

INDEPENDENT CONTRACTORS

CA Labor Pushes Independent-Contractor Penalty Bill

The bill calls for fines of \$5,000 to \$25,000 per violation and allows employees who are misclassified deliberately to sue their employers. The new civil penalties would apply only if willful misclassification is proved at trial.

- **Auditors last year reported that nearly 65,000 workers were improperly classified as independent contractors. The number in 2005 was more than 74,000, based on audit results**
- **Improperly classified independent contractors drives up workers' compensation rates, drives down payroll tax revenue to the state, and no payment goes into the state unemployment insurance fund**
- **The California Employment Development Department (EDD) cracked down on misclassification and collected \$125 million in assessments against employers in 2005 and \$114 million in 2006. A recent EDD report says this improper classification of independent contractors costs the state more than \$100 million in revenue annually**
- **It would be better for companies to determine proper classification of independent contractors from an insurance standpoint at policy inception rather than getting hit by additional premium at final audit**

For Further Assistance Look On The CompWest Insurance Company Web Page – Employers - Loss Prevention

Loss Control Guide: Independent Contractor Checklist

**If You Have Any Questions or Need Assistance
Contact Your CompWest Loss Control Consultant
Or Request Assistance on the CompWest Web Page.**