



# Oregon Department of Justice

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## Division of Child Support

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### **TESTIMONY ON Senate Bill 184 For the Senate Committee On Labor and Business January 24, 2023**

#### **Presented by:**

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This testimony is presented in support of Senate Bill 184.

#### **How This Bill Changes Current Law**

More workers in Oregon and around the nation are moving away from traditional employment arrangements and choosing to take advantage of the benefits the gig economy has to offer—from advantageous tax deductions available for business income to schedule flexibility, from alternative work arrangements to higher earning potential. Moreover, the effects of the pandemic on job market also indicate a trend toward independent contracting and gig work. Employers benefit from hiring independent contractors, too: Staffing flexibility, cost per employee savings (not being required to offer benefits, lower training expenses), access to global talent, etc.

Currently, employers are required by federal and state law to report their newly hired employees to state child support programs. However, the requirement does not extend to employers reporting independent contractors and non-traditional workers. Because of this gap in information, it is difficult for the Oregon Child Support Program—and child support programs nationwide—to learn about and collect from the income of some paying parents who do not work for a traditional employer and are not paying their child support obligation regularly.

Senate Bill 184 amends ORS 25.790 and 25.793 to require that, in addition to new employees, employers as defined in ORS 25.010(6) also report independent contractors whom they engage. This would increase opportunities for the Oregon Child Support Program to collect child support from independent contractors. Without a report, the Oregon Child Support Program is unlikely to know when a paying parent is working as an independent contractor and has the means to pay their child support but chooses not to.

Several states and territories (e.g., Colorado, California, New York, Texas, Virginia, Florida, Iowa, Guam, to name a few) already require employers to report independent contractor information to their state’s “new hire” database. The Oregon Child Support Program has been successful in implementing income withholdings with gig employers such as Uber, Lyft, DoorDash, and Grubhub—but that has been limited to circumstances where the program has received this information from one of the parties, and then only through substantial effort on the part of the state AAGs (assistant attorneys general). By enacting this legislation, we would both streamline the process and avoid missing opportunities to help parents meet their support obligations.

This legislation does not intend to identify individuals who hire someone for a one-time job. Rather, it focuses on workers who have recurring, periodic, regular compensation who are not considered employees. It also seeks to close the loophole that some parents have been using to avoid paying their child support obligations, and it will enable everyone involved—employers, paying parents, the Oregon Child Support Program—to do the right thing and bring more financial stability to Oregon families.

### **Key Points of Legislation**

- Requires employers to add to their new-hire employee report the hiring of independent contractors, which will increase the opportunities for collection of child support.
- Clarifies the definition of *employee* as distinct from independent contractors.
- Adds definition for *independent contractor*.
- Introduces the concept of *engaging* and *reengaging* individuals as independent contractors.

### **Fiscal Impact**

This legislation will not have a fiscal impact.

### **Fiscal Benefits**

This legislation will have a fiscal benefit in that it will increase the collection of child support for Oregon families.

### **Recommended Action**

The Oregon Department of Justice recommends committee approval of Senate Bill 184 because employers reporting engagement of independent contractors would increase opportunities to get child support to the families who need it.