



## HOUSE COMMITTEE ON APPROPRIATIONS

# FISCAL NOTE

HOUSE BILL NO. 413

PRINTER'S NO. 381

PRIME SPONSOR: Galloway

### COST / (SAVINGS)

FUND	FY 2022/23	FY 2023/24
Unemployment Compensation Contribution Fund	\$0	See Fiscal Impact
Uninsured Employees Guaranty Fund	\$0	See Fiscal Impact

### SUMMARY:

House Bill 413, Printer's Number 381 amends the Construction Workplace Misclassification Act (Act 72 of 2010) to change part of the test for determining if a construction worker is an independent contractor.

### ANALYSIS:

Under the bill an individual will be considered an independent contractor if they have a written contract that is project-specific and contains a particular scope of work and definitive time period to perform the services.

The Construction Workplace Misclassification Act addresses improper classification of employees for the purposes of workers' compensation and unemployment compensation.

The bill takes effect in 60 days.

### FISCAL IMPACT:

According to the 2022 Act 72 report, the Department of Labor and Industry's Office of Unemployment Compensation Tax Services found 220 construction employers had misclassified 1,658 employees as independent contractors. These misclassifications led to \$27.9 million in underreported wages. While the impact of the bill on misclassification is unknown, if it led to a 1% change in misclassified employees that were identified and should be classified as employees, the affected wages would be \$279,000, based on the 2022 data. If fully taxable, and assuming the maximum employer contribution rate for 2022, the UC Contribution Fund would realize \$27,900 in employer and employee contributions.

The Department of Labor and Industry identified a concern that the Uninsured Employees Guaranty Fund (UEGF) may experience additional costs under the bill. To the extent that an employer believed they were not required to provide workers' compensation coverage, but would be required to do so under the bill, an uninsured worker who is injured would be able to file a claim against the UEGF. The amount of additional claims that might be filed is unknown, but for 2023/24, the governor's executive budget assumes \$8 million in disbursements from the UEGF. A 1% change in disbursements would be \$80,000.

**PREPARED BY:** Eric Dice  
House Appropriations Committee (D)

**DATE:** May 2, 2023

*Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.*