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HB 299, Fraud Prevention, Prevailing Wage, and Living Wage – Prohibitions, Penalties, and Enforcement

Hearing before the House Government, Labor, and Elections Committee, February 12, 2026, 2:00pm

Position: FAVORABLE

The Public Justice Center (PJC) is a not-for-profit civil rights and anti-poverty legal services organization that seeks to advance social justice, economic and racial equity, and fundamental human rights in Maryland. Our Workplace Justice Project works to expand and enforce the right of low-wage workers to receive an honest day's pay for an honest day's work. We have supported the General Assembly's efforts over the years to combat the problem of independent contractor misclassification, which robs low-wage workers of wages and benefits and deprives the state of tax revenue. **Therefore, we support HB 299, which proposes modest and common-sense fixes to the state's existing workplace fraud enforcement mechanisms.**

I want to highlight four important provisions of HB 299.

First, the bill addresses the cost to the state's unemployment insurance fund when employers knowingly misclassify their workers as independent contractors, depriving the state of payroll tax contributions. HB 299 classifies this fraud as a false claim against the state, thereby empowering the state with enforcement authority to pursue these bad actors under our false claims act. This provision is designed to catch bad actors because it only applies to employers who **knowingly** make false claims to the state. It therefore poses no threat to Maryland's law-abiding employers. We see this provision as a win-win-win for workers, the government coffers, and the vast majority of Maryland employers, who are already following the law and will no longer be undercut by those engaging in fraud.

Second, HB 299 sets up a process to **revoke business licenses** from employers who flout the law. In a report released last month, the state's Joint Enforcement Task Force on Workplace Fraud acknowledged that workplace fraud persists in the industries that our Workplace Fraud Act was designed to address: construction and landscaping.¹ This finding suggests the existing enforcement framework has not adequately deterred workplace fraud.

At the Public Justice Center, we regularly hear from construction workers who continue to be misclassified as contractors even though they're being treated like, and therefore deserve the benefits of, employees. We believe employers will take the threat of losing their licenses much more seriously than the threat of a mere financial penalty, which they can and do factor into the cost of doing business. We acknowledge that losing one's license is a drastic remedy, which should be preserved only for the most flagrant abusers of the law. We

¹ Maryland Department of Labor, Joint Enforcement Task Force on Workplace Fraud: 2025 Annual Report, January 2026, 13.

believe HB 299 threads that needle by giving employers a process to challenge a revocation and by differentiating between employers who have knowingly or unknowingly violated the law.

We also regularly encounter employers who, when faced with any kind of consequence for violating their workers' rights, simply abandon one LLC and open another, continuing with their bad behavior. This tactic is minimally disruptive to business while maximizing a bad actor's ability to evade the consequences of their actions. HB 299 wisely foresees and prevents this loophole by ensuring that the revocation of a business license **extends to successor entities** with one or more of the same principals or officers as the guilty LLC.

Third, HB 299 gives a small share of the DOL's enforcement penalty to the workers who reported the violation. When we conduct intakes with workers who have been misclassified, they are often weighing the costs of making a formal complaint. Some workers decide that the pursuit of justice is not worth the risk under current conditions. We are hopeful that this remedy, while modest, will incentivize more workers to come forward and report their exploitation to the agency.

The fourth important provision of HB 299 is the creation of joint and several liability for general contractors (GCs) whose subcontractors misclassify their employees. At the Public Justice Center, we regularly encounter GCs who have attempted to distance themselves from the treatment of workers on their construction worksites by outsourcing payroll to a labor broker. In these cases, the GC attempts to hide behind the screen of the broker, claiming to have no idea that workers are being misclassified and therefore underpaid. The Joint Enforcement Task Force identified labor brokers as a "primary driver of systemic misclassification within the construction industry."²

HB 299 makes clear that GCs are expected to ensure compliance with all workplace laws on projects they oversee, regardless of whether they directly employ the workers in question. Certain construction employer interest groups have argued that this provision is unfair because it holds GCs liable for actions taken by subcontractors who may be many levels removed from them. This is the point. GCs need a greater incentive to ensure the law is being followed at every level of their projects. They can ensure such compliance in many ways, such as by including a provision in their contracts that requires proper classification of workers, and requiring intermediate-tier contractors to do the same with any subcontractors they bring onto a project.

General contractor liability in the construction industry is not a new concept in Maryland. Under our existing Wage Payment and Collection Law, GCs on construction projects already have joint and several liability when their subcontractors don't pay the correct wages to their employees.³ The language proposed by HB 299 merely extends this logic to the framework of the Workplace Fraud Act, such that GCs on construction projects are not only automatically liable for nonpayment of wages but also for misclassification of employees.

This bill does not change any of the tests that differentiate employees from contractors. It simply enhances collaboration between the agencies tasked to enforce these laws and gives them stronger tools to do so. HB 299 helps law-abiding employers by limiting the options for bad actors to exploit loopholes in the law.

For the foregoing reasons, the PJC **SUPPORTS HB 299** and urges a **FAVORABLE** report. Should you have any questions, please contact Amy Gellatly at gellatlya@publicjustice.org or (410) 625-9409, ext. 223.

² *Id* at 7.

³ Md. Labor and Employment Code Ann. § 3-507.2(c) ("a general contractor on a project for construction services is jointly and severally liable for a violation of this subtitle that is committed by a subcontractor, regardless of whether the subcontractor is in a direct contractual relationship with the general contractor.")