

HOUSE BILL REPORT

SB 5926

As Reported by House Committee On:

Commerce & Labor

Appropriations

Title: An act relating to creating a joint legislative task force to review the underground economy in the construction industry.

Brief Description: Creating a joint legislative task force to review the underground economy in the construction industry.

Sponsors: Senators Kohl-Welles, Clements, Kastama, Weinstein, Fairley, Keiser, Marr, Tom, Murray, Oemig, Sheldon and Kline.

Brief History:

Committee Activity:

Commerce & Labor: 3/16/07, 3/23/07 [DP];

Appropriations: 3/31/07 [DP].

Brief Summary of Bill

- Creates a Joint Legislative Task Force on the Underground Economy in the construction industry.

HOUSE COMMITTEE ON COMMERCE & LABOR

Majority Report: Do pass. Signed by 6 members: Representatives Conway, Chair; Wood, Vice Chair; Condotta, Ranking Minority Member; Green, Moeller and Williams.

Staff: Joan Elgee (786-7106).

Background:

The "underground economy" typically refers to employment for which taxes are not paid.

Summary of Bill:

It is the Legislature's intent to determine the extent of and potential costs to the state of the underground economy in the construction industry.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

A Joint Legislative Task Force on the Underground Economy (Task Force) in the Washington construction industry is created. The purpose of the Task Force is to formulate a state policy to establish cohesion and transparency between state agencies to increase oversight and regulation of the underground economy in Washington's construction industry.

The Task Force consists of:

- the Chair and Ranking Minority members of the Senate Labor, Commerce, Research and Development Committee;
- the Chair and Ranking Minority members of the House Commerce and Labor Committee; and
- four members representing the construction business and four members representing construction laborers, selected from nominations submitted by the statewide construction business and labor organizations, respectively. These members are appointed jointly by the President of the Senate and the Speaker of the House.

The Employment Security Department, the Department of Labor and Industries, and the Department of Revenue each have a non-voting liaison representative and are to cooperate with the Task Force.

The Task Force is to contract with the Washington State Institute for Public Policy to assist in determining the extent of and costs to the state and workers of the underground economy in the construction industry.

Senate Committee Services and the House Office of Program Research are directed to provide staff support to the Task Force. The Task Force may hire additional staff.

The Task Force must report its findings and recommendations to the Legislature by January 1, 2008.

Rules Authority: The bill does not address the rule-making powers of an agency.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony:

(In support) A broad based coalition supports this Task Force. The Employment Security Department, the Department of Labor and Industries, and the Department of Revenue are just finishing their three-prong study on revenue lost so the time is right. We need research. The underground economy costs money and jobs and has a negative impact on the rest of the economy. The honest contractors have a tough time competing with people who don't pay taxes, don't pay fair wages, and don't protect workers. We need to crack down on the

underground economy. Between 20 and 50 percent of construction is related in some way to the underground economy. We have been working for years to uncover the more egregious abuses; if a contractor is not paying taxes to one agency, it is probably not paying taxes to the other agencies as well.

(Opposed) None.

Persons Testifying: David Johnson, Washington State Building Trades; John Littel, Northwest Carpenters; and Amy Brackenbury, Building Industry Association of Washington.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass. Signed by 31 members: Representatives Sommers, Chair; Dunshee, Vice Chair; Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Haler, Assistant Ranking Minority Member; Anderson, Buri, Chandler, Cody, Conway, Darneille, Dunn, Ericks, Fromhold, Grant, Haigh, Hunt, Hunter, Kagi, Kenney, Kessler, Kretz, Linville, McDermott, McIntire, Morrell, Pettigrew, Priest, Schual-Berke, Seaquist and P. Sullivan.

Staff: Alex MacBain (786-7288).

Summary of Recommendation of Committee On Appropriations Compared to Recommendation of Committee On Commerce & Labor:

No new changes were recommended.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony:

(In support) The timing for this Task Force is right because there is a study being completed right now by the Department of Labor and Industries, the Employment Security Department, and the Department of Revenue on revenue losses. The underground economy is a phrase that has been used for a long time, but we lack the ability to know the real impact and to develop policy to recover lost revenue in terms of taxes and unpaid wages. A recent national study by the Internal Revenue Service identifies \$350 billion nationally in lost revenue from unpaid or under-reported taxes - \$290 billion of which is in the construction industry.

(Opposed) None.

Persons Testifying: David Johnson, Washington State Building Trades Council; and Clark Gilman, Northwest Carpenters District Council.

Persons Signed In To Testify But Not Testifying: None.