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## Senate Finance Committee

**To:** Senator Pam Beidle, Chair; Senator Kathy Klausmeier, Vice-Chair; and Members of the Committee.  
**From:** Jason Ascher, Political Director, Mid-Atlantic Pipe Trades Association.

### **SUPPORT SB 436 – Workplace Fraud and Prevailing Wage – Violations – Penalties and Referrals**

On behalf of the Mid-Atlantic Pipe Trades Association and our five United Association of Plumbers and Steamfitters Locals, which represent 10,000+ Plumbers, Steamfitter, Welders, HVAC Techs, and Sprinkler Fitters across Maryland, I ask you to **SUPPORT SB 436**.

Wage theft is one of the biggest problems legitimate contractors face in the construction industry face. Unfortunately, it has become a way of doing business for some contractors. It allows them to beat out honest contractors and increase their profits by bidding 30% less and winning work. The act of Wage Theft can be as simple as not paying the minimum wage, prevailing wage, or overtime. It can also be as complicated as misclassifying workers based on the type of work they do during a given workday. These “bad actors” will misclassify workers, paying them as independent contractors when they should be employees. In doing this, they pay no federal, state, or local taxes, workers comp, or unemployment insurance. Doing these cheats the taxpayers and their workers out of hard-earned money. These contractors face little or no penalty if they get caught. It gets so bad that they can budget to pay the fines and back wages, treating it as a cost of doing business. Wage Theft is not something that happens accidentally. Many of these workers experiencing wage theft are victims of Labor Brokers or Labor Traffickers.

Every act of Wage Theft and Misclassification, which currently gets treated as a civil penalty, is adjudicated by the Maryland Department of Labor, which has precisely one investigator to track these complaints. That is unless the worker/s wants to come forward and file a private right of action for their back wages. Within each of these acts of wage theft is a criminal tax violation. There is an estimated \$60 million in wage theft yearly in Maryland. If \$60 million is lost by workers each year, how much are the state and local governments losing in taxes, unemployment insurance, and worker compensation?

**SB 436** moves Maryland in the right direction by making Wage Theft a criminal misdemeanor. It also acknowledges the other violations hidden in the act of wage theft. It puts mandatory referrals to the Maryland Comptroller, the States Attorney’s office, the U.S. Department of Justice, the U.S. Department of Labor, and the U.S. Department of Treasury, where these violations of tax fraud, worker comp fraud, and unemployment insurance fraud are all criminal acts. It will also allow a stiffer penalty of \$ 5,000 per worker and jail time of up to 60 days for each harmed worker.

When the “bad actors” start facing real penalties that hurt them financially and may cost them their freedom, hopefully, they will start reconsidering their actions. Then, Wage Theft and Misclassification will begin to disappear.

For these reasons, I ask that you **SUPPORT SB 436**

Sincerely,

Jason Ascher  
Political Director  
Mid-Atlantic Pipe Trades Association