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AN ACT relating to employee misclassification; authorizing the Labor Commissioner to collect investigative costs; revising provisions relating to the communication between offices of certain state agencies of information relating to employee misclassification; revising the administrative penalties that may be imposed for certain conduct relating to employee misclassification; eliminating the Task Force on Employee Misclassification; and providing other matters properly relating thereto.

Legislative Counsel’s Digest:

Existing law requires the Labor Commissioner to enforce all labor laws of the State of Nevada. If the Labor Commissioner has reason to believe that a person is violating or has violated a labor law or regulation, the Labor Commissioner may take any appropriate action and, under certain circumstances, impose an administrative penalty against the person. All money collected by the Labor Commissioner as an administrative penalty must be deposited in the State General Fund. (NRS 607.160) **Section 1** of this bill requires the Labor Commissioner to deposit all money collected as an administrative penalty or as an investigative cost in the State General Fund.

Existing law: (1) requires the offices of the Labor Commissioner, the Division of Industrial Relations of the Department of Business and Industry, the Employment Security Division of the Department of Employment, Training and Rehabilitation, the Department of Taxation and the Attorney General to share between their respective offices information relating to suspected employee misclassification which is received in the performance of their official duties and which is not otherwise declared by law to be confidential; and (2) authorizes such offices to communicate information relating to employee misclassification which is received in the performance of their official duties and which is otherwise declared by law to be confidential, if the confidentiality of the information is otherwise maintained under the terms and conditions required by law. (NRS 607.217) **Section 2** of this bill instead requires these offices to communicate between their respective offices information relating to suspected or actual employee misclassification which is received in the performance of their official duties, regardless of whether the information is otherwise declared by law to be confidential. **Section 2** further provides that any such information communicated between their respective offices which is otherwise declared by law to be confidential must otherwise be maintained under the terms and conditions required by law. **Section 4** of this bill makes a conforming change to require the Department of Taxation to share such information.

Existing law authorizes the Labor Commissioner to impose certain administrative penalties against an employer who misclassifies a person as an independent contractor or otherwise fails to properly classify an employee including: (1) for a first offense committed by an employer who unintentionally misclassifies or otherwise fails to properly classify a person as an employee, a warning; (2) for a first offense committed by an employer who willfully fails to properly classify a person as an employee, a fine of \$2,500 for the first incident of willfully misclassifying one or more persons; and (3) for a second or subsequent



offense, a fine of \$5,000 for each employee who was willfully misclassified. (NRS 608.400) **Section 3** of this bill provides instead that: (1) for the first offense committed by an employer who misclassifies or otherwise fails to properly classify a person as an employee, a warning; and (2) for a second or subsequent offense, a fine of \$5,000 for each employee who was willfully misclassified.

Existing law creates the Task Force on Employee Misclassification, consisting of certain persons appointed by the Governor. The Task Force has various duties, including: (1) evaluating the policies and practices of certain state agencies relating to employee misclassification; (2) evaluating any existing fines, penalties or other disciplinary action relating to employee misclassification; (3) developing certain recommendations to reduce the occurrence of employee misclassification; and (4) submitting an annual report to the Legislative Commission that includes a summary of the Task Force's work and recommendations. (NRS 607.218, 607.219, 607.2195) **Section 5** of this bill eliminates the Task Force and its duties. **Section 2** makes a conforming change to reorganize the definition of "employee misclassification" into NRS 607.217, which is the only section to which that definition applies after the elimination of the provisions in the Nevada Revised Statutes relating to the Task Force.

EXPLANATION – Matter in *bolded italics* is new; matter between brackets ~~omitted material~~ is material to be omitted.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. NRS 607.160 is hereby amended to read as follows:
607.160 1. The Labor Commissioner:

(a) Shall enforce all labor laws of the State of Nevada:

(1) Without regard to whether an employee or worker is lawfully or unlawfully employed; and

(2) The enforcement of which is not specifically and exclusively vested in any other officer, board or commission.

(b) May adopt regulations to carry out the provisions of paragraph (a).

2. If the Labor Commissioner has reason to believe that a person is violating or has violated a labor law or regulation, the Labor Commissioner may take any appropriate action against the person to enforce the labor law or regulation whether or not a claim or complaint has been made to the Labor Commissioner concerning the violation.

3. Before the Labor Commissioner may enforce an administrative penalty against a person who violates a labor law or regulation, the Labor Commissioner must provide the person with notice and an opportunity for a hearing as set forth in NRS 607.207.

4. In determining the amount of any administrative penalty to be imposed against a person who violates a labor law or regulation, the Labor Commissioner shall consider the person's previous record



of compliance with the labor laws and regulations and the severity of the violation.

5. All money collected by the Labor Commissioner as an administrative penalty *or as an investigative cost* must be deposited in the State General Fund.

6. The actions and remedies authorized by the labor laws are cumulative. If a person violates a labor law or regulation, the Labor Commissioner may seek a civil remedy, impose an administrative penalty or take other administrative action against the person whether or not the person is prosecuted, convicted or punished for the violation in a criminal proceeding. The imposition of a civil remedy, an administrative penalty or other administrative action against the person does not operate as a defense in any criminal proceeding brought against the person.

7. If, after due inquiry, the Labor Commissioner believes that a person who is financially unable to employ counsel has a valid and enforceable claim for wages, commissions or other demands, the Labor Commissioner may present the facts to the Attorney General. The Attorney General shall prosecute the claim if the Attorney General determines that the claim is valid and enforceable.

Sec. 2. NRS 607.217 is hereby amended to read as follows:

607.217 **1.** The offices of the Labor Commissioner, Division of Industrial Relations of the Department of Business and Industry, Employment Security Division of the Department of Employment, Training and Rehabilitation, Department of Taxation and Attorney General ~~[-~~

~~—1. Shall] shall~~ communicate between their respective offices information relating to suspected *or actual* employee misclassification which is received in the performance of their official duties ~~[and which]~~, *regardless of whether the information is [not] otherwise declared by law to be confidential.*

~~[2.—May communicate]~~ *Any information that is communicated between their respective offices [information] relating to suspected or actual employee misclassification [which is received in the performance of their official duties and] pursuant to this section which is otherwise declared by law to be confidential [-, if the confidentiality of the information is] must otherwise be maintained under the terms and conditions required by law.*

2. As used in this section, unless the context otherwise requires, “employee misclassification” means the practice by an employer of improperly classifying employees as independent contractors to avoid any legal obligation under state labor, employment and tax laws, including, without limitation, the laws



governing minimum wage, overtime, unemployment insurance, workers' compensation insurance, temporary disability insurance, the payment of wages and payroll taxes.

Sec. 3. NRS 608.400 is hereby amended to read as follows:

608.400 1. An employer shall not:

(a) Through means of coercion, misrepresentation or fraud, require a person to be classified as an independent contractor or form any business entity in order to classify the person as an independent contractor; or

(b) Willfully misclassify or otherwise willfully fail to properly classify a person as an independent contractor.

2. In addition to any other remedy or penalty provided by law, the Labor Commissioner may impose an administrative penalty against an employer who misclassifies a person as an independent contractor or otherwise fails to properly classify a person as an employee of the employer. An administrative penalty imposed pursuant to this section must be:

(a) For a first offense committed by an employer who ~~unintentionally~~ misclassifies or otherwise fails to properly classify a person as an employee of the employer, a warning issued to the employer by the Labor Commissioner.

(b) ~~For a first offense committed by an employer who willfully misclassifies or otherwise willfully fails to properly classify a person as an employee of the employer, a fine of \$2,500 for the first incident of willfully misclassifying or willfully failing to properly classify one or more persons as an employee of the employer imposed by the Labor Commissioner.~~

~~(c)~~ For a second or subsequent offense, a fine of \$5,000 for each employee who was willfully misclassified imposed by the Labor Commissioner.

3. Before the Labor Commissioner may enforce an administrative penalty against an employer for misclassifying or otherwise failing to properly classify an employee of the employer pursuant to this section, the Labor Commissioner must provide the employer with notice and an opportunity for a hearing as set forth in NRS 607.207. The Labor Commissioner may impose ~~an~~ *the* administrative penalty as set forth in subsection 2 if the Labor Commissioner finds that:

(a) The employer misclassified a person as an independent contractor; or

(b) The employer otherwise failed to properly classify a person as an employee of the employer.



Sec. 4. NRS 360.255 is hereby amended to read as follows:

360.255 1. Except as otherwise provided in this section and NRS 239.0115, ~~and~~ 360.250 ~~and~~ 607.217, the records and files of the Department concerning the administration or collection of any tax, fee, assessment or other amount required by law to be collected or the imposition of disciplinary action are confidential and privileged. The Department, an employee of the Department and any other person engaged in the administration or collection of any tax, fee, assessment or other amount required by law to be collected or the imposition of disciplinary action or charged with the custody of any such records or files:

(a) Shall not disclose any information obtained from those records or files; and

(b) May not be required to produce any of the records or files for the inspection of any person or governmental entity or for use in any action or proceeding.

2. The records and files of the Department concerning the administration and collection of any tax, fee, assessment or other amount required by law to be collected or the imposition of disciplinary action are not confidential and privileged in the following cases:

(a) Testimony by a member or employee of the Department and production of records, files and information on behalf of the Department or a person in any action or proceeding before the Nevada Tax Commission, the State Board of Equalization, the Department, a grand jury or any court in this State if that testimony or the records, files or information, or the facts shown thereby, are directly involved in the action or proceeding.

(b) Delivery to a person or his or her authorized representative of a copy of any document filed by the person pursuant to the provisions of any law of this State.

(c) Publication of statistics so classified as to prevent the identification of a particular business or document.

(d) Exchanges of information with the Internal Revenue Service in accordance with compacts made and provided for in such cases, or disclosure to any federal agency, state or local law enforcement agency, including, without limitation, the Cannabis Compliance Board, or local regulatory agency that requests the information for the use of the agency in a federal, state or local prosecution or criminal, civil or regulatory investigation.

(e) Disclosure in confidence to:

(1) The Governor or his or her agent in the exercise of the Governor's general supervisory powers;



(2) The Budget Division of the Office of Finance for use in the projection of revenue;

(3) Any person authorized to audit the accounts of the Department in pursuance of an audit;

(4) The Attorney General or other legal representative of the State in connection with an action or proceeding relating to a taxpayer or licensee; or

(5) Any agency of this or any other state charged with the administration or enforcement of laws relating to workers' compensation, unemployment compensation, public assistance, taxation, labor or gaming.

(f) Exchanges of information pursuant to an agreement between the Nevada Tax Commission and any county fair and recreation board or the governing body of any county, city or town.

(g) Upon written request made by a public officer of a local government, disclosure of the name and address of a taxpayer or licensee who must file a return with the Department. The request must set forth the social security number of the taxpayer or licensee about which the request is made and contain a statement signed by the proper authority of the local government certifying that the request is made to allow the proper authority to enforce a law to recover a debt or obligation owed to the local government. Except as otherwise provided in NRS 239.0115, the information obtained by the local government is confidential and privileged and may not be used or disclosed for any purpose other than the collection of a debt or obligation owed to that local government. The Executive Director may charge a reasonable fee for the cost of providing the requested information.

(h) Disclosure of information as to amounts of any unpaid tax or amounts of tax required to be collected, interest and penalties to successors, receivers, trustees, executors, administrators, assignees and guarantors, if directly interested.

(i) Disclosure of relevant information as evidence in an appeal by the taxpayer from a determination of tax due if the Nevada Tax Commission has determined the information is not proprietary or confidential in a hearing conducted pursuant to NRS 360.247.

(j) Disclosure of the identity of a person and the amount of tax assessed and penalties imposed against the person at any time after a determination, decision or order of the Executive Director or other officer of the Department imposing upon the person a penalty for fraud or intent to evade a tax imposed by law becomes final or is affirmed by the Nevada Tax Commission.



(k) Disclosure of the identity of a licensee against whom disciplinary action has been taken and the type of disciplinary action imposed against the licensee at any time after a determination, decision or order of the Executive Director or other officer of the Department imposing upon the licensee disciplinary action becomes final or is affirmed by the Nevada Tax Commission.

(l) Disclosure of information pursuant to subsection 2 of NRS 370.257.

(m) With respect to an application for a registration certificate to operate a medical marijuana establishment pursuant to chapter 453A of NRS, as that chapter existed on June 30, 2020, or a license to operate a marijuana establishment pursuant to chapter 453D of NRS, as that chapter existed on June 30, 2020, which was submitted on or after May 1, 2017, and on or before June 30, 2020, and regardless of whether the application was ultimately approved, disclosure of the following information:

(1) The identity of an applicant, including, without limitation, any owner, officer or board member of an applicant;

(2) The contents of any tool used by the Department to evaluate an applicant;

(3) The methodology used by the Department to score and rank applicants and any documentation or other evidence showing how that methodology was applied; and

(4) The final ranking and scores of an applicant, including, without limitation, the score assigned to each criterion in the application that composes a part of the total score of an applicant.

(n) Disclosure of the name of a licensee and the jurisdiction of that licensee pursuant to chapter 453A or 453D of NRS, as those chapters existed on June 30, 2020, and any regulations adopted pursuant thereto.

3. The Executive Director shall periodically, as he or she deems appropriate, but not less often than annually, transmit to the Administrator of the Division of Industrial Relations of the Department of Business and Industry a list of the businesses of which the Executive Director has a record. The list must include the mailing address of the business as reported to the Department.

4. The Executive Director may request from any other governmental agency or officer such information as the Executive Director deems necessary to carry out his or her duties with respect to the administration or collection of any tax, fee, assessment or other amount required by law to be collected or the imposition of disciplinary action. If the Executive Director obtains any confidential information pursuant to such a request, he or she shall



maintain the confidentiality of that information in the same manner and to the same extent as provided by law for the agency or officer from whom the information was obtained.

5. As used in this section:

(a) “Applicant” means any person listed on the application for a registration certificate to operate a medical marijuana establishment pursuant to chapter 453A of NRS, as that chapter existed on June 30, 2020, or a license to operate a marijuana establishment pursuant to chapter 453D of NRS, as that chapter existed on June 30, 2020.

(b) “Disciplinary action” means any suspension or revocation of a license, registration, permit or certificate issued by the Department pursuant to this title or chapter 453A or 453D of NRS, as those chapters existed on June 30, 2020, or any other disciplinary action against the holder of such a license, registration, permit or certificate.

(c) “Licensee” means a person to whom the Department has issued a license, registration, permit or certificate pursuant to this title or chapter 453A or 453D of NRS, as those chapters existed on June 30, 2020. The term includes, without limitation, any owner, officer or board member of an entity to whom the Department has issued a license.

(d) “Records” or “files” means any records and files related to an investigation or audit or a disciplinary action, financial information, correspondence, advisory opinions, decisions of a hearing officer in an administrative hearing and any other information specifically related to a taxpayer or licensee.

(e) “Taxpayer” means a person who pays any tax, fee, assessment or other amount required by law to the Department.

Sec. 5. NRS 607.216, 607.218, 607.219 and 607.2195 are hereby repealed.

Sec. 6. This act becomes effective on July 1, 2023.

