

# SENATE BILL 600

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By: **Senators Young, Montgomery, and Ramirez**

Introduced and read first time: February 3, 2012

Assigned to: Finance

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## A BILL ENTITLED

1 AN ACT concerning

2 **Business Regulation – Independent Contractor Registry – Presumptions**  
3 **Under Workplace Fraud Act**

4 FOR the purpose of requiring the Department of Labor, Licensing, and Regulation to  
5 develop and maintain an Independent Contractor Registry; authorizing an  
6 individual who performs work as an independent contractor in certain  
7 industries to register with the Registry; requiring the Department, in  
8 consultation with the Commissioner of Labor and Industry, to adopt certain  
9 regulations; establishing that work performed by an individual registered with  
10 the Registry is not presumed to create an employer–employee relationship for  
11 the purposes of certain provisions related to workplace fraud; requiring the  
12 Commissioner to consider, as strong evidence that an employer did not  
13 knowingly fail to properly classify an individual, whether the employer sought  
14 and obtained evidence that the individual is an independent contractor  
15 registered with the Registry; defining certain terms; and generally relating to  
16 independent contractors and workplace fraud.

17 BY adding to

18 Article – Business Regulation

19 Section 19–701 through 19–703 to be under the new subtitle “Subtitle 7.

20 Independent Contractor Registry”

21 Annotated Code of Maryland

22 (2010 Replacement Volume and 2011 Supplement)

23 BY repealing and reenacting, without amendments,

24 Article – Labor and Employment

25 Section 3–901(b) and (f)

26 Annotated Code of Maryland

27 (2008 Replacement Volume and 2011 Supplement)

28 BY repealing and reenacting, with amendments,

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 Article – Labor and Employment  
2 Section 3–903 and 3–904  
3 Annotated Code of Maryland  
4 (2008 Replacement Volume and 2011 Supplement)

5 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
6 MARYLAND, That the Laws of Maryland read as follows:

7 **Article – Business Regulation**

8 **SUBTITLE 7. INDEPENDENT CONTRACTORS REGISTRY.**

9 **19–701.**

10 (A) IN THIS SUBTITLE THE FOLLOWING WORDS HAVE THE MEANINGS  
11 INDICATED.

12 (B) “CONSTRUCTION SERVICES” HAS THE MEANING STATED IN § 3–901  
13 OF THE LABOR AND EMPLOYMENT ARTICLE.

14 (C) “LANDSCAPE SERVICES” HAS THE MEANING STATED IN § 3–901 OF  
15 THE LABOR AND EMPLOYMENT ARTICLE.

16 (D) “REGISTRY” MEANS THE INDEPENDENT CONTRACTOR REGISTRY  
17 ESTABLISHED UNDER § 19–702 OF THIS SUBTITLE.

18 **19–702.**

19 (A) THE DEPARTMENT SHALL DEVELOP AND MAINTAIN AN  
20 INDEPENDENT CONTRACTOR REGISTRY.

21 (B) AN INDIVIDUAL WHO PERFORMS CONSTRUCTION SERVICES OR  
22 LANDSCAPING SERVICES AS AN INDEPENDENT CONTRACTOR MAY REGISTER  
23 WITH THE REGISTRY.

24 **19–703.**

25 THE DEPARTMENT, IN CONSULTATION WITH THE COMMISSIONER OF  
26 LABOR AND INDUSTRY, SHALL ADOPT REGULATIONS NECESSARY TO MAINTAIN  
27 THE REGISTRY AND QUALIFY INDIVIDUALS AS INDEPENDENT CONTRACTORS.

28 **Article – Labor and Employment**

29 3–901.

1 (b) "Construction services" includes the following services provided in  
2 connection with real property:

- 3 (1) building;
- 4 (2) reconstructing;
- 5 (3) improving;
- 6 (4) enlarging;
- 7 (5) painting;
- 8 (6) altering;
- 9 (7) maintaining; and
- 10 (8) repairing.

11 (f) "Landscaping services" includes the following services:

- 12 (1) garden maintenance and planting;
- 13 (2) lawn care including fertilizing, mowing, mulching, seeding, and  
14 spraying;
- 15 (3) seeding and mowing of highway strips;
- 16 (4) sod laying;
- 17 (5) turf installation, except artificial;
- 18 (6) ornamental bush planting, pruning, bracing, spraying, and  
19 removal; and
- 20 (7) ornamental tree planting, pruning, bracing, spraying, and removal.

21 3-903.

22 (a) An employer may not fail to properly classify an individual who performs  
23 work for remuneration paid by the employer.

24 (b) An employer has failed to properly classify an individual when an  
25 employer-employee relationship exists as determined under subsection (c) of this  
26 section but the employer has not classified the individual as an employee.

1 (c) (1) For purposes of enforcement of this subtitle only, work performed  
2 by an individual for remuneration paid by an employer shall be presumed to create an  
3 employer–employee relationship, unless:

4 (i) the individual is an exempt person; [or]

5 **(II) THE INDIVIDUAL IS AN INDEPENDENT CONTRACTOR**  
6 **REGISTERED WITH THE INDEPENDENT CONTRACTOR REGISTRY ESTABLISHED**  
7 **UNDER § 19–702 OF THE BUSINESS REGULATION ARTICLE; OR**

8 [(ii)] **(III)** an employer demonstrates that:

9 1. the individual who performs the work is free from  
10 control and direction over its performance both in fact and under the contract;

11 2. the individual customarily is engaged in an  
12 independent business or occupation of the same nature as that involved in the work;  
13 and

14 3. the work is:

15 A. outside of the usual course of business of the person  
16 for whom the work is performed; or

17 B. performed outside of any place of business of the  
18 person for whom the work is performed.

19 (2) Work is outside of the usual course of business of the person for  
20 whom it is performed under paragraph (1) of this subsection if:

21 (i) the individual performs the work off the employer’s  
22 premises;

23 (ii) the individual performs work that is not integrated into the  
24 employer’s operation; or

25 (iii) the work performed is unrelated to the employer’s business.

26 (3) By contract, an employer may engage another business entity,  
27 which may have its own employees, to do the same type of work in which the employer  
28 engages, at the same location where the employer is working, without establishing an  
29 employer–employee relationship between the two contracting entities.

30 (d) The Commissioner shall adopt regulations to explain further and provide  
31 specific examples of the application of subsection (c) of this section.

1 3–904.

2 (a) An employer may not knowingly fail to properly classify an individual  
3 who performs work for remuneration paid by the employer.

4 (b) An employer has knowingly failed to properly classify an individual  
5 when:

6 (1) an employer–employee relationship exists as determined under §  
7 3–903(c) of this subtitle; and

8 (2) the employer has knowingly failed to properly classify the  
9 individual as an employee.

10 (c) The Commissioner shall consider, as strong evidence that the employer  
11 did not knowingly fail to properly classify an individual, whether:

12 (1) before a complaint was filed against the employer or the  
13 Commissioner began an investigation of the employer, the employer:

14 (i) sought and obtained evidence that the individual:

15 1. is an exempt person; [or]

16 **2. IS AN INDEPENDENT CONTRACTOR REGISTERED**  
17 **WITH THE INDEPENDENT CONTRACTOR REGISTRY ESTABLISHED UNDER**  
18 **§ 19–702 OF THE BUSINESS REGULATION ARTICLE; OR**

19 **[2.] 3.** as an **UNREGISTERED** independent contractor:

20 A. withholds, reports, and remits payroll taxes on behalf  
21 of all individuals working for the independent contractor;

22 B. pays unemployment insurance taxes for all  
23 individuals working for the independent contractor; and

24 C. maintains workers' compensation insurance; and

25 (ii) provided to the exempt person or independent contractor a  
26 written notice as required by § 3–914 of this subtitle; or

27 (2) the employer:

28 (i) 1. classifies all workers who perform the same or  
29 substantially the same tasks for the employer as independent contractors; and

1                                   2.     reports the income of the workers to the Internal  
2 Revenue Service as required by federal law; and

3                                   (ii)    has received a determination from the Internal Revenue  
4 Service that the individual or a worker who performs the same or substantially the  
5 same task as the individual is an independent contractor.

6                   (d)    The Commissioner shall adopt regulations to provide guidance as to what  
7 constitutes the evidence relevant to the determination of whether an employer  
8 knowingly failed to properly classify an employee.

9                   SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
10 October 1, 2012.