

# Journeyman Pipe Fitters and Apprentices



## Local Union No. 602

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### WORKPLACE FRAUD AND PREVAILING WAGE - VIOLATIONS - PENALTIES AND REFERRALS

#### FAVORABLE

Dear Chair Griffith and honorable members of the Senate Finance Committee:

As Business Manager/Financial Secretary Treasurer of UA Steamfitters Local 602, please accept this letter in strong support of *SB 838 / HB 1261 - Workplace Fraud and Prevailing Wage - Violations - Penalties and Referrals*, which addresses the pervasive acts of Misclassification, wage theft, tax fraud, payroll fraud and insurance fraud

The UA Steamfitters Local 602 represents some 4,900 Journeymen, 1100 Apprentices, and 205 signatory Mechanical Construction and Service Contractors in the Heating, Air Conditioning, Refrigeration and Process Piping Industry throughout the Washington, DC Metropolitan area. Our economic and workforce footprint is enormous, including having performed some 7,231,500 work hours in 2020 alone. We understand how to make Maryland work, because it's what we do, each and every day.

Our work is a business-labor partnership, and our contractor affiliates, represented by the Mechanical Contractors Association of Metro Washington (MCAMW), is a powerful driver of local economies throughout the region, generating some \$2 BILLION in annual revenue, and some \$500 MILLION in state, federal and local taxes each and every year.

This legislation addresses the pernicious practice of Misclassification, and its inevitable underlying practices of wage theft, tax fraud, payroll fraud and insurance fraud. These practices run rampant in most states, including in Maryland, where few investigative tools are available, and fewer resources are deployed to address the practices.

Misclassification, whether intentional or unintentional, wrongly classifies workers as independent contractors, or worse, paid entirely off the books, when, in fact, those workers are employees. This practice occurs across all workforce sectors, but is particularly rampant in the construction industry.

Within each instance of misclassification, exists multiple instances of wage and hour violations, including violations of minimum wage laws, overtime laws, prevailing wage laws, and so on. Importantly, by definition, each violation also constitutes payroll fraud, tax fraud, and insurance fraud, including underreporting, misreporting, or under collection of workers' compensation withholding, unemployment insurance withholdings, and federal FICA withholding. These are problematic for the workers themselves, for state and federal government and taxpayers who are being deprived of revenues, and for law abiding businesses who are at a competitive disadvantage.

Senate Bill 838 begins to address this problem holistically, as other states have, by appropriately elevating willful acts of Misclassification to a misdemeanor, while requiring referrals from Department of Labor to the Comptroller, for enforcement of the underlying tax fraud, and payroll fraud that are baked-in to each and every act of Misclassification. In addition, this committee should also require mandatory referrals to the Maryland Attorney General and the Maryland Insurance Commission. And while the United States Department of Labor's Wage and Hour Division, the Maryland Department of Labor's Division of Unemployment Insurance, and the Maryland Department of Labor's Division of Labor and Industry are parties to a 2022 MOU to improve collaborative information sharing and to some extent prosecutorial resources, this committee should require mandatory referrals to the US Department of Labor and the US Department of Justice for willful violations of federal law.

For these reasons, we ask for a favorable committee report.

Sincerely,

Chris Madello  
Business Manager and Financial Secretary / Treasurer  
UA Steamfitters Local 602