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### **Payroll Fraud: Targeting Bad Actors Hurting Workers and Businesses**

Chairman Casey, Ranking Member Isakson and members of the subcommittee, my name is Matthew Anderson. I am a resident of St. Clair County in the State of Michigan, where I live with my wife and two wonderful young children. Thank you for the opportunity to speak with you today about how payroll fraud has harmed my family and thousands of families across the country.

Currently, I am an estimator for a construction company. Previously, before my injury, I was a working carpenter. I made cabinets, and installed interior trim like crown molding.

My employer was Rush Construction Services, Inc. Rush had a contract with the carpenters union, and they paid me an hourly wage with health and pension benefits. There was training and daily instructions. I was supplied with building materials, power tools and other construction equipment. When I made mistakes or didn't meet production quotas, I got a tongue-lashing. Rush deducted income taxes. They paid employment taxes and unemployment contributions. They paid time-and-a-half for overtime and provided workers' compensation protection. In other words, I and my fellow workers were employees. That is how it was for six years.

But things changed for the worse. We were told the recession cut into Rush's bottom line and they were having problems competing for jobs. Mr. Marty Steele was the owner of Rush and Mr. Dave Marracco was his right hand man. They told us they wanted to switch over to another company they jointly-owned, called Dave & Marty, Inc. (DMI). We were given a choice: work for DMI as independent contractors or don't work at all. My fellow workers and I had families to support. We saw how bad the economy was, so we went along with it. Mr. Steudle and Mr. Marracco directed us to register as D/B/A's (doing-business-as persons). I passed the instructions on to my wife and she did the registration. I was never incorporated. I never had a business card or operated a business. Still that simple D/B/A registration would come back to haunt me. DMI knew what they were doing.

DMI's official address was Mr. Marracco's house. The actual business office was still Rush's. I worked for DMI for 2 1/2 years. There was training and daily instructions. I was supplied with building materials, power tools and other construction equipment. When I made mistakes or didn't meet production quotas, I got a tongue-lashing. So, I was still treated the same as before, but instead of being an employee and getting a W-2 at the end of the year, I got a 1099 form. There were no more deductions from my pay. I paid my portion of employment taxes and I paid DMI's as well. There were no more health and pension contributions. And we didn't get time-and-a-half for overtime.

On February 9, 2011, my life changed forever. My left hand slipped into a table saw blade, severing 1 finger and severely injuring 3 others.

I was rushed to the hospital for surgery to save my hand. I was told that the bills would not be covered by workers' compensation insurance because I was an independent contractor. My medical treatment was long and painful. I've had eight surgeries and I need one more. The damage was so bad that bones had to be taken from my hip. The doctors also needed to take bones from a cadaver for reconstruction.

I couldn't work and medical bills piled up. In a short time, we owed in the range of \$100,000. That's more than my wife and I make in an entire year. I filed a workers' compensation claim. DMI claimed I was an independent contractor and refused to pay. I was pressured to settle with DMI and their insurance carrier. In the end, my family and I were left with our credit ruined and \$25,000 in bills to pay.

This has been a nightmare for my family. A few years ago, my family and I felt secure. We were a middle-class family paying our bills, playing by the rules and living a comfortable life. Now we live paycheck to paycheck to make ends meet. I struggle to hold down a job. I struggle to repay my medical bills. In the meantime, DMI continues to bid and get work and make money. I work now as an estimator so I see first-hand how companies like DMI force workers to become independent contractors, then underbid law abiding companies that pay taxes and protect their workers.

I'm here today to tell my story so what happened to me and my family doesn't happen to anyone else. I respectfully urge you to end this unfair practice that has harmed my family and thousands of others across the country.

Thank you.