

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4168-01
Bill No.: SB 928
Subject: Employer-Employee, Employment Security, Revenue Dept., Taxation and
Revenue-Income, Workers Compensation
Type: Original
Date: February 28, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 4 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of State Courts Administrator**, the **Department of Economic Development**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, and the **Department of Social Services** assume this proposal would have no fiscal impact on their organizations.

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal would impose additional record-keeping requirements on small businesses who have independent contractors.

DESCRIPTION

This proposal would prohibit an employer from denoting or treating an employee as an independent contractor, contract laborer, or any other term or category implying the absence of an employment relationship in an attempt to avoid tax liability or reporting requirements for such employee. Any employer who incorrectly classifies an employee, as an independent contractor or otherwise, would be fined an amount equal to the tax due on the employee's taxable wages. The fine would be equal to three times the tax due on the employee's taxable wages if it is shown that the employer's failure to report wages is due to bad faith.

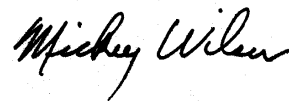
Every employer doing business in the state would be required to obtain a federal 1099 form from each newly hired or rehired independent contractor. The forms would be compiled, distributed, and entered into the state directory of new hires.

An employer shall not terminate or in any manner discriminate against an employee because the employee has communicated to the employer the intent to seek reclassification as an employee instead of an independent contractor or has communicated the intent to file an action alleging a violation of this section.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of State Courts Administrator
Department of Economic Development
Department of Labor and Industrial Relations
Department of Revenue
Department of Social Services



Mickey Wilson, CPA

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