

WISCONSIN STATE  
LEGISLATURE  
COMMITTEE HEARING  
RECORDS

2005-06

(session year)

Assembly

(Assembly, Senate or Joint)

Committee on  
Housing  
(AC-Ho)

(Form Updated: 11/20/2008)

**COMMITTEE NOTICES ...**

➤ Committee Reports ... CR  
\*\*

➤ Executive Sessions ... ES  
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➤ Public Hearings ... PH  
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➤ Record of Comm. Proceedings ... RCP  
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**INFORMATION COLLECTED BY COMMITTEE  
FOR AND AGAINST PROPOSAL ...**

➤ Appointments ... Appt  
\*\*

Name:

➤ Clearinghouse Rules ... CRule  
\*\*

➤ Hearing Records ... HR (bills and resolutions)  
**\*\*05hr\_ab1086\_AC-Ho\_pt01**

➤ Miscellaneous ... Misc  
\*\*

To: Members of the Wisconsin Assembly  
Housing Committee

From: Mark Reihl, Executive Director

Date: March 9, 2006

RE: **AB 1086, Contractor Registration Legislation**

**Wisconsin State Council  
of Carpenters**

United Brotherhood  
of Carpenters  
and Joiners of America



115 West Main Street  
Madison, Wisconsin 53703  
voice 608 256.1206  
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**The Carpenter's Union has been working with Representative Kaufert to develop this legislation to address the problem of misclassifying workers as independent contractors.**

This legislation is a response to the growing problem in the construction industry of employers misclassifying workers as independent contractors. Rather than pay their workers as employees, contractors are handing them 1099 Tax Forms and paying them as independent contractors. Contractors who misclassify their employees have a competitive advantage because they do not withhold federal and state taxes or pay unemployment or workers compensation insurance. We are seeing more and more instances of this illegal practice being used by framing, drywall, roofing, siding, and flooring covering contractors.

We believe the best way to deter contractors from misclassifying workers as independent contractors is to require all contractors in the state of Wisconsin to register with the Department of Commerce (DOC). This bill also will allow consumers to search the DOC website to determine whether they are hiring a legitimate contractor.

**AB 1086 will do the following:**

- Requires the Department of Commerce (DOC) to register any person who desires to act as a contractor or subcontractor and who meets certain registration requirements established by DOC.
- Requires DOC to promulgate rules establishing standards for the registration of contractors and subcontractors, application procedures for persons who apply for such registration, and conditions under which DOC may suspend or revoke such a registration.

- Creates a contractor advisory committee to make recommendations to DOC regarding the promulgation of these rules.
- Provides that a person may not act as a contractor or subcontractor or perform construction services unless the person is registered as a contractor or subcontractor by DOC.
- Prohibits a contractor or subcontractor from entering into contracts with a subcontractor who is not registered with DOC.
- Prohibits a contractor or subcontractor from claiming a lien for construction services performed or materials procured if the contractor or subcontractor is not registered with DOC.
- Requires DOC to establish an internet site that consumers may use to determine whether a contractor or subcontractor is registered.
- Requires registered contractors to display their registration number on all construction bids and advertising.
- Authorizes DOC to directly assess a forfeiture by issuing an order against any person who violates the bill's requirements.
- Prohibits any contractor or subcontractor from coercing or inducing a person to falsely declare he or she is an independent contractor.
- Exempts anyone performing construction work on his or her own property.

**Discussion Points:**

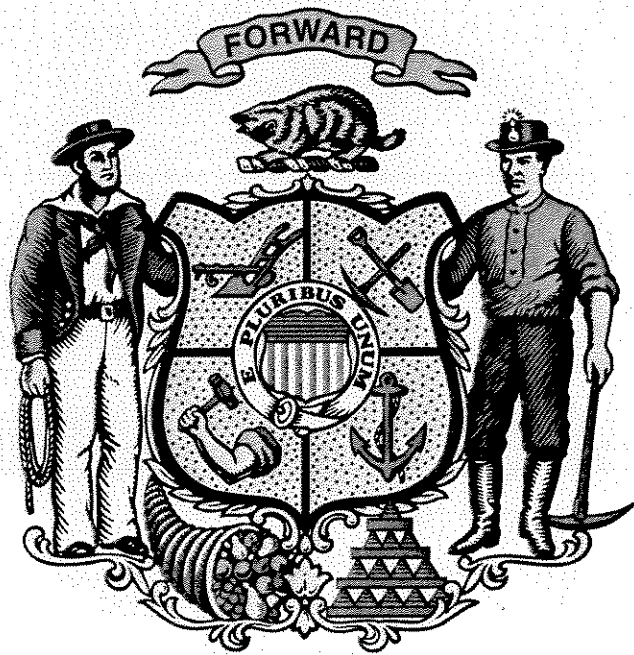
- Misclassification is costing Wisconsin millions in uncollected taxes, unemployment insurance and workers compensation premiums. A 2004 Harvard study of the construction industry in Massachusetts estimated that 14 to 24% of employers misclassify their workers at a cost of \$21 million to the state.
- While misclassifying workers as independent contractors is already illegal, enforcement is difficult. Requiring registration of all contractors, making it illegal to engage a non-registered contractor, and creating a database of contractors, will create a better mechanism for enforcement.
- Registration is a simple way for the state and consumers to accurately identify real contractors and subcontractors.

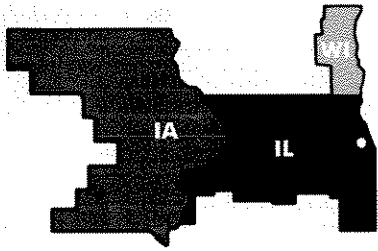
- Registration protects contractors who are doing the right thing. Misclassification creates an unlevel playing field where contractors that appropriately classify workers have higher costs and lose work to unscrupulous contractors who misclassify their employees.
- Many of the workers being exploited by misclassification are illegal immigrants who have no recourse but to accept their situation for fear of calling attention to their immigration status.
- Contractors who pull permits for construction of one and two family dwellings are already required to register with the DOC. Because this mechanism is already in place, establishing the registration requirement will not impose an undue administrative or fiscal burden. The DOC has indicated expanding current requirements to all contractors is feasible.
- This legislation applies only to construction contractors. The bill is not a licensure proposal. In fact, we have more stringent standards for individuals making a living as manicurists and barbers.
- Legislation moving through the legislature (SB 516/AB 980) would require more education requirements of homebuilding and remodeling contractors. However, it does not apply financial responsibility and education requirements to subcontractors. It also allows unscrupulous contractors to circumvent the law by having the homeowner pull the building permit. And, it does not apply to commercial contractors and subcontractors. AB 1086 requires all contractors to register.

**Conclusion:**

We understand that some of the Wisconsin contractor organizations may have some concerns with AB 1086 as introduced. We appreciate their suggestions and stand ready to work with them and members of the Assembly Housing Committee to improve the bill. Be we strongly believe the legislature needs to act to even the playing field for contractors, stop the exploitation of construction workers, and provide a mechanism for consumers to determine whether they are hiring a legitimate contractor.

We would greatly appreciate your support for AB 1086.





# CHICAGO REGIONAL COUNCIL OF CARPENTERS

United Brotherhood of Carpenters and Joiners of America

Northern Region: N25 W23055 Paul Road, Suite 1, Pewaukee, WI 53072

Telephone: 262-970-5777, Fax: 262-970-5770

MARTIN C. UMLAUF, PRESIDENT/EXECUTIVE SECRETARY-TREASURER    JEFFREY ISAACSON, FIRST VICE-PRESIDENT

## Issue: Contractor Registration in favor of AB1086

My name is Mark Scott. I am the Northern Regional Director for the Chicago Regional Council of Carpenters, representing Milwaukee, Waukesha, Washington, Ozaukee, Racine and Kenosha counties. As the representative of over 4,400 carpenters in this area we are in favor of Contractor Registration. Because of the cost to the State of Wisconsin, a 2004 Harvard University study of the construction industry in Massachusetts estimated that 14 to 24% of employers misclassify their workers at a cost of \$21 million to the state.

Not only are many of the workers being exploited by misclassification, the legitimate contractors are put in an uneven playing field because the unscrupulous contractors are not withholding federal and state taxes, or paying on unemployment or workers compensation insurance. With requirement from the Department of Commerce to register any person who desires to act as a contractor or subcontractor, this legislation bill would be beneficial for all legitimate contractors with the growing problem in the construction industry of employers, misclassified workers and independent contractors.

Mark Scott  
Regional Director

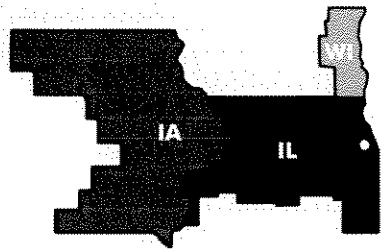
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### JURISDICTION

Illinois: Cook, Lake, DuPage, Kane, Kendall, McHenry, Grundy, Will, Kankakee, Iroquois, Boone, Bureau, Carroll, DeKalb, Henderson, Henry, Jo Daviess, LaSalle, Lee, Marshall, Mercer, Ogle, Putnam, Rock Island, Stark, Stephenson, Whiteside and Winnebago Counties

Wisconsin: Kenosha, Milwaukee, Ozaukee, Racine, Washington and Waukesha Counties

Iowa: Allamakee, Appanoose, Benton, Blackhawk, Bremer, Buchanan, Butler, Cedar, Cerro Gordo, Chickasaw, Clayton, Clinton, Davis, Delaware, Des Moines, Dubuque, Fayette, Floyd, Franklin, Grundy, Hancock, Henry, Howard, Iowa, Jackson, Jefferson, Johnson, Jones, Keokuk, Kossuth, Lee, Linn, Louisa, Mahaska, Mitchell, Monroe, Muscatine, Scott, Tama, Van Buren, Wapello, Washington, Wayne, Winnebago, Winneshiek, Worth and Wright Counties



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MARTIN C. UMLAUF, PRESIDENT/EXECUTIVE SECRETARY-TREASURER JEFFREY ISAACSON, FIRST VICE-PRESIDENT

## Issue: Contractor Registration in favor of AB1086

My name is Arcadio Perez. I am a Business Representative for the Chicago Regional Council of Carpenters, representing the Northern Region.

I am in favor of this bill, simply because I have witnessed many workers being exploited by contractors who misclassify their workers.

There are countless numbers of employers who use the (coyote system) to their benefit to get out of paying Federal and State taxes and even unemployment and workers compensation insurance.

Coyotes travel from contractor to contractor (like a circuit) as hired guns, to fulfill the needs of contractors, with cheap labor. Coyotes generally have five to ten workers that they pay on a cash only basis. They usually have no safety or skilled training requirements.

When a worker gets hurt, usually everyone pitches in to pay the medical bills so that there isn't a claim to file. These practices are extremely widespread in nearly all phases of the construction industry, and this problem continues to grow at a rapid pace. Many of the workers, who are misclassified are illegal immigrants who have no recourse but to accept their situation for fear of calling attention to their immigration status.

This Contractor Registration would be a huge benefit for all legitimate contractors and sub-contractors, and also to this State.

Sincerely,

Arcadio Perez  
Business Representative

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