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2011-2012 Regular Sessions

I N S E N A T E

(PREFILED)

January 5, 2011

Introduced by Sen. SQUADRON -- read twice and ordered printed, and when printed to be committed to the Committee on Labor

AN ACT to amend the labor law, in relation to independent contractors

THE PEOPLE OF THE STATE OF NEW YORK, REPRESENTED IN SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

1 Section 1. The labor law is amended by adding two new sections 196-b
2 and 196-c to read as follows:
3 S 196-B. DEFINITIONS. FOR PURPOSES OF THIS ARTICLE THE TERM:
4 1. "COMPENSATION" MEANS THE EARNINGS OF AN INDEPENDENT CONTRACTOR.
5 THE TERM "COMPENSATION" ALSO INCLUDES REIMBURSEMENT FOR EXPENSES.
6 2. "INDEPENDENT CONTRACTOR" MEANS A SOLE PROPRIETOR WHO IS NOT AN
7 EMPLOYEE AND WHO IS HIRED OR RETAINED BY A CLIENT FOR AN AMOUNT EQUAL TO
8 OR GREATER THAN SIX HUNDRED DOLLARS.
9 3. "CLIENT" INCLUDES A CORPORATION, LIMITED LIABILITY COMPANY, PART-
10 NERSHIP, ASSOCIATION OR NON-PROFITMAKING ORGANIZATION CONTRACTING WITH
11 AN INDEPENDENT CONTRACTOR IN ANY OCCUPATION, INDUSTRY, TRADE, BUSINESS
12 OR SERVICE FOR COMPENSATION EQUAL TO OR GREATER THAN SIX HUNDRED
13 DOLLARS. THE TERM "CLIENT" SHALL NOT INCLUDE A GOVERNMENTAL ENTITY,
14 INCLUDING BUT NOT LIMITED TO, ANY AGENCY, BOARD, DEPARTMENT, COMMISSION
15 OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF; AND CLIENT SHALL NOT
16 INCLUDE A PERSON. THE TERM "CLIENT" SHALL NOT INCLUDE OWNERS OF ONE AND
17 TWO-FAMILY DWELLINGS.
18 S 196-C. PAYMENT OF INDEPENDENT CONTRACTORS. 1. AN INDEPENDENT
19 CONTRACTOR SHALL BE PAID THE COMPENSATION EARNED IN ACCORDANCE WITH THE
20 AGREED WORK TERMS BUT NOT LATER THAN THE LAST DAY OF THE MONTH FOLLOWING
21 THE MONTH IN WHICH THE COMPENSATION IS EARNED. THE AGREED WORK TERMS
22 SHALL BE REDUCED IN WRITING, SIGNED BY BOTH THE CLIENT AND THE INDEPEND-
23 ENT CONTRACTOR, KEPT ON FILE BY THE CLIENT FOR A PERIOD OF NOT LESS THAN
24 SIX YEARS AND MADE AVAILABLE TO THE COMMISSIONER UPON REQUEST. SUCH
25 WRITING SHALL INCLUDE A DESCRIPTION OF HOW COMPENSATION EARNED AND PAYA-

EXPLANATION--Matter in *ITALICS* (underscored) is new; matter in brackets
[] is old law to be omitted.

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1 BLE SHALL BE CALCULATED. THE FAILURE OF A CLIENT TO PRODUCE SUCH WRITTEN
2 WORK TERMS, UPON REQUEST OF THE COMMISSIONER, SHALL GIVE RISE TO A
3 PRESUMPTION THAT THE TERMS THAT THE INDEPENDENT CONTRACTOR HAS PRESENTED
4 ARE THE AGREED TERMS.

5 2. THE COMMISSIONER SHALL INVESTIGATE AND ATTEMPT TO ADJUST EQUITABLY
6 CONTROVERSIES BETWEEN CLIENTS AND INDEPENDENT CONTRACTORS RELATING TO
7 THIS SECTION.

8 3. THE COMMISSIONER MAY TAKE ASSIGNMENTS OF CLAIMS FOR COMPENSATION AS
9 DEFINED IN SECTION ONE HUNDRED NINETY-SIX-B OF THIS ARTICLE FROM INDE-
10 PENDENT CONTRACTORS OR THIRD PARTIES IN TRUST FOR SUCH INDEPENDENT
11 CONTRACTORS OR FOR THE VARIOUS FUNDS FOR SUCH INDEPENDENT CONTRACTORS.
12 ALL SUCH ASSIGNMENTS SHALL RUN TO THE COMMISSIONER AND HIS SUCCESSOR IN
13 OFFICE. THE COMMISSIONER MAY SUE COMPANIES ON COMPENSATION CLAIMS THUS
14 ASSIGNED. HE MAY JOIN IN A SINGLE ACTION ANY NUMBER OF COMPENSATION
15 CLAIMS AGAINST THE SAME COMPANY.

16 4. ANY INDEPENDENT CONTRACTOR MAY FILE WITH THE COMMISSIONER A
17 COMPLAINT REGARDING A VIOLATION OF THIS ARTICLE FOR AN INVESTIGATION OF
18 SUCH COMPLAINT AND STATEMENT SETTING THE APPROPRIATE REMEDY, IF ANY.
19 FAILURE OF A CLIENT TO KEEP ADEQUATE RECORDS SHALL NOT OPERATE AS A BAR
20 TO FILING OF A COMPLAINT BY AN INDEPENDENT CONTRACTOR. IN SUCH A CASE
21 THE CLIENT IN VIOLATION SHALL BEAR THE BURDEN OF PROVING THAT THE
22 COMPLAINING INDEPENDENT CONTRACTOR WAS PAID COMPENSATION.

23 5. ON BEHALF OF ANY INDEPENDENT CONTRACTOR PAID LESS THAN THE COMPEN-
24 SATION TO WHICH HE OR SHE IS ENTITLED UNDER THE AGREED WORK TERMS UNDER
25 THE PROVISIONS OF THIS ARTICLE, THE COMMISSIONER MAY BRING ANY LEGAL
26 ACTION NECESSARY, INCLUDING ADMINISTRATIVE ACTION, TO COLLECT SUCH CLAIM
27 AND AS PART OF SUCH LEGAL ACTION, IN ADDITION TO ANY OTHER REMEDIES AND
28 PENALTIES OTHERWISE AVAILABLE UNDER THIS ARTICLE, THE COMMISSIONER MAY
29 ASSESS AGAINST THE CLIENT AN ADDITIONAL AMOUNT AS LIQUIDATED DAMAGES
30 EQUAL TO TWENTY-FIVE PERCENT OF THE TOTAL AMOUNT OF COMPENSATION FOUND
31 TO BE DUE, UNLESS THE CLIENT PROVES A GOOD FAITH BASIS FOR BELIEVING
32 THAT ITS UNDERPAYMENT OF COMPENSATION WAS IN COMPLIANCE WITH THE LAW. IN
33 ANY ACTION INSTITUTED IN THE COURTS UPON A COMPENSATION CLAIM BY AN
34 INDEPENDENT CONTRACTOR OR THE COMMISSIONER IN WHICH THE INDEPENDENT
35 CONTRACTOR PREVAILS, THE COURT SHALL ALLOW SUCH INDEPENDENT CONTRACTOR
36 REASONABLE ATTORNEY'S FEES AND, UNLESS THE CLIENT PROVES A GOOD FAITH
37 BASIS TO BELIEVE THAT ITS UNDERPAYMENT OF COMPENSATION WAS IN COMPLIANCE
38 WITH THE LAW, AN ADDITIONAL AMOUNT AS LIQUIDATED DAMAGES EQUAL TO TWEN-
39 TY-FIVE PERCENT OF THE TOTAL AMOUNT OF COMPENSATION FOUND TO BE DUE. THE
40 REMEDIES PROVIDED BY THIS ARTICLE MAY BE ENFORCED SIMULTANEOUSLY OR
41 CONSECUTIVELY SO FAR AS NOT INCONSISTENT WITH EACH OTHER.

42 6. NOTWITHSTANDING ANY OTHER PROVISION OF LAW, AN ACTION TO RECOVER
43 UPON A LIABILITY IMPOSED BY THIS ARTICLE MUST BE COMMENCED WITHIN SIX
44 YEARS. ALL INDEPENDENT CONTRACTORS SHALL HAVE THE RIGHT TO RECOVER FULL
45 COMPENSATION ACCRUED DURING THE SIX YEARS PREVIOUS TO THE COMMENCING OF
46 SUCH ACTION, WHETHER SUCH ACTION IS INSTITUTED BY THE INDEPENDENT
47 CONTRACTOR OR BY THE COMMISSIONER.

48 7. EACH INDEPENDENT CONTRACTOR WHO FILES A COMPLAINT REGARDING A
49 VIOLATION OF A PROVISION OF THIS ARTICLE SHALL BE PROVIDED WITH A WRIT-
50 TEN DESCRIPTION OF THE ANTICIPATED PROCESSING OF THE COMPLAINT, INCLUD-
51 ING INVESTIGATION, CASE CONFERENCE, POTENTIAL CIVIL AND CRIMINAL PENAL-
52 TIES, AND COLLECTION PROCEDURES.

53 8. EACH INDEPENDENT CONTRACTOR AND HIS OR HER REPRESENTATIVE SHALL BE
54 NOTIFIED IN WRITING OF ANY CASE CONFERENCE BEFORE IT IS HELD AND GIVEN
55 THE OPPORTUNITY TO ATTEND.

1 9. EACH INDEPENDENT CONTRACTOR AND HIS OR HER REPRESENTATIVE SHALL BE
2 NOTIFIED IN WRITING OF ANY AWARD AND COLLECTION OF BACK COMPENSATION AND
3 CIVIL PENALTIES, AND OF ANY INTENT TO SEEK CRIMINAL PENALTIES. IN THE
4 EVENT THAT CRIMINAL PENALTIES ARE SOUGHT THE INDEPENDENT CONTRACTOR AND
5 HIS OR HER REPRESENTATIVE SHALL BE NOTIFIED OF THE OUTCOME OF PROSE-
6 CUTION.

7 10. IF THE COMMISSIONER DETERMINES THAT A CLIENT HAS VIOLATED A
8 PROVISION OF THIS ARTICLE, OR A RULE OR REGULATION PROMULGATED THERE-
9 UNDER, BY FAILING TO PAY THE COMPENSATION OF THEIR INDEPENDENT CONTRAC-
10 TORS, THE COMMISSIONER SHALL ISSUE TO THE CLIENT AN ORDER DIRECTING
11 COMPLIANCE THEREWITH, WHICH SHALL DESCRIBE PARTICULARLY THE NATURE OF
12 THE ALLEGED VIOLATION, AND ORDER THE PAYMENT OF INTEREST AT THE RATE OF
13 INTEREST THEN IN EFFECTED AS PRESCRIBED BY THE SUPERINTENDENT OF BANKS
14 PURSUANT TO SECTION FOURTEEN-A OF THE BANKING LAW PER ANNUM FROM THE
15 DATE OF THE UNDERPAYMENT TO THE DATE OF THE PAYMENT. IN ADDITION TO
16 DIRECTING PAYMENT OF COMPENSATION FOUND TO BE DUE, SUCH ORDER, IF ISSUED
17 TO A CLIENT WHO PREVIOUSLY HAS BEEN FOUND IN VIOLATION OF THOSE
18 PROVISIONS, RULES OR REGULATIONS, OR TO A CLIENT WHOSE VIOLATION IS
19 WILLFUL OR EGREGIOUS, SHALL DIRECT PAYMENT TO THE COMMISSIONER OF AN
20 ADDITIONAL SUM AS A CIVIL PENALTY IN AN AMOUNT EQUAL TO DOUBLE THE TOTAL
21 AMOUNT FOUND TO BE DUE.

22 11. EVERY CLIENT WHO DOES NOT PAY THE COMPENSATION OF ALL OF ITS INDE-
23 PENDENT CONTRACTORS IN ACCORDANCE WITH THE PROVISIONS OF THIS CHAPTER,
24 AND THE OFFICERS AND AGENTS OF ANY CLIENT WHO KNOWINGLY PERMIT THE
25 CLIENT TO VIOLATE THIS CHAPTER BY FAILING TO PAY THE COMPENSATION OF ANY
26 OF ITS INDEPENDENT CONTRACTORS IN ACCORDANCE WITH THE PROVISIONS THERE-
27 OF, SHALL BE GUILTY OF A MISDEMEANOR FOR THE FIRST OFFENSE AND UPON
28 CONVICTION THEREFOR SHALL BE FINED NOT LESS THAN FIVE HUNDRED NOR MORE
29 THAN TWENTY THOUSAND DOLLARS OR IMPRISONED FOR NOT MORE THAN ONE YEAR,
30 AND, IN THE EVENT THAT ANY SECOND OR SUBSEQUENT OFFENSE OCCURS WITHIN
31 SIX YEARS OF THE DATE OF CONVICTION FOR A PRIOR OFFENSE, SHALL BE GUILTY
32 OF A FELONY FOR THE SECOND OR SUBSEQUENT OFFENSE, AND UPON CONVICTION
33 THEREFOR, SHALL BE FINED NOT LESS THAN FIVE HUNDRED NOR MORE THAN TWENTY
34 THOUSAND DOLLARS OR IMPRISONED FOR NOT MORE THAN ONE YEAR PLUS ONE DAY,
35 OR PUNISHED BY BOTH SUCH FINE AND IMPRISONMENT, FOR EACH SUCH OFFENSE.

36 S 2. This act shall take effect immediately.