

Date: February 22, 2023

Bill number: SB0706

Committee: Senate Judicial Proceedings Committee

Bill title: **Child Support – Reporting of Employment Information - Independent Contractors**

DHS Position: **FAVORABLE**

The Maryland Department of Human Services (DHS) thanks the Committee for the opportunity to provide written support for Senate Bill 706 (SB 706).

Federal and State law requires employers to report newly hired and re-hired employees in Maryland to the Maryland State Directory of New Hires. The purpose of this is to facilitate the matching of new hires against state and national child support records to locate parents, establish a child support order, or enforce an existing order. Currently, while the Child Support Administration of the Department of Human Services administers Maryland's State Directory of New Hires, the statutory authority lies with the Department of Labor under Labor and Employment Article § 8-626.1.

This proposed legislation will clarify existing statutory authority for the State Directory of New Hires by amending the Family Law Article. These changes to the Maryland Code simply codify the existing administrative framework. It does not create new obligations for either the Department of Labor or the Child Support Administration of the Department of Human Services.

Also, as more Marylanders enter the economy as Independent Contractors, it is critical that the existing statutes related to the State Directory of New Hires are updated to reflect the new reality. Hence, this proposed legislation would further amend Family Law Article § 10-101(c) to add subsection (3) to define earnings as monies received by an independent contractor as reported on the IRS Form 1099. It would require the reporting of these independent contractors to the State Directory of New Hires for the purpose of increasing child support collections for Maryland families.

Obtaining information pertaining to independent contractors would adhere to the same current process as required of employers who report employee new hires and wages. This will assist the Child Support Administration in identifying the income and location of obligors, who are independent contractors, for the establishment of child support orders, and also identify opportunities to garnish the income to collect support on behalf of Maryland's children.

At least twelve (12) states have already implemented similar statutes for the reporting of independent contractors for child support purposes. Further, states and national child support associations are advocating for the federal government to revise federal regulations to include provisions for the reporting of independent contractors. Federal regulations would require all State Directory of New Hires in each state to collect independent contractor information to be shared with the National Directory of New Hires in which all states would then benefit from the information collected. This would assist with intergovernmental cases which are shared between states.

For these reasons, the Department strongly urges a favorable report by the Committee for SB 706.

