

Taxpaying Employers Against Misclassification (TEAM)

January 5, 2012

The Honorable Kasim Reed
City of Atlanta
55 Trinity Avenue
Atlanta, GA 30303

Dear Mayor Reed:

On behalf of a national coalition, Taxpaying Employers Against Misclassification (TEAM), representing thousands of law-abiding employers, I am writing in response to a segment on Atlanta's WSBTV exposing contractors who very intentionally misclassified their employees as independent contractors using a labor broker on public work at the Hartsfield-Jackson Atlanta International Airport. We urge you to take strong action on behalf of the taxpayers in your city and on behalf of the area's legally compliant contractors who lose construction bids because they cannot compete with contractors who commit payroll fraud and otherwise game the system. The documented behavior exposed should be punished and strictly prohibited by other employers in the future – not just on public construction work but in the workplace in general.

Taxpaying Employers Against Misclassification (TEAM) is a growing group of employers and employer organizations, many in Atlanta, concerned about the issue of employee misclassification and payroll fraud. When employers incorrectly classify workers as independent contractors rather than full-time employees to avoid paying the required taxes and benefits, it is, simply put, a form of payroll fraud and tax evasion.

As Mayor of Atlanta, you must understand how inaction on your part harms lawful contractors as well as workers and not just in Atlanta but across the nation. It is hard to understand how in this economic downturn, when local, state and federal authorities are facing declining revenues and the threat of budget shortfalls, such blatant and unlawful tax avoidance could be ignored. Fiscal solvency should be a top priority with more attention being paid to misclassification and payroll fraud than ever before. By stepping up enforcement and cracking down on the bad actors, governments can recoup badly needed taxes and, at the same time, level the playing field so that all businesses are competing in a fair and honest environment.

By misclassifying workers, an employer is able to save money and gain a competitive advantage over other businesses that follow the rules. Misclassification also hurts the workers, who often assume the employer is making the required deductions from their paychecks and providing them with the basic benefits of full-time employees, only to find out later that they have few or no benefits and are “on the hook” for the unpaid taxes. Ultimately, misclassification also hurts the American taxpayer. When employers fail to make their required contributions, the burden is shifted to everyday citizens.

Mayor Reed
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In this case, the action of the contractor was intentional, and the employer deliberately short-changed workers to gain an edge in the marketplace and put money in their own pocket at the expense of the taxpayer. Similar to a misclassification case in Utah, which has been addressed by officials there, bogus deductions were taken out of worker pay. In the Georgia case, the deductions were supposedly for workers' compensation premiums which are required to be paid by the employer. Laws against misclassification must be aggressively enforced and community and national leaders, like you, must stop making it easy for unscrupulous employers to slip through the cracks.

We are working on this issue nationally, and we hope you will personally assume a leadership role in taking action against the so-called "labor brokers" as well as the subcontractors and prime contractors who hire their services. Your strong action would clearly establish that such behavior is unlawful and will not be tolerated. Your action is imperative for the citizens of Atlanta and for companies that obey the law.

Sincerely,

Dana Thompson
Taxpaying Employers Against Misclassification

Cc: WSBTV, Atlanta, GA
Atlanta Journal-Constitution
Governor Nathan Deal
Senator Saxby Chambliss
Senator Johnny Isakson
Rep. Jack Kingston
Rep. Sanford Bishop
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Rep. John Barrow
Rep. David Scott

Taxpaying Employers Against Misclassification (TEAM) is a group of employers and employer organizations from across the nation concerned about the negative impact of employee misclassification and payroll fraud on America. www.nomisclassification.org