

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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**FISCAL IMPACT STATEMENT**

**LS 6639**

**BILL NUMBER: SB 257**

**NOTE PREPARED: Feb 9, 2021**

**BILL AMENDED:**

**SUBJECT:** Employee Misclassification.

**FIRST AUTHOR:** Sen. Niezgodski

**FIRST SPONSOR:**

**BILL STATUS:** CR Adopted - 1<sup>st</sup> House

**FUNDS AFFECTED:**  GENERAL  
 DEDICATED  
 FEDERAL

**IMPACT:** State

**Summary of Legislation:** The bill requires the Department of State Revenue (DOR), the state Department of Labor (DOL), the Worker's Compensation Board of Indiana (WCB), and the Department of Workforce Development (DWD) to report before November 1 of each year for three years, beginning November 1, 2021, to the Interim Study Committee on Employment and Labor for the immediately preceding state fiscal year:

- (1) the number of employers that each department or the board determined during the immediately preceding state fiscal year improperly classified at least one worker as an independent contractor;
- (2) the total number of improperly classified workers employed by those employers;
- (3) the department's or board's calculation of actual revenue not collected or the additional costs to the state that the department or board attributes to the improperly classified workers;
- (4) the amount of the penalties and interest assessed against those employers by each department or the board, and the amount of the penalties and interest assessed that has been collected; and
- (5) the classification criteria used by the department to classify workers.

It requires that the reports include only information in the form of aggregate statistics and not include information that can be used to identify specific employers or workers.

**Effective Date:** July 1, 2021.

**Explanation of State Expenditures:** *DOR, DOL, WCB, and DWD:* The bill's requirement to track and report on data related to worker misclassification to the Interim Study Committee on Employment and Labor represents an additional workload on the agencies. The agencies should be able to be implement the bill with no additional appropriations, assuming near customary agency staffing and resource levels.

*Interim Study Committee on Employment and Labor:* The bill requires DOR, DOL, WCB, and DWD to report on employee misclassification each year through 2023. If the committee were to hold additional meetings to address this topic, there would be additional expenditures for legislator per diem and travel reimbursement for the committee members. Any additional expenditures must be within the committee's budget, which is established by the Legislative Council.

*Additional Information* - Employee misclassification is the practice of labeling workers as independent contractors rather than employees. The practice sometimes allows employers to avoid paying certain employee-related expenses, including various taxes on workers as well as the expense of covering them for the purposes of worker's compensation and unemployment insurance.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of Labor, Department of Workforce Development, Department of State Revenue, Worker's Compensation Board.

**Local Agencies Affected:**

**Information Sources:**

**Fiscal Analyst:** Camille Tesch, 317-232-5293.