



## SHEET METAL AND AIR CONDITIONING CONTRACTORS' NATIONAL ASSOCIATION

April 18, 2023

The Honorable Kevin Kiley  
Chairman, Subcommittee on  
Worker Protections  
U.S. House of Representatives  
Washington, D.C. 20515

The Honorable Alma Adams  
Ranking Member, Subcommittee on  
Worker Protections  
U.S. House of Representatives  
Washington, D.C. 20515

Chairman Kiley and Ranking Member Adams:

As executive director of government and political affairs for The Sheet Metal and Air Conditioning Contractors' National Association (SMACNA), I submit our policy statement on behalf of our construction corporation membership. SMACNA is an international trade association representing 3,500 signatory contracting firms with more than 100 chapters throughout the United States, Canada, Australia, and Brazil. SMACNA provides its sheet metal and air-conditioning contractor members with assistance in areas including business management, labor relations, marketing, governmental affairs, and technical research and development – on both a national and local level.

We appreciate the opportunity to submit testimony for the hearing today about combating the epidemic of **“worker status fraud”**, especially common and growing in the construction industry. Worker status fraud is the deliberate misclassification of workers as independent contractors by unscrupulous contractors to rob taxpayers, shortchange workers, and steal business from legitimate contractors that pay family-sustaining wages and benefits. Since the 1980s, SMACNA has sounded the alarm on worker status fraud. In 1999, SMACNA called worker status fraud **“an epidemic in the construction industry.”** While many states acted, it was becoming exceedingly difficult, if not impossible, for legitimate contractors to compete against unscrupulous contractors that classified more than half of their workers as independent contractors. Unfortunately, even with bipartisan action by the state legislatures, the industry’s prognosis has only gotten worse as an expanding epidemic of misclassification has been largely ignored at the federal level or reasonable legislative and regulatory reforms were blocked.

We would urge that hearings like the one today closely examine the impact on local, state, and federal tax revenues as well as how ignoring independent contractor fraud can disrupt private competitive construction markets and harm the businesses following the letter of the law and meeting all employee withholding obligations and operating legitimate businesses. Further, we would suggest that a hearing by the Worker Protection Subcommittee will review the widespread and harsh economic impact on worker retirement security of worker status fraud and knowingly misclassifying employees as independent contractors. Federal action is needed to help the states.

Sincerely,

Stanley E. Kolbe, Jr.  
Executive Director  
Government and Political Affairs  
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