

1.1 **Senator McEwen from the Committee on Labor, to which was referred**

1.2 **S.F. No. 2360:** A bill for an act relating to employment; requiring annual reports from
1.3 partnership entities of the Intergovernmental Misclassification Enforcement and Education
1.4 Partnership; appropriating money; amending Minnesota Statutes 2024, section 181.725, by
1.5 adding a subdivision.

1.6 Reports the same back with the recommendation that the bill be amended as follows:

1.7 Delete everything after the enacting clause and insert:

1.8 "Section 1. **MISCLASSIFICATION FRAUD IMPACT REPORT.**

1.9 (a) Every two years, the commissioners of revenue, employment and economic
1.10 development, and labor and industry must coordinate to conduct an analysis of the costs of
1.11 misclassification to illustrate how misclassification impacts misclassified workers,
1.12 government programs, and tax collections.

1.13 (b) By January 15 of every odd-numbered year, beginning January 15, 2027, the
1.14 commissioner of labor and industry must report on the analysis performed under paragraph
1.15 (a) to the chairs and ranking minority members of the legislative committees with jurisdiction
1.16 over taxes, workforce, and labor. The commissioner of labor and industry may contract
1.17 with external experts or an independent third party to conduct a study, develop a report, and
1.18 perform other functions.

1.19 (c) At a minimum, the study and report must provide:

1.20 (1) an estimate of the number of workers experiencing misclassification in Minnesota;

1.21 (2) an estimate of the cost of misclassification to impacted workers;

1.22 (3) an estimate of the prevalence of misclassification by industry; and

1.23 (4) an estimate of the impact to:

1.24 (i) the unemployment insurance trust fund;

1.25 (ii) the family and medical benefit insurance account;

1.26 (iii) state income tax collection;

1.27 (iv) the workers' compensation fund; and

1.28 (v) the workforce development fund.

1.29 (d) Data and information relevant to the required report elements in paragraph (c) must
1.30 be provided to the commissioner of labor and industry for purposes of the study and report,
1.31 including, but not limited to, the following:

(1) from the Department of Employment and Economic Development, information and data relevant to:

(i) the unemployment insurance trust fund;

(ii) the family and medical benefit insurance account;

(iii) unemployment insurance program audits and findings; and

(iv) the workforce development fund;

(2) from the Department of Revenue, information and data relevant to:

(i) misclassification tax audits and findings;

(ii) income tax collection; and

(iii) 1099 filings; and

(3) from the Department of Labor and Industry, information and data relevant to:

(i) misclassification complaints, investigations, and findings; and

(ii) the workers' compensation fund.

Sec. 2. APPROPRIATION; MISCLASSIFICATION FRAUD IMPACT REPORT.

(a) \$..... in fiscal year 2026 is appropriated from the workforce development fund to the commissioner of labor and industry for the misclassification fraud impact report and for legal, technical, and clerical staff support for the report. This appropriation is available until June 30, 2027. The base amount in fiscal year 2028 is \$..... from the workforce development fund.

(b) The commissioner of labor and industry may enter into interagency agreements with the commissioner of employment and economic development and the commissioner of revenue to transfer funds appropriated under paragraph (a) to cover costs associated with the misclassification fraud impact report."

Delete the title and insert:

"A bill for an act

relating to employment; requiring a biennial misclassification fraud impact report; appropriating money."

And when so amended the bill do pass and be re-referred to the Committee on Taxes.

Amendments adopted. Report adopted.

03/28/25

SENATEE

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Jennifer A. McEwen
.....
(Committee Chair)

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March 27, 2025.....
(Date of Committee recommendation)