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February 11, 2025

TO: The Honorable C.T. Wilson  
Chair, Economic Matters Committee

FROM: Tiffany Clark  
Chief, Legislative Affairs, Office of the Attorney General

RE: House Bill 632 – Labor and Employment - Workplace Fraud - Application  
(Maryland Workplace Fraud Act of 2025) - **Support in Concept**

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The Office of Attorney General (OAG) supports the spirit of **House Bill 632** - Labor and Employment - Workplace Fraud - Application (Maryland Workplace Fraud Act of 2025), sponsored by Delegate Matthew Schindler. **House Bill 632** makes the Maryland Workplace Fraud Act applicable to all industries, rather than only the construction and landscaping industries.

Wage theft is a significant and growing problem in the United States. It is difficult to quantify because it commonly goes unreported and undetected. Wage theft is typically the result of misclassifying workers as independent contractors, a practice that is enabled by workplace fissuring, whereby large companies contract out large swathes of work to the lowest bidder. Contractors and subcontractors are motivated to keep labor costs low, which can be accomplished by misclassification. When workers are misclassified, their employer can save money by avoiding payroll taxes, unemployment insurance premiums, workers' compensation premiums, minimum wage rates, overtime pay, and paid sick leave.

Maryland's Workplace Fraud Act, enacted in 2009, creates a legal presumption that workers in the construction and landscaping industries are employees, and provides for penalties and restitution for misclassified workers. **House Bill 632** recognizes that the issue of misclassification reaches far beyond just the construction and landscaping industries. **House Bill 632** recognizes that all industries in the State deserve protection from wage theft and misclassification.

While OAG agrees that the Workplace Fraud Act should be expanded to all industries within the State, to meaningfully address the problem of wage theft and misclassification, we must make more comprehensive and holistic changes to the enforcement landscape. Below is a list of some holistic changes that OAG believes should be made to best protect Marylanders from wage theft and misclassification:

- Making successors and general contractors liable for the misclassification of their predecessors and subcontractors;
- Making ineffective any agreement between employers and employees to misclassify employees; and
- Allowing the Attorney General to investigate and litigate violations of the Workplace Fraud Act and other wage and hour laws that affect large groups of employees.

For the foregoing reasons, the Office of the Attorney General supports the spirit of **House Bill 632**.

Cc: Committee Members