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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2014

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A N A C T

RELATING TO STATE AFFAIRS AND GOVERNMENT - UNDERGROUND ECONOMY  
AND EMPLOYEE MISCLASSIFICATION ACT

Introduced By: Representatives Melo, Ucci, Williams, Corvese, and Winfield

Date Introduced: March 04, 2014

Referred To: House Labor

It is enacted by the General Assembly as follows:

1 SECTION 1. Title 42 of the General Laws entitled "STATE AFFAIRS AND  
2 GOVERNMENT" is hereby amended by adding thereto the following chapter:

3 CHAPTER 155

4 UNDERGROUND ECONOMY AND EMPLOYEE MISCLASSIFICATION ACT

5 **42-155-1. Short title.** – This chapter shall be known as the "Underground Economy and  
6 Employee Misclassification Act".

7 **42-155-2. Declaration of purpose.** – The general assembly finds and declares that this  
8 state's economy, its workers, and its businesses are harmed by the existence of an illegal  
9 underground economy in which individuals and businesses conceal their activities from  
10 government licensing, regulatory, and taxing authorities. The underground economy and, in  
11 particular, the practice of employee misclassification:

12 (1) Exploits vulnerable workers and deprives them of legal benefits and protections;

13 (2) Gives unlawful businesses an unfair competitive advantage over lawful businesses by  
14 illegally driving down violators' taxes, wages, and other overhead costs;

15 (3) Defrauds the government of substantial tax revenues; and

16 (4) Harms consumers who suffer at the hands of unlicensed businesses that fail to  
17 maintain minimum levels of skills and knowledge.

18 The creation of a task force has proven to be an effective mechanism for enhancing

1 interagency cooperation and information sharing.

2 **42-155-3. Task force.** – There is hereby established a task force on the Underground  
3 Economy and Employee Misclassification Act. The task force shall consist of the following  
4 members or their designees:

5 (1) The director of labor and training or designee;

6 (2) The tax administrator or designee;

7 (3) The director of business regulation or designee;

8 (4) The head of the workforce regulation and safety division or designee;

9 (5) The attorney general or designee; and

10 (6) The commissioner of the department of public safety or designee.

11 The director of labor and training shall chair the task force.

12 **42-155-4. Duties and responsibilities.** – The task force shall coordinate joint efforts to  
13 combat the underground economy and employee misclassification. The task force shall:

14 (1) Foster voluntary compliance with the law by educating business owners and  
15 employees about applicable requirements;

16 (2) Protect the health, safety, and benefit rights of workers; and

17 (3) Restore competitive equality for law-abiding businesses.

18 **42-155-5. Sharing of information.** – Notwithstanding any other law or regulation to the  
19 contrary, the task force shall facilitate timely information sharing between and among task force  
20 members, including the establishment of protocols by which participating agencies will advise or  
21 refer to other agencies matters of potential interest.

22 **42-155-5. Annual report.** – No later than March 15, 2015, and every March 15  
23 thereafter, the task force shall submit a report to the governor and the chairpersons of the house  
24 finance committee and senate finance committee summarizing the task force's activities during  
25 the preceding year. The report shall, without limitation:

26 (1) Describe the task force's efforts and accomplishments during the year;

27 (2) Identify any administrative or legal barriers impeding the more effective operation of  
28 the task force, including any barriers to information sharing or joint action; and

29 (3) Propose appropriate administrative, legislative, or regulatory changes to strengthen  
30 the task force's operations and reduce or eliminate any barriers to those efforts.

1 SECTION 2. This act shall take effect upon passage.

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EXPLANATION  
BY THE LEGISLATIVE COUNCIL  
OF

A N A C T

RELATING TO STATE AFFAIRS AND GOVERNMENT - UNDERGROUND ECONOMY  
AND EMPLOYEE MISCLASSIFICATION ACT

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1           This act would establish a task force on the underground economy and employee  
2 misclassification, prescribe its membership, powers and duties, and provide for annual reports to  
3 the general assembly.

4           This act would take effect upon passage.

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