

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5312-01
Bill No.: SB 1121
Subject: Employees-Employers, Revenue Department
Type: Original
Date: March 14, 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 Administration, Division of Personnel** assume this proposal would have no fiscal impact for their organization.

Officials from the **Department of Revenue (DOR)** assume this proposal would make various changes to the laws relating to misclassified, nonresident, and undocumented workers. DOR at this time expects no fiscal impact from this legislation, and expects the proposal could lead to a slight increase in state revenues.

Oversight assumes that any increase in revenues as a result of this proposal would be insignificant.

Officials from the **Department of Labor and Industrial Relations** stated that their Division of Labor Standards already administers and enforces similar provisions. The only additional work involved would be to compute penalties if a violation was determined. The legislation has no fiscal impact.

<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 have a direct fiscal impact to small businesses who use out-of-state contractors or subcontractors.

DESCRIPTION

This proposal would modify laws relating to misclassified, nonresident, and undocumented workers.

- A. The Department of Revenue would be authorized to provide taxpayer data to the Director of the Department of Labor and Industrial Relations or the director's duly authorized employees in discharging the Director of Revenue's official duties to determine taxpayers' compliance with withholding tax requirements.
- B. An employer who employs illegal aliens would not be eligible for a loan from any governing body in this state.
- C. Any owner, general contractor, or subcontractor who pays compensation to a nonresident subcontractor for work performed in Missouri would be required to deduct and withhold from such compensation as a prepayment of tax, an amount equal to two percent of the total compensation paid to the nonresident subcontractor to be placed in escrow and payable only to the Department of Revenue, the Division of Employment Security or the Division of Workers' Compensation after the actual amount of tax liability is determined.

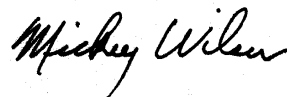
DESCRIPTION (continued)

- D. An employer could not, in an attempt to avoid tax liability or reporting requirements for any employee, denote or treat such employee as an independent contractor, contract labor, or any other term or category implying the absence of an employment relationship.
- E. Any employer who fails to classify an employee, misclassifies an employee as an independent contractor, or otherwise misclassifies the employee's employment status would be fined two hundred dollars per occurrence.
- F. 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.
- G. An "independent contractor" would be classified as an employee after no more than two thousand eighty hours of service for the same employer.

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 Administration
Department of Labor and Industrial Relations
Department of Revenue



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Director
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