

Department of Legislative Services
 Maryland General Assembly
 2025 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 938

(The President)(By Request - Office of the Attorney General)

Finance

Fraud Prevention and Worker Protections - Prohibitions, Penalties, and Enforcement

This bill establishes a Worker Protection Unit in the Office of the Attorney General (OAG) to enforce workers’ rights and expands OAG’s authority to investigate and prosecute violations of specified workers’ rights laws. The bill expands/alters the Maryland False Claims Act (MFCA) and the Workplace Fraud Act, among other provisions. Licensing authorities must suspend or revoke the licenses of licensees as specified for violations of workplace fraud.

Fiscal Summary

State Effect: General fund expenditures increase by \$526,300 for OAG and also increase for the Maryland Department of Labor (MD Labor) for hearing costs, along with reimbursable revenues and expenditures, in FY 2026. Special fund expenditures increase by at least \$748,600 in FY 2026 for MD Labor; special fund revenues correspondingly increase due to the Workers’ Compensation Commission’s (WCC) assessment on insurers in the State, which minimally increases State expenditures (all funds). Federal fund revenues and expenditures for MD Labor increase by \$295,700 beginning in FY 2026. Potential significant general fund and nonbudgeted revenue increases beginning in FY 2026 due to penalties and increased employer compliance. Revenues and expenditures are ongoing. **This bill establishes a mandated appropriation beginning in FY 2027.**

(in dollars)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
GF/NonBud/ReimB. Rev.	-	-	-	-	-
SF Revenue	\$748,600	\$878,200	\$914,800	\$953,200	\$990,900
FF Revenue	\$295,700	\$347,700	\$363,200	\$379,500	\$395,600
GF Expenditure	\$526,300	\$627,100	\$654,900	\$684,100	\$713,200
SF Expenditure	\$748,600	\$878,200	\$914,800	\$953,200	\$990,900
FF Expenditure	\$295,700	\$347,700	\$363,200	\$379,500	\$395,600
GF/SF/ReimB. Exp.	-	-	-	-	-
Net Effect	(\$526,300)	(\$627,100)	(\$654,900)	(\$684,100)	(\$713,200)

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: Potential significant increase in local income tax revenues due to enforcement. Minimal increase in expenditures due to the increased WCC assessment on all insurers in the State.

Small Business Effect: Meaningful.

Analysis

Bill Summary:

Worker Protection Unit in the Office of the Attorney General

The Attorney General may bring a civil action in a court of competent jurisdiction against an employer or other person violating a workers' rights law for restitution or for injunctive, compensatory, punitive, or other authorized relief for a worker, an employee, or the public at large. Workers' rights laws include prevailing wage laws, the Maryland Wage and Hour Law, the Workplace Fraud Act, the Maryland Wage Payment and Collection Law, and any other law that the Attorney General is empowered to use to protect workers' rights.

The Worker Protection Unit must include a full-time chief counsel and staff, including assistant Attorneys General, investigators, administrators, and any other personnel appointed by and at the discretion of the Attorney General. Salaries and expenses necessary for the unit's work must be as provided in the State budget. The Attorney General must set minimum salaries, qualifications, and standards of training and experience for positions within the unit.

The Attorney General may adopt regulations to carry out provisions of the bill. Provisions of the bill may not be construed to take away or limit the powers of the Attorney General.

The bill specifies investigative authority and procedures for the Attorney General, which includes, among other things, applying to the District Court for an administrative search warrant, questioning under oath, and issuing subpoenas. Circuit courts may pass orders directing compliance with subpoenas or compelling testimony as specified.

An employer or another person may not discharge, demote, harass, or otherwise retaliate against a worker who (1) reports or makes a complaint to the Attorney General of a violation of workers' rights laws; (2) participates in an investigation or proceeding under the Worker Protection Unit; or (3) otherwise exercises rights afforded by the bill. The Attorney General may file an action on behalf of any worker found to have been retaliated against, and the bill specifies what the court may award.

Maryland False Claim Act

The bill alters the definition of a “claim” under MFCA so that it does not include requests or demands for money or other property *made by an individual beneficiary* that a governmental entity has paid to the individual as compensation for employment or as an income subsidy with no restrictions on that individual’s use of the money or other property.

A person may not knowingly make, use, or cause to be made or used a false record or statement resulting in the underpayment of unemployment insurance (UI) contributions owed to the Unemployment Insurance Trust Fund (UITF) or the payment of UI benefits of more than \$15,000 in a calendar year. If a violation of MFCA affects UI funds, the Comptroller must deposit any civil penalty or damages collected by the State under MFCA into the UI Fund.

If a violation of MFCA involves the failure to pay prevailing wage rates in accordance with specified statute, civil penalties and damages collected under MFCA must be used to pay restitution directly to affected workers.

Maryland Wage and Hour Act

Under the Maryland Wage and Hour Act, the Attorney General may bring an action against an employer on behalf of an employee if the employer pays 10 or more employees less than the required wages or if the total amount of wages underpaid for all affected employees is at least \$25,000. The Attorney General may recover the difference between the wage paid to the employee and the required wage, liquidated damages as specified, a civil penalty of \$5,000 for each violation payable into the general fund, reasonable attorney’s fees and other costs payable to the Attorney General, and any other appropriate relief. Before initiating an action under the bill, the Attorney General may conduct an investigation.

Maryland Wage Payment and Collection Law

Under the Maryland Wage Payment and Collection Act, the Attorney General may bring an action on behalf of employees to recover unpaid wages if, after two weeks have elapsed from the date on which an employer is required to have paid the wages, the employer fails to pay 10 or more employees in accordance with specified wage payments laws or if the total amount of unpaid wages for all affected employees is at least \$25,000. Before bringing an action under the bill, the Attorney General may conduct an investigation.

Workplace Fraud Act

The bill expands the Workplace Fraud Act to apply to all employers (including a successor as defined by the bill), general contractors, higher-tiered contractors, subcontractors, and other persons engaging workers in the State, rather than only employers in the construction and landscaping services industries. Thus, the bill prohibits all employers, general contractors, higher-tiered contractors, subcontractors, and other persons engaging workers in the State from failing to properly classify an individual as an employee and subjects them to the Workplace Fraud Act's investigation procedures and penalties for noncompliance.

The bill establishes and alters definitions in the Workplace Fraud Act. For example, a higher-tiered contractor is a person that enters into an agreement with an owner to oversee and coordinate the entire scope of a project, including ensuring that the work meets the terms of the agreement. For purposes of the Workplace Fraud Act, a general contractor and a higher-tiered contractor must be considered to be an employer of a worker under specified circumstances.

The bill repeals existing workplace fraud laws regarding presumptions of employer-employee relationships, knowing failures to properly classify employees, investigative/citation procedures, and civil penalties. An employer-employee relationship is generally presumed to exist when work is performed by a worker for remuneration paid by a person, unless the person providing the remuneration can prove otherwise, as specified by the bill and generally based on criteria in current law.

The Workplace Fraud Act may not be waived or set aside by private agreement. An agreement made between an employer and an employee in which the employee agrees to be classified as an independent contractor is not a defense to a citation or a civil action.

The Commissioner of Labor and Industry must investigate to determine compliance with the Workplace Fraud Act, and the bill specifies the investigative procedures, which include applying to the District Court for an administrative search warrant under specified circumstances. The bill also specifies enforcement and appeal procedures, which includes issuing subpoenas and civil penalties as specified. Failure by an employer to properly classify an employee is subject to a civil penalty of between \$5,000 and \$10,000. An employer who knowingly fails to properly classify an employee is subject to a civil penalty of between \$10,000 and \$25,000. Additionally, an employer may be ordered by the Commissioner of Labor and Industry to come into compliance with the law, pay restitution for economic damages suffered by the employee, and pay an additional amount for a knowing violation.

The bill specifies that OAG and the State Department of Assessments and Taxation (SDAT) must cooperate and share information concerning any suspected failure to properly classify a worker as an employee, and the Commissioner of Labor and Industry must refer suspected violations to specified State and federal agencies. Each year, the commissioner must disseminate all final orders issued under the Workplace Fraud Act to relevant agencies, and those agencies may not issue or renew a license to a respondent until the respondent comes into compliance with the final order. The commissioner must adopt procedures for advising the agencies of when a respondent comes into compliance with a final order.

Generally, the Attorney General may bring an action against an employer on behalf of employees if the employer fails to properly classify 10 or more employees resulting in economic damages of \$25,000 or more. Before initiating an action, the Attorney General may conduct an investigation.

Business Occupational and Professional Licenses

The Commissioner of Labor and Industry must notify the applicable licensing authority when a licensee is found in violation of a provision of State law that prohibits failure to properly classify employees by a final order of a court (or an administrative unit) and (1) has not paid all penalties assessed for this violation and (2) within 45 days after issuance of the final order of a court (or an administrative unit), has failed to comply with a final order to properly classify an employee. Upon receiving the notification, the licensing authority must suspend or revoke the license of the licensee. However, before suspending or revoking a license, a licensing authority must send written notice of the proposed action to the licensee – including notice of the licensee’s right to contest the identity of the licensee whose license is to be suspended or revoked. A licensee may appeal a decision to suspend or revoke a license in accordance with the Administrative Procedures Act. At a hearing initiated under this authorization, the issue must be limited to whether the Commissioner of Labor and Industry has mistaken the identity of the licensee.

A licensing authority may not reinstate a license that has been suspended pursuant to the bill’s authorization until the commissioner provides required notice. The commissioner must notify the licensing authority within 10 days after the commissioner first receives (1) a court order to reinstate the license or (2) with respect to a licensee who is subject to a final order of a court (or an administrative unit), notice that the licensee has complied with the order in full. A licensing authority must immediately reinstate any license suspended or revoked if (1) notified by the commissioner that the license should be reinstated and (2) the licensee otherwise qualifies for the license.

Adverse licensing actions may be imposed *in addition to* any other workplace fraud enforcement actions. Adverse licensing actions taken under the bill must be in effect

against (1) any successor corporation or business entity that meets specified requirements and (2) any individual licensee that was an officer, director, controlling shareholder, partner, or manager of the employer against whom the adverse action was taken unless the individual did not or (with the exercise of reasonable due diligence) could not have known of the violation for which the adverse action was taken.

Contracts and Prevailing Wage

A person may be debarred from entering into a contract with the State for repeatedly violating specified workers' rights laws, in addition to willfully or knowingly violating these laws, under specified circumstances.

If an employee under a public work contract is paid less than the required prevailing wage rate, the commissioner is authorized, instead of required under current law, to issue an order for a hearing if the commissioner is unable to resolve the matter informally, or the commissioner may refer the matter to OAG to file a civil action. The Attorney General may sue to recover the difference between the prevailing wage rate and the amount received by employees if there are 10 or more affected employees under a public work contract being paid below the prevailing wage rate and the total amount of wages underpaid for all affected employees is at least \$25,000.

Current Law:

Workplace Fraud Act

Chapter 188 of 2009 (the Workplace Fraud Act) established, for the purpose of enforcement only, a presumption that work performed by an individual paid by an employer creates an employer-employee relationship, subject to specified exemptions. It prohibits construction companies and landscaping businesses from failing to properly classify an individual as an employee and establishes investigation procedures and penalties for noncompliance.

The "ABC test" incorporated in the Workplace Fraud Act is used by MD Labor to establish whether an employer-employee relationship exists for the purpose of determining whether an employee has been misclassified under the Act. While only used to detect workplace fraud in the specified industries, MD Labor is required to use the ABC test in determining whether an individual is an employee in any industry for the purpose of determining whether the employer should pay UI for the individual. The ABC test has three components, all of which must be met to establish that an individual is an independent contractor and not an employee:

- A. the individual is free from control and direction over his or her performance both in fact and under the contract (Alone);
- B. the individual customarily is engaged in an independent business or occupation (Business); and
- C. the work performed is outside the usual course of business, or outside the place of business, of the person for whom work is performed (Control).

The Commissioner of Labor and Industry in MD Labor is responsible for enforcing the Act. The Act distinguishes between an employer who improperly misclassifies an employee and an employer who knowingly misclassifies an employee, and civil penalties are more severe for an employer who is guilty of knowingly misclassifying an employee. The maximum penalty for a knowing violation is a \$10,000 fine for each employee who was not properly classified. The Commissioner of Labor and Industry or the administrative law judge must consider specified factors when determining the penalty amount. Penalties can be doubled for employers who have previously violated the Act's provisions. An employer who has been found to have knowingly misclassified employees on three or more occasions may be assessed an administrative penalty of up to \$20,000 for each misclassified employee.

Joint Enforcement Task Force on Workplace Fraud

Executive Order 01.01.2024.04, dated January 9, 2024, establishes the Joint Enforcement Task Force on Workplace Fraud to coordinate the investigation and enforcement of workplace fraud. Among its charges is to facilitate data sharing among task force members, including maintaining an interagency online platform to share such information. The task force must report to the Governor by December 31 of each year as specified in the executive order; the report must, among other things, identify successful strategies for preventing workplace fraud that reduce the need for greater enforcement.

Maryland False Claims Act

Enacted under Chapter 165 of 2015, MFCFA prohibits a person from knowingly making a false or fraudulent claim for payment or approval by a governmental entity (defined as the State, a county, or a municipal corporation). A person who does so is liable to the governmental entity for a civil penalty of up to \$10,000 for each violation, plus an additional amount of up to three times the amount of actual damages that the governmental entity sustains.

Background: The Joint Enforcement Task Force on Workplace Fraud issued its [2024 annual report](#). According to the report, task force agencies discovered 5,595 misclassified workers through their enforcement actions. MD Labor's Division of Unemployment Insurance (DUI) uncovered more than \$36 million in unreported taxable

wages paid to workers due to workplace fraud, and the Comptroller assessed \$3.5 million in tax, interest, and penalties on businesses for misclassifying workers.

MD Labor advises that, currently, the various occupational and professional licensing boards within the department are limited in how they can report workplace fraud, as there is not a statutory requirement that allows the information to be collected holistically. Under current procedures, the Division of Occupational and Professional Licensing must work with the Division of Labor and Industry (DLI) to enforce instances of workplace fraud by directing workers with such claims to their office for further assistance. MD Labor further advises that codifying worker misclassification as grounds for disciplinary action against an individual (or business's) license will allow the licensing boards to collaborate with broader enforcement efforts.

State Fiscal Effect: General fund expenditures increase for the new unit in OAG. Likewise, special fund expenditures (Workers' Compensation Fund) increase for MD Labor's DLI to investigate worker misclassifications. Special fund revenues correspondingly increase due to WCC assessments on insurers in the State. Thus, State expenditures (all funds) increase minimally due to a higher assessment charged by WCC to all insurers. DLI refers all misclassification cases to DUI and to the Comptroller's Office, so expenditures also increase for DUI to conduct audits, though the Comptroller's Office expects existing staff can perform any additional audits as OAG will be taking the lead on investigating cases. To the extent that these referrals lead to increased tax compliance, revenues increase. Additionally, DLI must notify licensing authorities when a licensee is found in violation of workplace fraud provisions. Each of these related fiscal effects (DLI, WCC, UI tax compliance, licensing compliance, and income tax compliance), in addition to the fiscal effect for OAG, is discussed below. Furthermore, the Judiciary and SDAT can likely implement the bill with existing resources, but to the extent that they cannot, additional resources may be needed.

Office of the Attorney General – Worker Protection Unit

The bill requires the Worker Protection Unit to include a full-time chief counsel and staff, including assistant Attorneys General, investigators, administrators, and any other personnel appointed by and at the discretion of the Attorney General. Thus, general fund expenditures increase by \$526,293 in fiscal 2026, which accounts for the bill's October 1, 2025 effective date. This estimate reflects the cost of hiring one chief counsel (which is mandated by the bill), two assistant Attorneys General, two investigators, and one management associate to investigate and enforce the bill. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

OAG Positions	6.0
Salaries and Fringe Benefits	\$482,080
Operating Expenses	<u>44,213</u>
Total OAG FY 2026 State Expenditures	\$526,293

Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

General fund revenues for OAG increase to the extent that reasonable attorney’s fees and other costs are awarded to OAG in actions brought against employers beginning in fiscal 2026.

Workplace Fraud Component

Maryland Department of Labor’s Division of Labor and Industry

While the Workplace Fraud Act has been in place for landscaping and construction businesses since 2009, enforcement of the Act has been variable over the years. For instance, performance data maintained by MD Labor show almost no enforcement action related to worker misclassification for fiscal 2020 through 2023. MD Labor is working to strengthen enforcement of the existing program. As such, the fiscal 2026 budget as introduced includes \$1.25 million of WCC special funds for the program, which is more than double the \$600,257 appropriation that the program received in fiscal 2024. MD Labor reports that the existing program has 10.5 positions, including eight wage and hour investigators, one wage and hour supervisor, one administrative aid, and one half-time assistant Attorney General.

Landscaping and construction together make up 8.25% of the State’s private sector workforce with 183,469 employees from 19,829 establishments. MD Labor estimates that applying all private sector employees to the Workplace Fraud Act adds approximately two million workers from 186,803 establishments under the purview of the Commissioner of Labor and Industry for workplace fraud enforcement. The commissioner is required to investigate as necessary to determine compliance, including complaints and referrals, which cannot be absorbed within existing resources. If only 0.5% of the 186,803 establishments are to be investigated, MD Labor reports needing 13 more DLI employees.

The Department of Legislative Services (DLS) concurs that MD Labor needs additional resources. However, it is unknown how many employees are misclassified as an independent contractor. Identifying misclassified workers is challenging because workers may not even realize that they are being misclassified. In 2024, the U.S. Department of Labor noted that independent contractors are most prevalent in the construction (19.3%)

and professional and business services (25.1%) industries, accounting for 44% of independent contractors. Another study by the Economic Policy Institute cites construction workers and landscaping workers among the 11 most commonly misclassified workers. (The other commonly misclassified workers are truck drivers, janitors and cleaners, home health and personal care aides, retail sales workers, housekeeping cleaners, customer service representatives and call center workers, light truck delivery drivers, and manicurists and pedicurists.) It is likely that the current law, which applies only to workers in the construction and landscaping service industries, covers a significant portion of misclassified workers, but to cover all industries with a comparable level of enforcement, MD Labor likely needs at least double its current enforcement staff, in addition to the additional resources budgeted for fiscal 2026.

Enforcement of workplace fraud is funded by WCC funds. Therefore, special fund expenditures increase by \$748,588 in fiscal 2026, which accounts for the bill’s October 1, 2025 effective date. This estimate reflects the cost of hiring eight wage and hour investigators to perform field investigations, one wage and hour supervisor to oversee the investigators, one administrative aid to provide administrative support, and one assistant Attorney General to draft regulations, issue guidance, and review complex cases. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

DLI Positions	11.0
Salaries and Fringe Benefits	\$609,558
Operating Expenses	<u>139,030</u>
Total DLI FY 2026 State Expenditures	\$748,588

Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses. This estimate reflects the minimum number of employees to have a viable program; thus, additional resources may be necessary if a higher degree of enforcement is desirable.

Workplace Fraud Penalties

General fund revenues increase modestly due to the bill’s penalty provisions beginning in fiscal 2026. MD Labor advises that its enforcement efforts initially focus on compliance, issuing nonknowing citations with proposed penalties, which are usually waived if an employer comes into compliance. In calendar 2024, MD Labor imposed \$27,018 in fines and collected \$24,657 in fines. Assuming similar fine imposition and collection rates, the expansion of covered industries could increase general fund revenues by more than \$119,000 annually and, for knowing violations, it could be five times that amount (\$595,000), although the actual impact is unknown as it relies on a number of variables. For instance, compliance may increase with greater enforcement, reducing penalty revenue

in the out-years. Therefore, this analysis does not include an estimate of general fund revenue increases.

Workers' Compensation Commission

DLI expenditures for enforcing workplace fraud are derived from WCC, which funds its operations by assessing a tax on all workers' compensation insurers in the State. WCC advises that it will increase its assessment on all insurers in the State to cover DLI expenses stemming from the bill. Thus, WCC special fund revenues increase. As the State is a workers' compensation insurer, State expenditures (all funds) increase minimally as a result of the WCC assessment on all workers' compensation insurers in the State.

Unemployment Insurance Tax Compliance Component

Maryland Department of Labor's Division of Unemployment Insurance

Employers who misclassify workers as independent contractors avoid paying UI taxes. DUI receives referrals from DLI relating to the potential nonpayment of Maryland UI tax, so MD Labor anticipates DUI field audit assignments to increase significantly as part of joint enforcement efforts. Therefore, DUI expenditures increase by \$295,665 in fiscal 2026, which accounts for the bill's October 1, 2025 effective date. This estimate reflects the cost of hiring four auditors in DUI to conduct field audits. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. This estimate assumes additional above-base federal funding will be provided if existing federal funding is insufficient for these expenses. Absent federal funding, general funds are required.

DUI Positions	4.0
Salaries and Fringe Benefits	\$266,190
Operating Expenses	<u>29,475</u>
Total DUI FY 2026 State Expenditures	\$295,665

Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses. To the extent that referrals are higher than anticipated, additional auditors may be needed.

Unemployment Insurance Trust Fund

UITF (nonbudgeted) revenues from employer taxes may increase, potentially by millions of dollars, beginning in fiscal 2026 to the extent that enforcement increases compliance with UITF contributions.

Although UI claims may increase under the bill, any such increase is not expected to be significant. Under current law, a misclassified employee who files a claim may receive UI benefits provided that the division finds that the employer improperly classified the employee. In such cases, the employer is then responsible for unpaid UI taxes.

MD Labor expects a modest increase in fines collected by DUI due to broadened enforcement efforts. The total amount of interest assessed, but not yet paid, for misclassified workers in 2024 was \$191,543. While the precise amount of additional revenue from fines is difficult to predict, MD Labor expects it to rise proportionally with the increase in enforcement actions.

Licensing Component

MD Labor's Division of Occupational and Professional Licensing oversees the licensing boards and commissions most affected by the bill. The bill requires licensing authorities to suspend or revoke the licenses of licensees as specified for violations of workplace fraud and grants licensees the right to appeal a licensing decision. Thus, general fund expenditures for MD Labor increase to the extent that licensing appeals stemming from the bill are referred to the Office of Administrative Hearings (OAH) since agencies pay OAH on a per-case basis to cover the costs associated with adjudication. Reimbursable revenues and expenditures for OAH increase accordingly. MD Labor estimates legal expenses increasing by \$150,000 on an annual basis, though DLS notes the number of cases referred to OAH annually as a result of the bill cannot be reliably estimated. OAH can likely accommodate additional hearings with existing resources.

Income Tax Component

Comptroller's Office

The Compliance Division of the Comptroller's Office receives referrals from MD Labor relating to the potential nonpayment or underpayment of Maryland withholding tax from businesses due to misclassification. The Comptroller's Office anticipates that OAG will conduct the investigations. Thus, while the bill results in additional violations being referred to the Comptroller, these audits can be completed with existing resources as OAG will be handling the investigations.

Income Tax Revenues

Employers who misclassify workers as independent contractors avoid paying payroll taxes. To the extent that enforcement requires more employers to comply with income tax withholding requirements, the Comptroller may realize additional income tax revenue as a result of the bill. A recent study by the Century Foundation estimated that the State lost

\$19.3 million in 2023 from construction workers being misclassified or paid off-the-books. Thus, general fund revenues may increase, potentially by millions of dollars, beginning in fiscal 2026 to the extent that additional tax audits result in additional assessments and collection of unpaid income taxes and to the extent that the bill increases overall compliance with existing laws. As a reliable estimate is not feasible, this analysis does not include an estimate of general fund revenue increases.

Local Fiscal Effect: Local tax revenue may increase significantly with increased compliance with worker classification requirements. Local expenditures increase minimally due to the increased WCC assessment on all insurers in the State to cover MD Labor's enforcement costs.

Small Business Effect: Studies have estimated that between 10% and 30% of employers misclassify their employees as independent contractors, and a study found that between 1% and 9% of Maryland workers are misclassified as independent contractors. Thus, the bill likely affects a significant number of small businesses. However, small businesses in the construction services and landscaping services industries are already subject to the Workplace Fraud Act.

Small businesses that are found to misclassify their employees under the bill must pay UI, workers' compensation, and payroll taxes on behalf of misclassified employees. They must be assessed civil and administrative penalties relating to misclassifying employees. They may also have any applicable licenses suspended or revoked if they fail to come into compliance. Expenditures by all small businesses increase minimally for higher WCC assessments.

Small businesses that currently comply with all worker classification requirements may become more competitive relative to those that do not currently comply and, therefore, have lower labor costs.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 1096 (The Speaker)(By Request - Office of the Attorney General) - Economic Matters.

Information Source(s): Comptroller's Office; Maryland Department of Labor; Office of the Attorney General; Board of Public Works; Department of Budget and Management; Office of Administrative Hearings; Workers' Compensation Commission;

U.S. Department of Labor; Economic Policy Institute; The Century Foundation;
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