



**The Honorable Committee Co-Chairs: Rep. Aisha Gomez and Rep. Greg Davids  
and Members of the House Tax Committee**

**RE: Opposition to HF 1183 (Greenman) The Removal of Section 530 Protections for  
Home Builders**

Dear Members of the House Tax Committee,

On behalf of the residential construction community, I am writing to express our profound concern regarding the language in **HF 1183 / SF 210**, which amends Minnesota Statutes, Section 290.01. By specifically excluding **Section 530 of Public Law 95-600** from the state's tax code, this bill removes a critical "Safe Harbor" that has protected small businesses and home builders for decades.

For the construction industry, this bill represents a significant "red flag" that creates immediate financial and personal risk for business owners. We urge you to consider the following impacts:

### **1. The Elimination of "Good Faith" Protections**

Section 530 is a long-standing federal safety net. It prevents the government from hitting a business with back taxes and penalties if the business acted in good faith, filed all required 1099s, and followed "industry standards." By opting out of this, Minnesota is declaring that even if a builder follows long-standing industry practices, the state can still aggressively demand back taxes and penalties.

### **2. Heightened Risk for 1099 Subcontractors**

Residential construction relies on a network of specialized independent contractors (framers, roofers, etc.). This bill removes the "Industry Practice" defense. Previously, a builder could argue that their classification mirrored common trade practices. Under this proposal:

- The **"Industry Practice" excuse is gone.**

- In conjunction with Minnesota's strict **14-factor test** (effective March 2025), failing even one technical point could result in total liability, with no "Safe Harbor" to fall back on.

### **3. Severe Financial and Personal Exposure**

If the state reclassifies independent contractors as employees, our members face devastating financial consequences, including:

- **Unpaid State Income Tax Withholding** for all reclassified workers.
- **Unemployment Insurance Premiums** and interest dating back several years.
- **Personal Liability:** Most alarmingly, current law allows the state to hold business owners and officers **personally liable** for these penalties. Removing Section 530 makes it significantly easier for the state to pierce the corporate veil and target the personal assets of Minnesota's small business owners.

### **4. Impact on Housing Affordability**

At a time when Minnesota is desperate for more housing units, this bill adds layers of unpredictable risk and administrative cost. These costs will inevitably be passed on to homebuyers, further exacerbating the current housing crisis.

**Conclusion** The removal of Section 530 protections is an aggressive shift that treats good-faith small businesses as bad actors. We ask that you support the home building industry by maintaining these essential federal protections in Minnesota law.

Thank you for your consideration of these critical points.

Sincerely,

**Grace Keliher Executive Vice President**

**Builders Association of Minnesota**



March 18, 2026

Dear Members of the House Taxes Committee:

The Minnesota Chamber of Commerce represents over 6,300 businesses of all sizes and industries and over 500,000 employees in Minnesota. We advocate for public policies to strengthen Minnesota's business climate and to help grow Minnesota's economy.

We appreciate the opportunity to share our concerns with HF 1183 which would repeal the state's Section 530 safe harbor.

We share the goal of preventing worker misclassification, and believe repeat, willful or deliberate misclassification should be thoroughly investigated and punished because it cheats workers and honest employers alike. The OLA report on worker misclassification from two years ago makes it clear that determining a worker's proper status can be challenging and subjective.

That's why we oppose the removal of this longstanding safe harbor that exists at the federal level and we have followed at the state level for businesses that have acted reasonably and in good faith regarding their classification of workers. The safe harbor protects against the assessment of retroactive employment taxes, and importantly, under Section 530, businesses have criteria they must meet around reporting, consistency, and reasonableness.

In situations where an employer makes an honest mistake, education and corrective action is appropriate, and the state should continue to have a safe harbor for Minnesota businesses that acted reasonably and in good faith.

Sincerely,

Brian Cook  
Director of Tax, Fiscal Policy, and Elections

April 6, 2026

Chair Gomez, Chair Davids and Members of the House Taxes Committee:

Thank you for the opportunity to submit written testimony on Rep. Greenman's HF 1183, decoupling Minnesota from section 530 of federal public law 95-600.

Minnesota Realtors® (MNR) was founded in 1919 and is a business trade association with a membership of over 21,500 real estate professionals, including both salespeople and brokers, statewide.

MNR's 2026 Legislative Session Agenda includes protecting the right of real estate salespeople to work as independent contractors and of brokers to classify real estate salespeople as independent contractors. MNR also has a long history of supporting federal tax conformity.

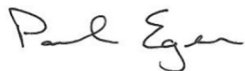
We respectfully share our concerns with HF 1183, which would decouple Minnesota from section 530 of federal public law 95-600, which provides a "safe harbor" for businesses who have classified workers as independent contractors and had a reasonable basis for that determination.

While real estate salespeople are classified as independent contractors in both the IRS code and Minnesota Rules, decoupling Minnesota from section 530 would increase regulatory and legal uncertainty for all industries and businesses with independent contractor workers.

We recommend maintaining Minnesota's conformity with section 530 and instead place the regulatory focus on holding those businesses accountable that willfully and intentionally misclassify their workers.

Again, thank you for the opportunity to submit written testimony sharing MNR's concerns with HF 1183.

Sincerely,



Paul Eger  
Senior Vice President, Governmental Affairs  
Minnesota Realtors®