



Statement Re: Independent Contractors

House Commerce and Economic Development Committee

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The Vermont Technology Alliance supports changes in the definition of an independent contractor compared to a regular employee – particularly as they are used in the software and IT sectors – to make them clearer and easier to follow for both independent contractors and employers.

Vermont has more stringent definition concerning the classification of independent contractors – via the ABC test – than the Internal Revenue Service. This puts Vermont firms at a disadvantage compared to firms in other states. This is especially true for our high growth software and IT industry where it is common to hire multiple freelance software developers, for instance. But it also impacts other types of freelance employees, including consultants, architects, graphic designers and artists.

Tech businesses feel they are more competitive and effective when they can easily bring together specialists on demand to complete project-specific work.

However, many Vermont businesses have expressed frustration with the current guidelines, which tend to define nearly all independent contractors as regular employees. This has resulted in problems for the employer and lost work opportunities for independent contractors, as Vermont businesses are reluctant to hire them.

This leads Vermont tech businesses to hire contractors out of state, rather than hire them in-state. This represents lost revenue for Vermont and lost work for independent contractors.

Vermonters often decide to be independent contractors because they do not want to be employees. They enjoy the freedom, creativity, and responsibility of entrepreneurship. Most enter business understanding they are responsible for taxes, insurance and the liability that comes with owning a business.

In fact, we've identified more than 3,000 self-employed tech workers in the state

The current statutory test of employee vs. independent contractor," encompassed in the ABC test is no longer compatible with the reality of business today. This is certainly the case within our growing technology sector.

Vermont employers need relief from the ABC test, while at the same time allowing flexible business and employment practices that are part of a thriving tech sector and economic development growth in general. This will ensure that both businesses and individuals can take advantage of opportunities for growth, higher wages and employment.

We support the intent of this committee to better define and classify independent contractors, as exhibited for example in Bill H.378. We also support the language defining an independent contractor proposed by the Vermont Department of Labor, with the exception of the requirement that "a person shall not hire multiple sole proprietors or partnerships to perform the same work on a project or jobsite."