

Subject Worker Misclassification

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Overview

This bill makes several changes to misclassification provisions in labor chapters 177 and 181 and the construction code and licensing chapter, 326B. It also creates a multi-agency Intergovernmental Misclassification Enforcement and Education Partnership, allows for data sharing related to misclassification investigation, outreach, prevention, and enforcement. Clarifies and provides for additional penalties and enforcement of misclassification of employees and construction employees, including individual and successor liability. Also establishes a new multi-part independent contractor test for building construction and improvement services.

Summary

Section	Description
1	Examination of records. Allows examination of records and questioning of employers for any provisions subject to compliance order enforcement by the Department of Labor and Industry.
2	Submission of records; penalty. Adds clarifying language about employment status records.
3	Adequacy of records. Removes mediation language from adequacy of records provision.
4	Compliance orders. Adds section 181.723, misclassification of construction employees, as amended in section 8, to the list of sections the commissioner can enforce through a compliance order.

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5	<p>Employer liability.</p> <p>Clarifies that employer liability for an order to comply under this section is additional to any liability or remedies otherwise provided for in the specific violated section.</p>
6	<p>Civil action; damages.</p> <p>Adds section 181.722, misclassification of employees, and section 181.723, misclassification of construction employees, as amended in sections 7 and 8 to the list of labor sections that can be enforced through a private civil cause of action under section 181.171.</p>
7	<p>Misclassification of employees.</p> <p>Subdivision 1 specifies prohibited misclassification activities for an individual who is a person's employee, including failing to classify, represent, treat, report, disclose, document, or enter into an agreement with the individual as an employee, or requiring the employee to agree to be misclassified or treated as something other than an employee. Allows for personal liability for engaging in a misclassification violation. Also adds successor liability for outstanding misclassification violation compliance orders if three or more successor factors apply to the successor company or employer. Subdivision 1, paragraph (c), clauses (1) to (7) list the successor factors.</p> <p>Subdivision 4 provides for additional penalties, investigation, and enforcement by the commissioner of labor and industry for each separate misclassification violation. Damages include compensatory damages, and penalties ranging from \$1000 to up to \$10,000 depending on the type of violation.</p> <p>Also adds definitions for this section in subdivision 1a, removes existing subdivision 2 prohibiting agreements to misclassify, and makes other minor technical and clarifying changes in subdivisions 3 and 5.</p>
8	<p>Misclassification of construction employees.</p> <p>Subdivision 1 modifies the definitions used in this section, including a new definition of independent contractor based on the new requirements in subdivision 4.</p> <p>Subdivision 2 clarifies the limited application of this section to building construction and improvement services, including public or private sector commercial or residential building construction or improvement, unless one of the exclusions applies.</p> <p>Subdivision 3 clarifies presumption that a person providing building construction or improvement services for an employer in the regular course of the employer's business is considered an employee for the purposes of the construction codes and</p>

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licensing chapter, in addition to a number of labor laws, unless the independent contractor requirements under subdivision 4 are met.

Subdivision 4 adds a new multi-part test setting out 14 requirements to identify and classify an independent contractor operating a separate business entity in building construction and improvement services.

Subdivision 7 specifies prohibited misclassification activities for an independent contractor in the construction industry or for treating an employee as an independent contractor, including failing to classify, represent, treat, disclose, document, report, or enter into an agreement with the individual as an employee, or requiring the individual to register as a construction contractor or agree to be misclassified as an independent contractor. Allows for personal liability for engaging in a misclassification violation. Also adds successor liability for outstanding misclassification violation compliance orders if three or more successor factors apply to the successor company or employer. Subdivision 7, paragraph (e), clauses (1) to (7) list the successor factors. This subdivision also adds document retention requirements for independent contractor status and provides for additional penalties, investigation, and enforcement by the commissioner of labor and industry for each separate misclassification violation. Damages include compensatory damages, and penalties ranging from \$1000 to up to \$10,000 depending on the type of violation.

Subdivisions 13 and 15 make other minor technical and clarifying changes.

Effective August 1, 2024, except that the changes in subdivision 4 apply to contracts entered into on or after August 1, 2024, and for all building construction or improvement services performed after January 1, 2025.

9 Intergovernmental Misclassification and Education Partnership Act.

Sections 9 and 10 establish the Intergovernmental Misclassification Enforcement and Education Partnership Act for the stated purpose of preventing employee misclassification and providing for coordination, collaboration, and information sharing between partnership entities. Provides definitions used in the Act.

10 Intergovernmental Misclassification and Education Partnership.

Creates the Intergovernmental Misclassification Enforcement and Education Partnership, composed of the commissioners of labor and industry, revenue, employment and economic development, and commerce, and the attorney general. Requires the partnership to meet quarterly on issues related to investigation and outreach on employee misclassification. Sets out the partnership's duties, including efforts related to education, outreach, detection, investigation, deterrence, and enforcement of employee misclassification. Requires an annual presentation to the

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	legislature on the partnership's efforts. Specifies information and recommendations to be included in the partnership's first presentation to the legislature and allows for meetings for this purpose. Specifies that the partnership is not subject to the Open Meeting Law.
11	Disclosure to Department of Commerce. Allows the commissioner of revenue to disclose certain tax return information to the commissioner of commerce as needed for the purposes of workers' compensation insurance compliance.
12	Disclosure to the attorney general. Allows the commissioner of revenue to disclose certain tax return information to the attorney general for the purpose of determining whether a business is an employer and as needed for the attorney general's enforcement of labor chapters 177 and 181.
13	Applicable law. Expands the scope of law enforced by the commissioner of labor and industry with respect to construction codes and licensing to include violations of wage protections and worker misclassification laws.
14	Licensing order. Amends a cross-reference regarding licensing orders.
15	Stop work order. Conforms the definition to terminology changes in section 21.
16	Remedies available. Provides that the commissioner of labor and industry's enforcement remedies for violations of construction codes and licensing laws may be used in addition to or as an alternative to other investigative and enforcement powers provided to the commissioner.
17	Access to information and property; subpoenas. Allows the commissioner of labor and industry, in connection with actions to enforce the construction code and construction licensing laws, to demand data and information and to access all areas of a property subject to investigation or enforcement action.

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18	<p>Fax or email transmission.</p> <p>Allows for requests for reconsideration or a hearing on enforcement actions by the commissioner of labor and industry to be emailed to the commissioner when the commissioner requests service by email.</p>
19	<p>Notices of violation.</p> <p>Allows for the commissioner of labor and industry to issue notices of violation, in connection with a construction code or licensing enforcement action, to any individual who could be held liable for misclassification of a construction employee under the changes proposed in section 8 and makes the notice effective against any successor person as defined in that section.</p>
20	<p>Administrative orders; correction; assessment of monetary penalties.</p> <p>Allows the commissioner of labor and industry to assess monetary damages for violations of construction code and licensing provisions; to issue administrative orders for failure to correct notices of violation; to seek an order finding a failure to correct a notice of violation to be contempt of court; and to issue an administrative order against any person who could be held liable for misclassification of a construction employee under the changes proposed in section 8.</p>
21	<p>Stop work orders.</p> <p>Expands list of persons against whom the commissioner of labor and industry can issue stop work orders to include any person who could be held liable for misclassification of a construction employee under the changes proposed in section 8 and expands the list of conduct that can give rise to a stop work order to include failure to correct notices of violations. Allows a request for a hearing on a stop work order to be served by email. Allows for assessment of a \$5,000 per day penalty for violating a stop work order. Entitles employees of an entity subject to a final stop work order to receive up to 10 days pay. Makes data in a stop work order public after the order is issued.</p> <p>Effective August 1, 2024, for contracts entered into on or after August 1, 2024, and for all building construction or improvement services performed after January 1, 2025.</p>
22	<p>Licensing orders; grounds; reapplication.</p> <p>Allows the commissioner of labor and industry to deny a construction license to a person who violated any of a number of chapters governing Minnesota labor, who violated orders from the commissioner of labor or other state commissioners, or who failed to comply with a commissioner’s investigation.</p>

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23	<p>Summary suspension.</p> <p>Allows summary suspension of a person’s permit, license, registration, or certificate for engaging in prohibited activities related to independent contractor status, as defined in section 8.</p>
24	<p>Additional penalties and damages.</p> <p>Allows an additional \$1,000 penalty to apply to any person who delays or obstructs a commissioner’s investigation of a violation of construction code and licensing laws.</p>
25	<p>Construction contractor registration.</p> <p>Requires applications to register as a contractor to include information on how many employees the person has, the identities of all persons with an interest in the business entity, documentation of the person’s compliance with worker’s compensation and unemployment insurance laws for the person’s employees, and information on any violations issued to the person or other persons with an interest in the business entity by the commission of labor and industry in the preceding 10 years. Renders each day of performing construction without proper registration to be a separate violation of this section. Allows investigation and enforcement of this section in conjunction with other investigatory and enforcement actions. Allows the commissioner of labor and industry to use otherwise private application data for investigatory and enforcement purposes.</p>



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