KANSAS STATE COUNCIL

SOCIETY FOR HUMAN RESOURCE MANAGEMENT

Testimony in Opposition of SB 198
February 19, 2015
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Chairman Lynn and honorable committee members,

I am Natalie Bright, governmental affairs consultant for Kansas Society for Human Resource Management (KS SHRM). For those unfamiliar with KS SHRM, it is an organization comprised of over 2,300 human resource (HR) professionals in Kansas. Our members serve public and private sectors as well as large and small businesses. The focus of the HR professional is to facilitate between the employer and employee so that a safe and productive work environment is reached.

Thank you for the opportunity to appear in opposition to SB 198. While KS SHRM appreciates and supports the ultimate goal of the Department of Children and Family Services (DCF) to increase their collections of child support, our members do not think it is appropriate to place additional reporting and financial burdens on Kansas employers to accomplish their enforcement goals. SB 198 will cost employers time to implement as well as administer.

Specifically, KS SHRM members have expressed the following concerns regarding SB 198:

1. **Payroll and reporting systems will need to be altered to comply with the provisions.** Not all company systems are set up to meet the requirements outlined in the bill. For example, often contractor payments run through the Accounts Payable system while hiring runs through Payroll. Getting AP to flag and to determine contractor status within the 20 day period would be a new process and could prove to be difficult to meet. In addition, most systems are set up to make the determination of 1099's at the end of the year. This bill mandates this determination to be made within 20 days of hiring the independent contractor. All of this slows down the normal course of business and will cost not only in dollars but in loss of work time.

2. **20 Day reporting period is problematic.** The 20 day timeframe set out in the proposal states that you must report the hiring of contractors within 20 days. However, the IRS does not require a 1099 for a contractor until $600 is paid, which likely will be after the 20 day period.

3. **Small Businesses will be particularly burden.** SB 198 will disproportionately burden small employers who more often rely on the independent contractors to meet the needs of their business. Small businesses have limited staff and each new unfunded mandates cost the business to administer.

4. **Definition of Independent Contractor.** The amended statute creates a new definition for who is an "independent contractor." While the proposed definition is simple and clear for the determination of the difference between an employee or contractor, it is different than the definitions used by the IRS or for the FLSA. Having multiple definitions of the same word may cause confusion for Kansan employers.

Kansas employers already find themselves doing the work of government on a daily basis and accept these as the cost of doing business in Kansas. However, these burdens slow down productivity and hurt the businesses bottom line. Passage of SB 198 will add cost to doing business in Kansas and therefore them members of KS SHRM oppose its' passage. Thank you for the opportunity to share our concerns with you regarding SB 198. If you have any questions, I would be happy to stand for questions.