

## **DOL Set to Share Employee Misclassification Information with the IRS and States**



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In what appears to be another example of cracking down on the improper use of independent contractors, the U.S. Department of Labor (“DOL”) recently announced it is entering into agreements with the IRS, as well as some state agencies (including Illinois state agencies), to share information regarding employers who have improperly classified employees. The DOL maintains that these arrangements are necessary to share information and coordinate law enforcement with the participants to end the practice of misclassifying employees. However, it is clear that this collaboration has as much to do with enhancing the inflow of tax revenues as it does with protecting employees.

What this practically means for businesses is that if the DOL determines that an independent contractor is misclassified, it can share that determination and evidence with, for example, the Illinois Department of Employment Security or other state agencies, which could very well lead to additional investigations, fines, fees and liability upon the business beyond those by IDOL. In light of this, every company with a business model based, in whole or in part, upon the use of independent contractors should prepare itself for this new enforcement activity and immediately consult with an employment attorney to perform an audit of those workers.

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