

HCS HB 461 -- EMPLOYMENT TAXES

SPONSOR: Bahr

COMMITTEE ACTIONS: Voted "Do Pass with Amendments" by the Standing Committee on Employment Security by a vote of 7 to 3. Voted "Do Pass with HCS" by the Select Committee on Labor and Industrial Relations by a vote of 7 to 1.

This bill specifies that for a taxpayer undergoing an audit by the Department of Labor and Industrial Relations regarding classification of an individual as an independent contractor or employee, if the taxpayer has been granted relief from the imposition of federal employment taxes under Section 530 of the federal Revenue Act of 1978, as amended, for an individual, with the result that the taxpayer can continue to classify the individual as an independent contractor for purposes of federal employment taxes, the department must allow the taxpayer to classify the individual as an independent contractor for purposes of Missouri employment taxes. These provisions terminate the employer's liability for the Missouri employment taxes but must have no effect on the worker whose status is at issue.

PROponents: Supporters say that the bill requires the department to clearly differentiate between an independent contractor and an employee. It will allow business owners to know what the rules are so they can abide by them. The bill allows a business owner to go to the department to verify that a worker is an independent contractor. It is very difficult to classify workers, and there are many questions surrounding this issue. Clarifying the issue would greatly benefit small businesses.

Testifying for the bill were Representative Bahr; Associated Industries of Missouri; and National Federation of Independent Business.

OPponents: Those who oppose the bill say that it does not conform to federal unemployment compensation law and will result in Missouri losing \$38 million in federal funding. The bill will provide an unfair cost advantage over companies that properly classify their workers.

Testifying against the bill were Missouri Association of Trial Attorneys; National Electrical Contractors Association; and Department of Labor and Industrial Relations.