

**HB 632: Labor and Employment – Workplace Fraud – Application
(Maryland Workplace Fraud Act of 2025)**

Hearing of the Economic Matters Committee, February 13, 2025

Position: FAVORABLE

The Public Justice Center (PJC) is a not-for-profit civil rights and anti-poverty legal services organization which seeks to advance social justice, economic and racial equity, and fundamental human rights in Maryland. Our Workplace Justice Project strives to promote dignity in the workplace and envisions a society that guarantees just working conditions, including the fundamental rights to be paid fully and fairly, to join forces with other workers for the promotion and protection of their mutual economic and social interests, to have equitable opportunities to work and advance, and to work in conditions that are safe, healthy, and provide adequate time for leisure and rest.

The PJC **supports HB 632**, which would clarify that no employer in Maryland should misclassify their employees as independent contractors, regardless of the industry in which they work.

HB 632 proposes a few specific edits to the Maryland Workplace Fraud Act and the Maryland Wage Payment and Collection Act. These specific improvements, along with many more, are also proposed by HB 1096 (Fraud Prevention and Worker Protections - Prohibitions, Penalties, and Enforcement). The PJC also supports HB 1096, which, if passed, would obviate the need for HB 632.

HB 632 sets a common standard for all industries.

- Real independent contractors have their own businesses, while employees do not. Calling an employee an “independent contractor” to avoid paying employment taxes and providing employee benefits like sick leave is called “misclassification” or “workplace fraud.”
- Currently, Maryland’s Workplace Fraud Act requires employers in the construction and landscaping industries to classify all their workers as “employees” rather than “independent contractors” unless certain criteria are met.
- Current law does not provide a comparable rule for other industries. HB 632 corrects this inconsistency by extending the existing rule to all industries.
- Employees who experience this workplace fraud lose out on critical benefits such as unemployment benefits, workers’ compensation, sick leave, and overtime pay.
- The state, in turn, loses tax revenue and unemployment insurance contributions from employers who engage in workplace fraud.¹
- Misclassification also hurts law-abiding businesses by forcing them to compete on an uneven playing field with employers that save money by misclassifying their workers.

¹ Executive Order 01.01.2024.04, Re-establishing the Joint Enforcement Task Force on Workplace Fraud, January 9, 2024.

The bill does not affect the status of actual independent contractors.

- Many Maryland workers truly are independent contractors, and this bill does nothing to alter their rights or freedoms. HB 632 would maintain the current definition of “independent contractor” in the Workplace Fraud Act for people who:
 - o Performs work free from control and direction by someone else;
 - o Is customarily engaged in an independent business or occupation related to the work in question; and
 - o Is doing work that is outside the usual course or place of business for the recipient of the work in question.

For the foregoing reasons, the PJC **SUPPORTS SB 632** and urges a **FAVORABLE** report. Should you have any questions, please contact Amy Gellatly at gellatlya@publicjustice.org or (410) 400-6943.