

DID YOU KNOW



1099 fraud is a problem in our country and in our state. The United States Department of Labor estimates 30 percent of companies nationwide misclassify their employees. Last year through our investigations, we discovered thousands of misclassified workers in Missouri. Businesses that misclassify their employees as independent contractors create higher costs to fund the unemployment program and the workers' compensation system for other employers who do properly classify their employees.

TAKE THE ASSESSMENT
ONLINE

@ www.labor.mo.gov/offthebooks

IMPORTANT: If needed, call 573-751-3236 for assistance in the translation and understanding of the information in this document.

¡IMPORTANTE! Si es necesario, llame al 573-751-3236 para asistencia en la traducción y entendimiento de la información en este documento.

Missouri Division of Employment Security is an equal opportunity employer/program. Auxiliary aids and services are available upon request to individuals with disabilities.
TDD/TTY: 800-735-2966 Relay Missouri: 711

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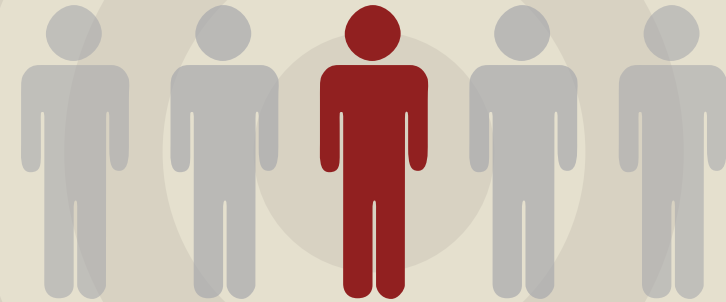


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Are you OFF THE BOOKS?



1099 FRAUD - WORKER MISCLASSIFICATION



DIVISION OF EMPLOYMENT SECURITY

1099 FRAUD - WORKER MISCLASSIFICATION

Worker misclassification occurs when a worker is not classified as an employee, but should be. Some forms of misclassification occur when employees are not reported at all, such as when working off the books or being paid under the table in cash. Misclassification also occurs when employees are classified incorrectly as independent contractors.



Misclassification of workers is not only wrong, it's against the law. Employers that misclassify employees as independent contractors cut costs by not paying unemployment contributions and social security withholdings, or providing workers' compensation insurance. These employees are off the books and unable to access employee benefits such as health insurance and pension plans. More importantly, misclassified workers are denied the protection of state law, such as unemployment and workers' compensation insurance in the event that they lose their jobs due to no fault of their own or incur a workplace injury.

WE CAN HELP



Our department provides educational training to businesses that have questions about this issue. To learn more about "How to Properly Classify Your Workers – 1099 information," sign up today by visiting www.labor.mo.gov/SpeakersBureau. Make sure your business is in compliance with the law and that you are properly classifying your workers.

CONSEQUENCES OF 1099 FRAUD

Employers that knowingly misclassify their employees face penalties in the amount of \$50 to \$1,000 per day per misclassified worker, and/or up to six months in jail per violation. State statute allows the Division of Employment Security to penalize an employer 25 percent of the amount the state has been defrauded. If an employer classifies an employee as an independent contractor and does not have a reasonable basis for doing so, the employer will be held liable for unemployment contributions for that employee. Knowingly failing to insure workers' compensation liability under the law is a class A misdemeanor, and is also punishable by a civil penalty of up to three times the annual premium the employer would have paid had it been insured or up to \$50,000 whichever is greater. To determine whether a worker is classified correctly, Missouri uses the IRS 20-factor test to identify his or her legal status.

Are you being properly classified as a worker



Are other businesses misclassifying their workers



! REPORT 1099 FRAUD

If you want to see if you are an improperly classified worker OR if you want to see if you are properly classifying your workers, take the free online assessment by visiting www.labor.mo.gov/offthebooks. To report worker misclassification over the phone, call the hotline at -

HOTLINE



573-751-1099