

To: Unemployment Insurance Advisory Council
From: Andy Rubsam
Cc: Janell Knutson
Date: October 12, 2015
Re: Minnesota Worker Misclassification Penalties

The Unemployment Insurance Advisory Council requested information regarding Minnesota's administrative assessments for misclassification of workers.

Minnesota' consumer protection law (not its unemployment law) has a contractor registration program for the construction industry.¹ The registration program requires all individuals and businesses that perform construction services to register as contractors. Registration is free and is not required for employees of contractor companies. A construction contractor that fails to register is assessed a \$2,000 penalty, which is forgiven if the contractor registers within 30 days of the assessment.² And Minnesota assesses a penalty for "contracting with or paying" an unregistered contractor in the amount of up to \$10,000, which is forgiven for the first violation.³

Minnesota's labor law provides that a contractor may not coerce an individual to adopt independent contractor status or to form a business entity.⁴ It appears that the penalty for coercing an individual to adopt independent contractor status is \$10,000 per violation.⁵ Violations of the Minnesota independent contractor statutes are reported to the Minnesota revenue and economic development agencies.⁶

¹ Minn. Stat. § 326B.701.

² Minn. Stat. § 326B.701(6)(a).

³ Minn. Stat. §§ 326B.701(6)(b) and 362B.082(7).

⁴ Minn. Stat. § 181.723(7)(c)(1).

⁵ Minn. Stat. § 362B.082(7)(a).

⁶ Minn. Stat. § 181.723(15).