

GIG IS UP ACT

Congresswoman Deb Haaland (NM-01)

The problem.

The Gig Economy is currently making billions of dollars in profit at the expense of working-class people and the programs designed to provide them with basic economic security, including Social Security and Medicare. By misclassifying workers, gig companies are able to pass their tax and other responsibilities off to working-class people while they rake in billions of dollars.

The solution.

The **Gig Is Up Act** would require companies that gross at least \$100 million and employ at least 10,000 independent contractors to pay SECA (Self-Employed Contribution Act) for the worker based on the earnings with that company. This is intentionally more than employers of W-2 employees are required to pay. This operates as incentive for companies to properly classify their workers and provide them with the full benefits they have earned. There should be a penalty if a company wants a person to work full-time without the benefits that come with being a full-fledged employee.

Background

Our workforce earns Social Security and Medicare and helps finance those earned benefits through a 7.65 percent Social Security and Medicare contribution, matched dollar-for-dollar by their employers, authorized by the Federal Insurance Contributions Act ("FICA"). Self-employed workers are required to pay both the employer and the employee part, and like other employers, claim a tax deduction for the employer portion (authorized by SECA). The contribution is the same, but the classification of the worker determines who pays. Employers of traditional workers (W-2 employees) are responsible for half of the Social Security contributions. In contrast, employers of gig workers (1099 employees) escape that obligation.

Furthermore, current law only requires these companies to issue a Form 1099-K to a gig worker when they earn at least \$20,000 and have at least 200 gigs (transactions) with any particular company in any given year. As a result, many gig workers don't even receive a Form 1099-K, their income is not reported to the IRS, and they are not accruing the necessary credits to qualify for earned benefits such as Social Security and Medicare. When taxes go unpaid, this creates a tax gap, which is the difference between total taxes owed and taxes paid on time. **The gig economy (the self-employment portion) has led to an estimated \$69 Billion "tax gap" as a result of underpaid taxes.**

The Gig Economy & How It Works

The gig economy works by taking a service, such as meal delivery, hairstyling and makeup application, or handyman repairs, and using technology in order to connect suppliers with consumers. A gig is a term commonly used to define a job for a short period of time. It has become commonplace for tech companies to take advantage of workers by hiring them as independent contractors and freelancers instead of full-time employees. Forbes estimates that nearly 57 MILLION (36 percent of the U.S.) workers are part of the gig economy.

Who Is Impacted?

Our Nation's Social Security system provides economic security for workers and their families when they lose wages in the event of retirement, disability, or the death of a breadwinner. Two-thirds of retirees rely on Social Security for most of their income. Without Social Security, 21.9 million people, including 15.2 million seniors and 1.7 million children, would have fallen below the poverty line. Nearly 60 million people rely on Medicare's comprehensive healthcare coverage according to The Kaiser Family Foundation.

The Gig Is Up Act specifically: Requires companies to pay employer and employee portions of the Social Security and Medicare taxes when then contract with at least 10,000 independent contractors and gross at least \$100 million for a calendar year

If you any questions or want to become an original cosponsor of this bill, please contact my Senior Legislative Assistant, Yvesner Zamar at yvesner.zamar@mail.house.gov or 5-6316.