



INDEPENDENT CONTRACTORS EMPLOYERS?



Committing employee misclassification can be costly for Tennessee businesses.



Tennessee employers can level the playing field and encourage fair competition by complying with workers' compensation laws.

Misclassifying Construction Workers

Employee misclassification can prove to be very costly.

Employers unlawfully avoid paying taxes and workers' compensation insurance premiums when employees are misclassified as "independent contractors." Employers can be penalized for these illegal activities.

Avoiding Required Coverage

Employers in the construction industry are required to obtain coverage, even for just a single employee.

Employers are investigated to verify proof of compliance with workers' compensation law.

Requiring employees to pay for their own workers' compensation coverage is illegal.

Penalties

The Bureau of Workers' Compensation's primary goal is compliance with the law, not penalties. Unfair business practices hurt everyone.



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Employers in the construction industry commit employee misclassification when:

- Workers are incorrectly classified as "independent contractors" instead of employees
- The true type of work performed is misrepresented (classification code)
- Payroll amounts are under-reported to the insurance carrier
- The true number of employees is under-reported to the insurance carrier

Tennessee law helps define the differences between a true independent contractor and an employee.

Independent Contractors:

- Decide how and when the work is done
- Set their own working hours
- Hire and pay their own helpers
- Use their own tools and equipment
- Can work for many customers

Employees:

- Can quit before a job is done
- Are paid hourly, not by the job



Send a Tip

Do you know or suspect an employer of misclassifying employees? Contact:

1 (888) 243-7283 wc.info@tn.gov

Sample Penalty Calculation

$$\left(\begin{array}{c} \$4,000 \\ \text{Correct Annual} \\ \text{Premium} \end{array} - \begin{array}{c} \$750 \\ \text{Incorrect Annual} \\ \text{Premium} \end{array} \right) \times \begin{array}{c} 1.5 \\ \text{Statutory} \\ \text{Multiplier} \end{array} = \begin{array}{c} \$4,875 \\ \text{Penalty} \\ \text{or } \$1000 \\ \text{whichever is greater} \end{array}$$

Avoided Premium