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RICHARD CORDRAY
OHIO ATTORNEY GENERAL

Ohio to Crack Down on Employee Misclassification

“Underground Economy” costing state hundreds of millions of dollars

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(COLUMBUS, Ohio) —Attorney General Richard Cordray today announced the unprecedented collaboration of state agencies to combat the misclassification of workers. Employee misclassification is part of an “underground economy” in which an employer improperly classifies individuals as independent contractors or pays them “off the books” to avoid taxes and other required payments. As a result, the state and local governments lose hundreds of millions of dollars annually.

“This is a problem that affects everyone, but most people don’t know about it,” said Cordray. “By cutting corners, some employers are in effect stealing from the rest of us. Through unemployment compensation, Bureau of Workers’ Compensation premiums, and state income tax revenues, state and local governments in Ohio are losing hundreds of millions of dollars each year. This is inexcusable in any economic environment, but absolutely unforgivable today. It is time to level the playing field for those businesses that play by the rules.”

In an unprecedented move to prevent misclassification, the Ohio Department of Job and Family Services, Ohio Department of Taxation, and Ohio Bureau of Workers’ Compensation joined forces in an agreement to release and exchange confidential

information. The agreement is believed to be the first of its kind in the state and emphasizes the commitment of Ohio leaders to hold accountable those abusing the system.

A culmination of six months of work by a task force led by Cordray, the agreement opens the door for sharing relevant information, coordinating enforcement efforts, leveling the playing field for law-abiding businesses, and protecting state and local government from being defrauded of lawful revenues. This task force will continue to assess the problem, lay the groundwork for more vigorous enforcement efforts, and make recommendations to policymakers and elected leaders as they arise.

A report compiled by the Attorney General's Office estimates that the extent of annual costs from worker misclassification may be \$100 million for unemployment compensation, more than \$510 million in BWC premiums and almost \$180 million in forgone state income tax revenues. Additionally, misclassification is estimated to have cost Ohio cities and villages more than \$100 million in local income tax revenues in 2006, and cost school districts \$7.8 million in 2008.

- [Letters from Ohio Attorney General Richard Cordray](#)
- [Report of the Ohio Attorney General on the Economic Impact of Misclassification Workers for State and Local Governments in Ohio](#)
- [Agreement for Misclassified Workers](#)

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