

JOINT BUDGET COMMITTEE

March 3, 2009



MISCLASSIFICATION

- July 2008 Governor appoints Misclassification Task Force
- Task Force Members:
 - Elisabeth Buck, IWD Director - Chair
 - Dave Neil, Labor Commissioner
 - Mark Schuling, IDR Director
 - Thom Hart, IDED
 - Jim Larew, Governor's Counsel



Not a Victimless Crime . . .

Who is affected:

- Workers: immediate and long-term problems (loss of UI, WC, own Social Security tax, health insurance, other benefits)
- Compliant Employers: uneven playing field
- Public: non-enforcement of labor standards, loss of taxes, cost shifting
- Insurers: workers comp fraud
- Other unaccounted social costs

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Misclassification Recommendations

1. Budgetary Commitment to Enhanced Enforcement
 - Enforce Existing Statutes
 - Dedicated Enforcement Staff
 - 9 FTE's
 - 2010 Budget of \$771,153
 - Budget includes supplies, travel, salaries
 - Additional Tax Revenues may result from dedicated enforcement

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Misclassification Team

- Multi-disciplinary Investigative Team
 - UI Expertise
 - Contractors
 - Workers Compensation
 - Revenue
 - Wage & Hour

CWA
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DEVELOPMENT
2011-2012

Misclassification Recommendations

2. Critical Public Education,
Communication and Employee
Training
 - Develop Educational Materials
 - Develop Outreach Efforts
 - Hotline
 - Web Site

CWA
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DEVELOPMENT
2011-2012

Questionable Employment Tax Practices (QETP) Agreement

This agreement with IRS gives IWD access to IRS data, which includes:

- **1099 Miscellaneous data** – tells us who and how many contractors worked for each business plus the amount of the contract
 - Useful for audit leads/deciding who to audit
- **“Real time” audit data** – gives access to details while audit is underway and audit findings
- **SS-8 determinations** – tells us who IRS classified as employees/contractors. We can use information for our own investigation.

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2018-2019

Misclassification Recommendations

5. No Statutory Definition Changes

- Retain “Common Law” definition for at least one more enforcement year
 - Services shall be deemed to be employment unless the individual is free from direction and control over the performance of services
 - Burden of proof on party asserting independent contractor status
- One year of enhanced enforcement will help to identify any changes in the definition that may be required

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2018-2019

Action on Misclassification Recommendations

- No legislative policy action necessary at this time
- \$771,153 fiscal request
 - Included in the Governor's 2010 budget request

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2010-2011

Real Life Stories - #1

Flooring Installation Company

- Employer considered workers contractors
- Audit showed 14 contractors were employees
- Audit took 40 hours
- Employer failed to report over \$145,000 in wages or pay over \$1,200 in taxes

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2010-2011

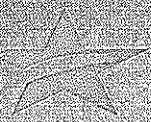
Real Life Stories - #4

Dry Wall Construction

- 4 workers determined to be employees
- Over \$25,000 in wages unreported
- Paid \$2,000 in additional taxes
- 42 hours to complete audit



Iowa's



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Elisabeth Buck, Director

Renée Miller, Bureau Chief-Field Operations

Iowa Workforce Development



FY 2009 Goals – Iowa's NCRC

- 200 Companies in the Business Consortium
- 3,000 Individuals Assessed

Where we are today

- 165 Companies in Iowa's Business Consortium
- 2,520 Individuals Assessed

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