

112TH CONGRESS
1ST SESSION

H. R. 3178

To amend the Fair Labor Standards Act of 1938 to require persons to keep records of non-employees who perform labor or services for remuneration and to provide a special penalty for persons who misclassify employees as non-employees, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 13, 2011

Ms. WOOLSEY (for herself, Mr. ANDREWS, and Mr. GEORGE MILLER of California) introduced the following bill; which was referred to the Committee on Education and the Workforce, and in addition to the Committee on Ways and Means, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend the Fair Labor Standards Act of 1938 to require persons to keep records of non-employees who perform labor or services for remuneration and to provide a special penalty for persons who misclassify employees as non-employees, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Employee
5 Misclassification Prevention Act”.

1 **SEC. 2. CLASSIFICATION OF EMPLOYEES AND NON-EM-**
2 **PLOYEES.**

3 (a) RECORDKEEPING AND NOTICE REQUIRE-
4 MENTS.—Section 11(c) of the Fair Labor Standards Act
5 of 1938 (29 U.S.C. 211(c)) is amended—

6 (1) by striking “(c) Every employer subject to
7 any provision of this Act or of any order issued
8 under this Act” and inserting the following:

9 “(c) RECORDKEEPING AND NOTICE REQUIRE-
10 MENTS.—

11 “(1) IN GENERAL.—Every person subject to
12 any provision of this Act or of any order issued
13 under this Act”;

14 (2) by striking “of the persons employed by
15 him” and inserting the following: “of—

16 “(A) each individual employed by such per-
17 son”;

18 (3) by striking “employment maintained by
19 him, and shall” and inserting the following: “em-
20 ployment;

21 “(B) subject to paragraph (2), each indi-
22 vidual—

23 “(i) who is not an employee within the
24 meaning given the term in section 3(e) (re-
25 ferred to in this subsection as a ‘non-em-
26 ployee’);

1 “(ii) whom the person has engaged, in
2 the course of the person’s trade or busi-
3 ness, for the performance of labor or serv-
4 ices; and

5 “(iii)(I) with respect to whom the per-
6 son is required to file an information re-
7 turn under section 6041A(a) of the Inter-
8 nal Revenue Code of 1986; or

9 “(II) who is providing labor or serv-
10 ices to the person through an entity that
11 is a trust, estate, partnership, association,
12 company, or corporation (as such terms
13 are used in section 7701(a)(1) of the In-
14 ternal Revenue Code of 1986) if—

15 “(aa) such individual has an
16 ownership interest in the entity;

17 “(bb) creation or maintenance of
18 such entity is a condition for the pro-
19 vision of such labor or services to the
20 person; and

21 “(cc) the person would be re-
22 quired to file an information return
23 for the entity under section 6041A(a)
24 of the Internal Revenue Code of 1986
25 if the entity were an individual; and

1 “(C) the remuneration and hours relating
2 to the performance of labor or services by each
3 individual described in subparagraph (B); and

4 “(D) the notices required under paragraph
5 (5),
6 and shall”; and

7 (4) by adding at the end the following:

8 “(2) RECORDKEEPING LIMITATION.—A person
9 otherwise subject to the requirements of paragraph
10 (1) shall have no responsibility for making, keeping,
11 or preserving records, including the records de-
12 scribed in such paragraph and paragraph (4), con-
13 cerning the employees of any individual described in
14 paragraph (1)(B) or the non-employees with whom
15 such individual has engaged for the performance of
16 labor or services for such person, unless such
17 records are provided during the course of the trade
18 or business to the person.

19 “(3) PRESUMPTION.—

20 “(A) IN GENERAL.—For purposes of this
21 Act and the regulations or orders issued under
22 this Act, an individual who is employed, or who
23 is remunerated for the performance of labor or
24 services, by a person, shall be presumed to be
25 an employee of the person if—

1 “(i) the person has not made, kept,
2 and preserved records in accordance with
3 subparagraphs (B) and (C) of paragraph
4 (1) regarding the individual; or

5 “(ii) the person has not provided the
6 individual with the notice required under
7 paragraph (5).

8 “(B) REBUTTAL.—The presumption under
9 subparagraph (A) shall be rebutted only
10 through the presentation of clear and con-
11 vincing evidence that an individual described in
12 such subparagraph is not an employee (within
13 the meaning of section 3(e)) of the person.

14 “(4) ACCURATE CLASSIFICATION.—An accurate
15 classification of the status of each individual de-
16 scribed in paragraph (1) as either an employee
17 (within the meaning of section 3(e)) of the person
18 maintaining the records or a non-employee of such
19 person shall be included within the records under
20 this subsection.

21 “(5) NOTICE.—

22 “(A) IN GENERAL.—Every person subject
23 to any provision of this Act or of any order
24 issued under this Act shall provide the notice
25 described in subparagraph (C) to each employee

1 of the person and each individual classified by
2 the person as a non-employee under paragraph
3 (1)(B).

4 “(B) TIMING OF NOTICE.—

5 “(i) IN GENERAL.—Such notice shall
6 be provided, at a minimum, not later than
7 6 months after the date of enactment of
8 the Employee Misclassification Prevention
9 Act, and thereafter—

10 “(I) for new employees, upon em-
11 ployment; and

12 “(II) for new non-employees who
13 are classified under paragraph (1)(B),
14 upon commencement of the labor or
15 services described in such paragraph.

16 “(ii) CHANGE IN STATUS.—Each per-
17 son required to provide notice under sub-
18 paragraph (A) to an individual shall also
19 provide such notice to such individual upon
20 changing such individual’s status as an
21 employee or non-employee under paragraph
22 (1).

23 “(C) CONTENTS OF NOTICE.—The notice
24 required under this paragraph shall be in writ-
25 ing and shall—

1 “(i) inform the individual of the indi-
2 vidual’s classification, by the person sub-
3 mitting the notice, as an employee or a
4 non-employee under paragraph (1);

5 “(ii) include a statement directing
6 such individual to a Department of Labor
7 website established for the purpose of pro-
8 viding further information about the rights
9 of employees under the law;

10 “(iii) include the address and tele-
11 phone number for the applicable local of-
12 fice of the United States Department of
13 Labor;

14 “(iv) include for each individual classi-
15 fied as a non-employee under paragraph
16 (1)(B) by the person submitting the notice,
17 the following statement: ‘Your rights to
18 wage, hour, and other labor protections de-
19 pend upon your proper classification as an
20 employee or non-employee. If you have any
21 questions or concerns about how you have
22 been classified or suspect that you may
23 have been misclassified, contact the U.S.
24 Department of Labor.’; and

1 “(v) include such additional informa-
2 tion as the Secretary shall prescribe by
3 regulation.”.

4 (b) SPECIAL PROHIBITED ACTS.—Section 15(a) of
5 the Fair Labor Standards Act of 1938 (29 U.S.C. 215(a))
6 is amended—

7 (1) by striking paragraph (3) and inserting the
8 following:

9 “(3) to discharge or in any other manner dis-
10 criminate against any individual (including an em-
11 ployee) because such individual has—

12 “(A) opposed any practice, or filed a peti-
13 tion or complaint or instituted or caused to be
14 instituted any proceeding—

15 “(i) under or related to this Act (in-
16 cluding concerning an individual’s status
17 as an employee or non-employee for pur-
18 poses of this Act); or

19 “(ii) concerning an individual’s status
20 as an employee or non-employee for em-
21 ployment tax purposes within the meaning
22 of subtitle C of the Internal Revenue Code
23 of 1986;

24 “(B) testified or is about to testify in any
25 proceeding described in subparagraph (A); or

1 “(C) served, or is about to serve, on an in-
2 dustry committee;”;

3 (2) in paragraph (5), by striking the period at
4 the end and inserting “; and”; and

5 (3) by adding at the end the following:

6 “(6) to fail to accurately classify an individual
7 as an employee.”.

8 (c) SPECIAL PENALTY FOR CERTAIN
9 MISCLASSIFICATION, RECORDKEEPING, AND NOTICE VIO-
10 LATIONS.—Section 16 of the Fair Labor Standards Act
11 of 1938 (29 U.S.C. 216) is amended—

12 (1) in subsection (b)—

13 (A) in the sixth sentence, by striking “any
14 employee” each place the term occurs and in-
15 serting “any employee or individual”;

16 (B) in the fourth sentence, by striking
17 “employee” and inserting “employee or indi-
18 vidual”;

19 (C) in the third sentence—

20 (i) by striking “either of the preceding
21 sentences” and inserting “any of the pre-
22 ceding sentences”;

23 (ii) by striking “one or more employ-
24 ees” and inserting “one or more employees
25 or individuals”; and

1 (iii) by striking “other employees”
2 and inserting “other employees or individ-
3 uals, respectively,”; and

4 (D) by inserting after the first sentence
5 the following: “Such liquidated damages are
6 doubled (subject to section 11 of the Portal-to-
7 Portal Pay Act of 1947 (29 U.S.C. 260))
8 where, in addition to violating the provisions of
9 section 6 or 7, the employer has violated the
10 provisions of section 15(a)(6) with respect to
11 such employee or employees.”; and

12 (2) in subsection (e), by striking paragraph (2)
13 and inserting the following:

14 “(2) Any person who violates section 6, 7, 11(c), or
15 15(a)(6) shall be subject to a civil penalty, for each em-
16 ployee or other individual who was the subject of such a
17 violation, in an amount—

18 “(A) not to exceed \$1,100; or

19 “(B) in the case of a person who has repeatedly
20 or willfully committed such violation, not to exceed
21 \$5,000.”.

22 (d) EMPLOYEE RIGHTS WEBSITE.—

23 (1) IN GENERAL.—Not later than 180 days
24 after the date of enactment of this Act, the Sec-
25 retary of Labor shall establish, for purposes of sec-

1 tion 11(c)(5)(C)(ii) of the Fair Labor Standards Act
2 of 1938 (as added by this Act), a single webpage on
3 the Department of Labor website that summarizes
4 in plain language the rights of employees as de-
5 scribed in the amendments made by subsection (a)
6 and other information considered appropriate by the
7 Secretary, including appropriate links to additional
8 information on the Department of Labor website or
9 other Federal agency websites. In addition, such
10 webpage—

11 (A) shall include a statement explaining
12 that employees may have additional or greater
13 rights under State or local laws and how em-
14 ployees may obtain additional information about
15 their rights under State or local laws;

16 (B) shall be made available in English and
17 any other languages that the Secretary deter-
18 mines to be prevalent among individuals likely
19 to access the webpage; and

20 (C) may provide a link to permit individ-
21 uals to file complaints online.

22 (2) COORDINATION WITH OTHER FEDERAL
23 WEBSITES.—The Secretary shall coordinate with
24 other relevant Federal agencies in order to provide
25 information similar to the information described in

1 paragraph (1) (or a link to the Department of Labor
2 webpage required by this subsection) on the websites
3 of such other agencies.

4 **SEC. 3. MISCLASSIFICATION OF EMPLOYEES FOR UNEM-**
5 **PLOYMENT COMPENSATION PURPOSES.**

6 (a) IN GENERAL.—Section 303(a) of the Social Secu-
7 rity Act (42 U.S.C. 503(a)) is amended—

8 (1) in paragraph (10), by striking the period
9 and inserting “; and”; and

10 (2) by adding after paragraph (10) the fol-
11 lowing:

12 “(11)(A) Such auditing and investigative proce-
13 dures as may be necessary to identify employers that
14 have not registered under the State law or that are
15 paying unreported wages, where these actions or
16 omissions by the employers have the effect of exclud-
17 ing employees from unemployment compensation
18 coverage; and

19 “(B) The making of quarterly reports to the
20 Secretary of Labor (in such form as the Secretary
21 of Labor may require) describing the results of the
22 procedures under subparagraph (A); and

23 “(12) The establishment of administrative pen-
24 alties for misclassifying employees, or paying unre-
25 ported wages to employees without proper record-

1 keeping, for unemployment compensation pur-
2 poses.”.

3 (b) REVIEW OF AUDITING PROGRAMS.—The Sec-
4 retary of Labor shall include, in the Department of La-
5 bor’s system for measuring States’ performance in con-
6 ducting unemployment compensation tax audits, a specific
7 measure of their effectiveness in identifying the under-
8 reporting of wages and the underpayment of unemploy-
9 ment compensation contributions (including their effec-
10 tiveness in identifying instances of such underreporting or
11 underpayments despite the absence of cancelled checks,
12 original time sheets, or other similar documentation).

13 (c) EFFECTIVE DATE.—

14 (1) IN GENERAL.—Except as provided in para-
15 graph (2), the amendments made by subsection (a)
16 shall take effect 12 months after the date of the en-
17 actment of this Act.

18 (2) EXCEPTION.—If the Secretary of Labor
19 finds that legislation is necessary in order for the
20 unemployment compensation law of a State to com-
21 ply with the amendments made by subsection (a),
22 such amendments shall not apply with respect to
23 such law until the later of—

24 (A) the day after the close of the first reg-
25 ular session of the legislature of such State

1 which begins after the date of the enactment of
2 this Act; or

3 (B) 12 months after the date of the enact-
4 ment of this Act.

5 (d) DEFINITION OF STATE.—For purposes of this
6 section, the term “State” has the meaning given such
7 term by section 3306(j) of the Internal Revenue Code of
8 1986.

9 **SEC. 4. DEPARTMENT OF LABOR COORDINATION, REFER-**
10 **RAL, AND REGULATIONS.**

11 (a) COORDINATION AND REFERRAL.—Notwith-
12 standing any other provision of law, any office, adminis-
13 tration, or division of the Department of Labor that, while
14 in the performance of its official duties, obtains informa-
15 tion regarding the misclassification by a person subject to
16 the provisions of the Fair Labor Standards Act of 1938
17 (29 U.S.C. 201 et seq.) or any order issued under such
18 Act of any individual regarding whether such individual
19 is an employee or a non-employee contracted for the per-
20 formance of labor or services for purposes of section 6 or
21 7 of such Act (29 U.S.C. 206, 207) or in records required
22 under section 11(c) of such Act (29 U.S.C. 211(c)), shall
23 report such information to the Wage and Hour Division
24 of the Department. The Wage and Hour Division may re-

1 port such information to the Internal Revenue Service as
2 the Division considers appropriate.

3 (b) REGULATIONS.—The Secretary of Labor shall
4 promulgate regulations to carry out this Act and the
5 amendments made by this Act.

6 **SEC. 5. TARGETED AUDITS.**

7 The audits of employers subject to the Fair Labor
8 Standards Act of 1938 (29 U.S.C. 201 et seq.) that are
9 conducted by the Wage and Hour Division of the Depart-
10 ment of Labor shall include certain industries with fre-
11 quent incidence of misclassifying employees as non-em-
12 ployees, as determined by the Secretary of Labor.

○