

# Preliminary

Consolidated Fiscal Note

2023-2024 Legislative Session

## HF4444 - 0 - Misclassification of Employees; Penalties

Chief Author: **Emma Greenman**  
 Committee: **Labor and Industry Finance & Policy**  
 Date Completed:  
 Lead Agency: **Labor and Industry Dept**  
 Other Agencies:  
     Attorney General                      Commerce Dept  
     Employment and Economic        Revenue Dept  
     Dvlpmt

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
Revenue Dept						
General Fund		-	-	143	-	-
State Total						
General Fund		-	-	143	-	-
Total		-	-	143	-	-
Biennial Total				143		-

Full Time Equivalent Positions (FTE)	Biennium			Biennium		
	FY2023	FY2024	FY2025	FY2026	FY2027	
Revenue Dept						
General Fund		-	-	.71	-	-
Total		-	-	.71	-	-

### Lead LBO Analyst's Comment

LBO Signature:     Date:  
 Phone:             Email:

# Preliminary

## State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

<b>State Cost (Savings) = 1-2</b>		<b>Biennium</b>			<b>Biennium</b>	
Dollars in Thousands		<b>FY2023</b>	<b>FY2024</b>	<b>FY2025</b>	<b>FY2026</b>	<b>FY2027</b>
<b>Revenue Dept</b>						
General Fund		-	-	143	-	-
<b>Total</b>		-	-	<b>143</b>	-	-
<b>Biennial Total</b>				<b>143</b>		-
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
Revenue Dept						
General Fund		-	-	143	-	-
<b>Total</b>		-	-	<b>143</b>	-	-
<b>Biennial Total</b>				<b>143</b>		-
<b>2 - Revenues, Transfers In*</b>						
Revenue Dept						
General Fund		-	-	-	-	-
<b>Total</b>		-	-	-	-	-
<b>Biennial Total</b>				-		-

# Preliminary

Fiscal Note

2023-2024 Legislative Session

**HF4444 - 0 - Misclassification of Employees; Penalties**

Chief Author: **Emma Greenman**  
 Committee: **Labor and Industry Finance & Policy**  
 Date Completed:  
 Agency: **Attorney General**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium		
		FY2023	FY2024	FY2025	FY2026	FY2027
<b>Total</b>	-	-	-	-	-	-

**LBO Analyst's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

**LBO Signature:** Susan Nelson    **Date:** 3/9/2024 7:48:45 PM  
**Phone:** 651-296-6054    **Email:** susan.nelson@lbo.mn.gov

# Preliminary

## State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2 Dollars in Thousands	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
<b>Total</b>	-	-	-	-	-
<b>Biennial Total</b>			-		-
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>					
<b>Total</b>	-	-	-	-	-
<b>Biennial Total</b>			-		-
<b>2 - Revenues, Transfers In*</b>					
<b>Total</b>	-	-	-	-	-
<b>Biennial Total</b>			-		-

## Bill Description

This bill enhances efforts to combat the misclassification of employees as independent contractors. The portions of the bill that impact the AGO are amendments to Minnesota Statutes chapters 177 and 181. The bill affects the AGO by creating a multi-agency Intergovernmental Misclassification Enforcement and Education Partnership (which includes the AGO), allowing for data sharing related to misclassification investigation and enforcement, clarifying the relevant tests for employee misclassification, providing for additional penalties for employee misclassification, and providing a private right of action for employees who have been misclassified.

## Assumptions

The Attorney General's Office does not project any defined expenditures, absorbed costs, or revenues from the bill's amendments to Minnesota Statutes chapters 177 and 181. Investigations of alleged employee misclassification or litigation to enforce the law would be pursued by the Office's existing attorneys and investigators in the Office's Wage Theft Unit.

The Attorney General's Office estimates that it will expend/save 0 hours of attorney time and 0 hours of legal assistant (investigator/other staff) time per fiscal year.

## Expenditure and/or Revenue Formula

n/a

## Long-Term Fiscal Considerations

n/a

## Local Fiscal Impact

n/a

## References/Sources

n/a

**Agency Contact:** Laura Sayles

# Preliminary

**Agency Fiscal Note Coordinator Signature:** Laura Capuana

**Date:** 3/8/2024 9:16:24 AM

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# Preliminary

Fiscal Note

2023-2024 Legislative Session

**HF4444 - 0 - Misclassification of Employees; Penalties**

Chief Author: **Emma Greenman**  
 Committee: **Labor and Industry Finance & Policy**  
 Date Completed:  
 Agency: Revenue Dept

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	143	-	-	-
<b>Total</b>	-	-	<b>143</b>	-	-	-
<b>Biennial Total</b>			<b>143</b>			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	.71	-	-
<b>Total</b>	-	-	<b>.71</b>	-	-

**LBO Analyst's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

**LBO Signature:** Joel Enders      **Date:** 3/11/2024 5:13:07 PM  
**Phone:** 651-284-6542      **Email:** joel.enders@lbo.mn.gov

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## State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2 Dollars in Thousands	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	143	-	-
<b>Total</b>	-	-	<b>143</b>	-	-
<b>Biennial Total</b>			<b>143</b>		-
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>					
General Fund	-	-	143	-	-
<b>Total</b>	-	-	<b>143</b>	-	-
<b>Biennial Total</b>			<b>143</b>		-
<b>2 - Revenues, Transfers In*</b>					
General Fund	-	-	-	-	-
<b>Total</b>	-	-	-	-	-
<b>Biennial Total</b>			-		-

## Bill Description

Sections 9-10 of the bill create an Intergovernmental Misclassification Enforcement and Education Partnership of Minnesota agencies to review, identify and investigate issues of worker misclassification. The Department of Revenue is a partner along with the Department of Labor and Industry, the Department of Employment and Economic Development, the Department of Commerce, and the attorney general. The partnership would share information necessary for investigations and collaborate on investigations, unless prohibited by federal law.

Section 10, subdivision 7, paragraph (b) requires each partnership entity to maintain on its website information about worker misclassification laws, including requirements for employers and employees, consequences for misclassifying workers, and contact information for other partnership entities.

Section 11 authorizes the disclosure of return information by the Department of Revenue to the Commissioner of Commerce regarding compliance with employee insurance coverage under MS 176.181.

Section 12 authorizes disclosure of return information by the Department of Revenue to the attorney general regarding compliance with labor standards and wages under MS 177.45 or employment under MS 181.1721.

## Assumptions

The Department of Revenue (Revenue) assumes an information sharing agreement is needed in order to share relevant information with the partnership.

The Income Tax and Withholding (ITW) Division assumes no new costs associated with this bill as ITW currently engages in worker misclassification enforcement. The division will provide information to the partnership regarding efforts of Revenue on worker misclassification audits and outreach. ITW assumes it will compile and share any relevant information with the partnership but does not expect any new cost to the agency in doing so.

The Appeals, Legal Services, and Disclosure Division assumes its Disclosure and Records Management Unit (DRM) will need to work on four direct agency-to-agency data sharing agreements. Time would be spent negotiating, drafting, and executing the agreements. Further, DRM attorneys will perform legal reviews of the agreements and provide legal advice on the drafting and negotiation of the agreements. DRM has experience negotiating and drafting these agreements with other agencies and is basing its assumptions on that experience. DRM assumes it will need .71 FTE in FY25 for this work.

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## FTE Impact

FTEs	FY 2024	FY 2025	FY 2026	FY 2027
Appeals, Legal, and Disclosure staff (Attorneys)		.71		
Total FTE Impact		.71		

Note: Totals may vary slightly due to rounding.

## Expenditure and/or Revenue Formula

### Administrative Impact

Administrative Costs (Savings)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Employee Compensation			142,955		
Total Administrative Costs (Savings)			142,995		

Note: This table uses whole numbers. Totals may vary slightly due to rounding.

## Long-Term Fiscal Considerations

N/A

## Local Fiscal Impact

N/A

## References/Sources

Agency staff provided information for this fiscal note.

I have reviewed the content of this fiscal note and believe it is a reasonable estimate of the expenditures and revenues associated with this proposed legislation.

### Agency Contact:

**Agency Fiscal Note Coordinator Signature:** Chelsea Magadance

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