and 17–222 of the State Finance and Procurement Article; or
3. the living wage law, under § 18–108 of the State Finance and Procurement Article; and

(ii) has made restitution and come into compliance with all such State protective labor laws with respect to the employee.

(c) If the court or an administrative unit determines that an individual or class of individuals is entitled to restitution as a result of the employer's violation of § 3–904 of this subtitle, the court or administrative unit:

- (1) shall award each individual any restitution to which the individual may be entitled; and
- (2) may award each individual an additional amount up to three times the amount of such restitution.

(d) An employer in violation of § 3–904 of this subtitle may be assessed double the administrative penalties set forth in subsection ~~[(a)] (A)(1)~~ of this section if the employer

has been found previously to have violated this subtitle by a final order of a court or an administrative unit.

(e) An employer who has been found by a final order of a court or an administrative unit to have violated § 3–904 of this subtitle three or more times may be assessed an administrative penalty of up to \$20,000 for each employee.

(f) (1) An employer may be assessed civil penalties under this section or § 8–201.1 or § 9–402.1 of this article by only one final order of a court or administrative unit for the same actions constituting a violation of this subtitle.

(2) Notwithstanding paragraph (1) of this subsection, an employer may be ordered to make restitution, pay any interest due, and otherwise comply with all applicable laws and regulations by orders of a court and all relevant administrative units, including the Comptroller, the Office of Unemployment Insurance, the Insurance Administration, and the Workers' Compensation Commission.

(g) Any penalty issued under ~~SUBSECTION (A)(1) OF~~ this section against an employer shall be in effect against any successor corporation or business entity that:

(1) has one or more of the same principals or officers as the employer against whom the penalty was assessed, unless the principal or officer did not or with the exercise of reasonable diligence could not know of the violation for which the penalty was imposed; and

(2) is engaged in the same or equivalent trade or activity.

3–910.

(A) As authorized by State and federal law, units within the Maryland Department of Labor and the Department of Budget and Management, the Secretary of State, the Comptroller, the Maryland Insurance Administration, and other State agencies shall cooperate and share information concerning any suspected failure to properly classify an individual as an employee.

(B) ON A SHOWING BY CLEAR AND CONVINCING EVIDENCE THAT A VIOLATION OF § 3–904 OF THIS SUBTITLE HAS OCCURRED AND AS AUTHORIZED BY FEDERAL AND STATE LAW, THE COMMISSIONER SHALL REFER ANY COMPLAINT THAT ALLEGES A VIOLATION OF § 13–1007 OR § 13–1024 OF THE TAX – GENERAL ARTICLE TO THE:

(1) COMPTROLLER;

(2) STATE'S ATTORNEY WITH JURISDICTION OVER THE ALLEGED VIOLATION;

- (3) U.S. DEPARTMENT OF JUSTICE;
- (4) U.S. DEPARTMENT OF LABOR; AND
- (5) U.S. DEPARTMENT OF THE TREASURY.

Article – State Finance and Procurement

17-227.

~~(A) IN ADDITION TO ANY OTHER PENALTIES AUTHORIZED UNDER THIS SUBTITLE, A CONTRACTOR OR SUBCONTRACTOR FOUND TO HAVE KNOWINGLY VIOLATED THIS SUBTITLE IS GUILTY OF A MISDEMEANOR AND ON CONVICTION IS SUBJECT TO A FINE NOT TO EXCEED \$5,000 OR IMPRISONMENT NOT EXCEEDING 60 DAYS OR BOTH FOR EACH VIOLATION.~~

~~(B)~~ ON A SHOWING BY CLEAR AND CONVINCING EVIDENCE THAT A VIOLATION OF THIS SUBTITLE HAS OCCURRED, THE COMMISSIONER SHALL REFER ANY COMPLAINT THAT ALLEGES A VIOLATION OF § 13-1007 OR § 13-1024 OF THE TAX – GENERAL ARTICLE TO THE:

- (1) COMPTROLLER;
- (2) STATE’S ATTORNEY WITH JURISDICTION OVER THE ALLEGED VIOLATION;
- (3) U.S. DEPARTMENT OF JUSTICE;
- (4) U.S. DEPARTMENT OF LABOR; AND
- (5) U.S. DEPARTMENT OF THE TREASURY.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect October 1, 2024.

Approved by the Governor, April 25, 2024.