



# Kenosha Landlord Association

A Local Chapter of the Wisconsin Apartment Association

Volume 25, Issue 7

July 2013

**New Hallman & Lindsay Ad**  
Go To Page 9



## **Just An Observation**

Go To Page 2

## **The Mortgage Crisis**

Go To Page 3

## **Fair Housing Rights**

Go To Page 4

## **How To Choose A Property Manager**

Go To Page 5

## **The Price Of Illegal Discrimination**

Go To Page 6

## **The Rights Of Inde- pendent Contractors**

Go To Page 11

**DISCLAIMER:** The Kenosha Landlord Association publishes this newsletter to create awareness of issues relating to the rental housing industry. Information is compiled from a variety of sources and the views and concerns expressed by the contributors do not necessarily reflect those of the editor or the Association. When necessary, we suggest you consult an attorney.

## Just an Observation: The Real Estate Market from a Property Management Perspective

by Marilyn Viruet

As a member of the property management community are you seeing as much activity in the market as we are? From our view point there are too many players with similar business models looking to buy everything on site, some exercising good business strategies while others are just buying and saturating the market without a logical business plan.

Could this be the beginning of a second housing market crisis of this century?

With slow global growth, lack of jobs, debt crisis, and the extension from the Federal Reserve to keep federal funds rates low to mid until 2015. You would think investors would make the necessary investment reforms or adjustments in order to maxi-



mize performance and yield. This is purely my observation I don't have numbers or stats to provide a true analysis of my assessment of the investment environment but we can all agree that we can see the Real Estate market is starting to stabilize promoting a positive growth in this sector in the near future.

We can also see the fast momentum which can be a recipe for disaster once again in this industry... I ask myself, are investors willing to make the same mistake a second time to bargain and risk their projected yield of their investment funds? What do you think?

Interesting infographic on the The Mortgage Crisis pg 3.

Marilyn Viruet is the COO & President of Maysonet Group, LLC. Connect with her on [LinkedIn](#) & Twitter: @mxv7200



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# 100 Years in the Making

# THE MORTGAGE CRISIS

The founding fathers of the United States wanted to create a financial system that would not allow private interests to impact national fiscal policy. Whether our current financial system represents that which the patriots of this nation had in mind when creating the initial banking system, or whether it represents exactly what they feared is up to you.

**Welcome to 100 years of Banking & "The Mortgage Crisis".**

**1907**  
Bank Panic—J.P. Morgan Leads Money to Shore up Bankers System  
Bankers System Wealthy investors leverage the Fed that banks never had enough money and pull their money out of it.

**1913**  
Federal Reserve Act: Creation of the Federal Reserve "The Fed"  
Public outcry and fear from 1907 supports the creation of the federal reserve—private institutions funded by private investors & investment banks which lends to the government when in deficit.

**1929**  
Great Depression—Run on Bank of New York & Stock Market Causes Crash  
John D. Rockefeller "These are days when many are discouraged. In the 93 years of my life, depressions have come and gone. Prosperity has always returned and will again."

**1951**  
Treasury Department Cites Fed Full Independence—"The Accord"  
Federal Reserve gains full independence from government oversight.

**1963**  
Glass-Steagall Act  
The Glass-Steagall Act of 1933 established the Federal Deposit Insurance Corporation (FDIC) in the United States and included banking reforms, some of which were designed to control speculation.

**1966**  
President Lyndon B. Johnson  
"In a time of tragedy men, unlike dogs, have used my country. I have signed and created the Federal Reserve to the Federal Reserve Act."

**1968**  
SEC Approves Uptick Rule—Protects against run on banks/public companies implemented by Joseph Kennedy, Sr. Prevents investors from selling capital and perpetually driving down the stock price of a company.

**1977**  
President Jimmy Carter  
"I'm #1!"

**1987**  
Black Monday  
The Fed's reserve buys the global market with US dollars. Economists suggest a state contract to create a "classic tank or" prompted by sudden risk shock.

**1992**  
President Clinton Reappoints Alan Greenspan to Chairman of Federal Reserve  
Greenspan served as a core member of Clinton's economic team.

**1997**  
President Clinton Reappoints Alan Greenspan to Chairman of Federal Reserve  
Greenspan served as a core member of Clinton's economic team.

**2001**  
Enactment of the Glass-Steagall Act of 1933 Allowed combining of insurance and securities companies—re-vest. AIG, Black holding companies of the American investor beyond SEC oversight.

**2002**  
Fed Cuts Rate to All Time Low—Greenspan says "the rocky" bar mergers not treasures.  
Fed Chairman Greenspan advisor for Deutsche Bank & P. Morgan. Holds positions on Council of Foreign Relations & Group of 30.

**2003**  
Timothy Geithner—Appointed President of the Federal Reserve Bank of New York  
Economic Reserve Treasury Federal Reserve Council Foreign Relations International Monetary Fund, Federal Open Market Committee, Group of 30.

**2004**  
President Bush Reappoints Alan Greenspan to Chairman of Federal Reserve  
In an unprecedented fifth consecutive term, Greenspan served as Fed Chairman from 1997 to 2007.

**2005**  
Banking Panic  
SEC removes uptick rule—stock market vulnerable

**2006**  
AIG Bailout—Press Leak, Media Blitz, Outrage and Populist Backlash  
Despite billions of dollars in investment banks, media coverage episodes around \$120M executive compensation scandal.

**2007**  
Banking Panic  
Bank of America CEO Ken Lewis says "The Fed Doesn't Have to Pay Back Bailout Lane II"  
The Fed Doesn't Have to Pay Back Bailout Lane II  
If you don't like the decision we're making in you don't have to play  
Incomparable Differences  
February 2009  
Judith S. Gentry nominated as Secretary of Commerce  
Secretary of Commerce  
Commerce Secretary—Incomparable differences with Administration

**2008**  
Banking Panic  
Bank of America CEO Ken Lewis says "The Fed Doesn't Have to Pay Back Bailout Lane II"  
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**2010**  
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**2011**  
Banking Panic  
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**2012**  
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**2013**  
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**2014**  
Banking Panic  
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**2015**  
Banking Panic  
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**2016**  
Banking Panic  
Bank of America CEO Ken Lewis says "The Fed Doesn't Have to Pay Back Bailout Lane II"  
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**2017**  
Banking Panic  
Bank of America CEO Ken Lewis says "The Fed Doesn't Have to Pay Back Bailout Lane II"  
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**2018**  
Banking Panic  
Bank of America CEO Ken Lewis says "The Fed Doesn't Have to Pay Back Bailout Lane II"  
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**2019**  
Banking Panic  
Bank of America CEO Ken Lewis says "The Fed Doesn't Have to Pay Back Bailout Lane II"  
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**2020**  
Banking Panic  
Bank of America CEO Ken Lewis says "The Fed Doesn't Have to Pay Back Bailout Lane II"  
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**2021**  
Banking Panic  
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**2023**  
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**2024**  
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**1900** \$0.00

**1910**

**1920**

**1930**

**1940**

**1950**

**1960**

**1970**

**1980**

**1990**

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**2015**

**2016**

**2017**

**2018**

**2019**

**2020**

**2021**

**2022**

**2023**

**2024**

**\$6.17 trillion**

**\$11 trillion**

**LEGEND**

- National Debt
- Time
- Event
- Banking Panic
- Uptick Rule
- Bailout
- Alan Greenspan

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# Fair Housing Rights

Federal and state fair housing laws make it illegal to discriminate in housing based on the following protected classes:

**Race** – A person's race or the race of persons with whom one associates.

**Color** – A person's skin color.

**Sex** – A person's sex, including sexual harassment or intimidation.

**National Origin/Ancestry** – The country of one's birth and/or the nationality of one's ancestors.

**Religion** – A person's religious beliefs or denominational affiliation.

**Disability/Handicap** – A physical or mental impairment that substantially limits one or more major life activities.

**Family/Familial Status** – Household composition, including the presence of children.

**Age** – Persons 18 years of age and older.

**Marital Status** – Married, single, divorced, widowed or separated.

**Lawful Source of Income** – A person's legal means of income, including such subsidized forms as Social Security, Food Stamps, Unemployment Compensation, etc.

**Sexual Orientation** – Heterosexuality, homosexuality and bisexuality.

**Domestic Abuse, Sexual Assault and Stalking Victims** – Persons who have been or are victims of domestic abuse, sexual assault or stalking.

## Local Ordinances

City and county fair housing ordinances may include additional protected classes. For instance, Madison, Dane County and the **City of Milwaukee** have protected classes not included in state and federal fair housing laws.

Do you suspect you were denied the opportunity to rent an apartment, buy a home, get a home loan, or buy homeowners insurance because of one of the characteristics listed above? **Let us know** – we can help.

A wide variety of discriminatory practices are prohibited by fair housing laws.



For more information, [CALL US](http://www.fairhousingwisconsin.com/housingrights.html).

**In Madison and Dane County**, there are the following additional protected classes:

**Military Discharge Status** – Type of military discharge, also including active duty status.

**Physical Appearance** – The outward appearance of any person.

**Political Beliefs** – A person's opinions concerning the social, economic and governmental structure of society and its institutions.

**Student Status** – Having or not having standing as an enrollee of a school or apprenticeship program.

**Domestic Partnership** – Two adults in a relationship of mutual support, who occupy the same dwelling as a single house-keeping unit, and whose relationship is of a permanent domestic character.

**Tenant Union Association** – Persons who form or are associated with a tenant union.

**Gender Identity** – Identifying or presenting oneself as male, female or androgynous, regardless of one's biological sex at birth.

**Genetic Identity** – Genetic information unique to the individual, including information about genetic tests.

**Citizenship Status** – The immigration status or citizenship of any person.

**Lawful Source of Income** – In addition to the provisions of state law, local ordinances include Section 8 rent assistance.

**In the City of Milwaukee Gender Identity or Expression** is also a protected class, protecting a gender identity, appearance, expression, or behavior of an individual, regardless of the individual's assigned sex at birth.

**Military Service** – Past or present membership in the military.

From the website: <http://www.fairhousingwisconsin.com/housingrights.html>

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# How to Choose a Property Manager

*I may be moving from a house that I purchased 1 year ago and am very much interested in keeping it as an investment property. Since I will be relocating to another state I know I would need a property manager to oversee the property. What kind of resources are available to help me choose a property manager? The following is a list of some of the questions that I have:*

*What are my responsibilities as the property owner?*

*What are the responsibilities as the property manager?*

*Approximately how much would it cost to have the property managed and maintained by a property manager?*

*What kinds of questions do I need to ask when trying to choose a property manager?*

*What expenses would be tax deductible? Is the interest paid on the mortgage (or any part there of) still deductible?*

*If you can provide me with a list of available resources that can help me answer these questions and the many others that I have, I would greatly appreciate it.*

*Thank you in advance for your assistance.*

## **Dear Landlord:**

Thanks for writing. Here are the answers to your questions.

### **What are my responsibilities as the property owner?**

About the only responsibilities you'd have as a property owner once you hire a property manager are to make the mortgage, property tax and insurance payments. Even so, some property management companies would do that for you (for a price). But, of course, those payments would remain your responsibility. If the property manager didn't make them, the excuse that "he was supposed to pay you but didn't" wouldn't



work very well.

Of course, you always have the ultimate responsibility for the maintenance and repair of the property, even with a property manager. You certainly wouldn't want to leave the responsibility totally in his or her hands. Two things could happen, neither good. One, he or she might not take as good care of the property as you would prefer, thus driving down your rents and creating deferred maintenance, both costing you more money in the future than they would if they had been taken care of in a timely manner. Two, your property manager might spend too much on repairs and maintenance, thus eating into your profits.

You could also undertake some responsibilities, depending on how much you wanted or were able to do. For example, you could approve tenants. And that is something you might definitely want to consider. I hear horror stories occasionally about property managers not being as careful as

they should in selecting tenants, partly because of their fee structure (more about that later). One way to combat that is to create for the property manager a list of rental criteria (possibly even with his or her help and consultation on what is reasonable for the property and the area). Then you could make the final selection from those who met the criteria.

That involves a much longer and

Continued on page 7

10/07

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# THE PRICE OF ILLEGAL DISCRIMINATION

Maria Riga didn't like blacks much. Of course, that was her privilege. If she wanted to be a racist nobody could tell her she could not be. She could hate everybody if she wanted. That's simply her loss and choice. The problem is that Maria Riga was also a landlord.

She could still hate blacks, if she wanted. She just may not discriminate against them because they were black when she rented her apartments. Yet that is exactly what she did.

More important, her attitude and activities cost two other people aggravation, their feeling of self-worth, and their rights as American citizens and human beings. For that there is no excuse.

Maria Riga thought she was really clever, as are many landlords who want to discriminate against people who might want to rent her properties on a basis that has nothing to do with their quality as tenants. She had decided that there was no way she was going to rent to any of "them." Her apartment building was a nice place to live and "they" would just ruin it. So when she had a vacancy and ran an ad in the paper, she just told "those people" that the apartment was already rented.

She was right about one thing. Her apartment was a nice place to live. Mr. and Mrs. Riga kept it up well. It made a superb first impression and was in a respectable neighborhood. The building beckoned good tenants to live there.



When the ad ran in September, she got some phone calls about it. One was from Ronald Alexander. Maria suspected right off that Mr. Alexander was black.

"Yes, I'm calling about the apartment you have advertised in the paper," said Mr. Alexander.

"No way I'm going to fool with him," she said to herself.

"Sorry, you just missed it," replied Mrs. Riga.

"Oh, that's too bad," replied the disappointed Mr. Alexander. He knew apartments around there went fast, but something made him suspicious that he wasn't being told the truth.

He was heartened, though, the next Sunday when another ad was in the paper for the same building. This time he had a friend call.

"Come right over," Mrs. Riga told the caller. So Mr. Alexander went right over.

Imagine Maria's surprise when Mr. Alexander showed up. She had to think fast. How was she going to get rid of him? Then a brilliant idea struck-for her anyway.

"I forgot the keys," she explained, as she palmed the keys in her hand so he wouldn't see them.

"Could I reschedule?" he asked.

"Yeah, call me, if you want."

Mr. Alexander "couldn't believe it; it made him angry." He thought she was lying, he said in court. He was feeling "a

Continued on page 8



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# How to Choose a Property Manager

Continued from page 5

more complicated procedure than I am explaining here, and has many considerations regarding the Fair Housing Law. However, your property manager should be well versed in Fair Housing compliance. If he or she is not, find another property manager in a hurry: it could be a lawsuit waiting to happen.

Your responsibilities would also include approving any repairs or capital improvements over an agreed-upon amount. Obviously the property manager should not have to call you to approve having someone fix a running toilet or broken window, but should get your approval for an exterior paint job, a new roof, new carpeting and such.

## What are the responsibilities as the property manager?

Collect the rent.

*Take the calls from the tenant.*

*Arrange for repairs.*

*See that the repairs are done properly.*

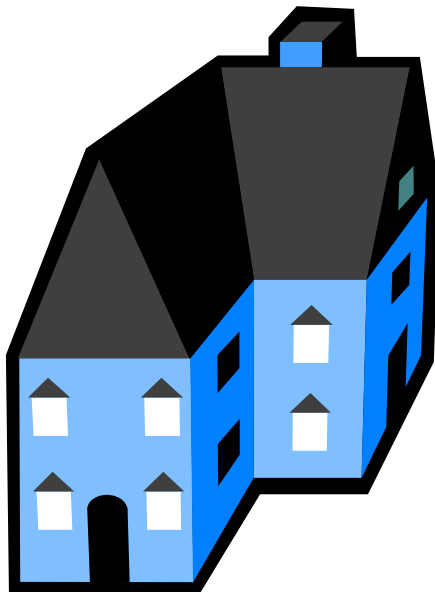
*Send appropriate notices to the tenant for late or non-payment of rent, violations of the rules, etc.*

*Do or oversee evictions.*

*Get your approval for major expenses.*

*Inspect the property occasionally*

Provide you with an accounting of all money received and disbursed monthly or quarterly, as well as keep a client trust account for owner money. State law regulates property managers



much as it does real estate agents. And every state is different. And whatever else you agree upon between you. In fact every responsibility of the property manager is agreed upon contractually.

## Approximately how much would it cost to have the property managed and maintained by a property manager?

Starting point is about 5% of the gross rents and it goes up to a maximum of 10%. But that is just part of it. Some property managers will charge you a set-up fee, for advertising a vacant unit, for trips to the property. Find out what their fee schedule is before you use them. Call several property management companies to ask about their fees. Don't suggest anything to them, let them try to sell you. They will tell you what is important to them, what they believe their best service is. Then compare that with the others you call.

One thing to be particularly concerned with is if the property manager gets paid when the house is vacant. If he or she does not, they could be in too much of a hurry to get the place rented to be as careful as they should about tenant selection. They just want somebody living there so they can get their 5%. You see, if they rent to a tenant who tears up the property, you get to pay for repairs, not

Continued on page 10

## Attention Landlords and Flooring Contractors!

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# THE PRICE OF ILLEGAL DISCRIMINATION

Continued from page 6

little bit too sick to say anything else . . . .” He walked away, then turned and saw her unlocking the front door and entering the building. He called to reschedule and left messages, but did not receive a responding telephone call from Mrs. Riga.

After this, Mr. Alexander sought the assistance of the [Fair Housing Partnership \(FHP\)](#), which directed testers to call about and try to see the apartment.

On 10 separate occasions, from Sept. 18 through Oct. 9, Mrs. Riga truthfully told Dennis Orvosh, a white Fair Housing tester, and whites Robin McDonough, Jeff Lang, and Heidi Sestrich that the apartment was available, allowed each one to see it, and returned their phone calls.

In short, the white testers were welcomed while the black testers were not.

Mr. Alexander continued to try to contact Mrs. Riga and also had friends call. To one friend he remarked that he felt “hurt and discouraged, it is sort of degrading, it discourages you from trying . . . to find a place for your family to live, it is just sickening, I really can’t describe it. It is terrible . . . .”

The Alexanders and the Fair Housing enforcers filed suit against the Rigas. Following an eight-day trial, a jury returned



eight special verdicts. The jury found that Mrs. Riga had discriminated against the Alexanders in violation of the [Fair Housing Act](#). Nonetheless, the jury found that the discriminatory conduct of Mrs. Riga was not “a legal cause of harm” to either Mr. or Mrs. Alexander, and declined to award them monetary damages. After the return of the jury’s special verdicts, the court declined to submit the issue of punitive damages to the jury. Based on the special verdicts, the District Court entered judgment in favor of the Rigas and against the Alexanders, together with court costs.

The Alexanders were not done and made post-trial motions asking for several things. The District Court granted only one motion, to enter judgment in favor of the Fair Housing Partnership, still awarding no damages.

The Alexanders still were not finished and appealed the decision to the 3rd US Circuit Court.

During the appeal, the Rigas made two claims, one that Joseph Riga should not be a part of the case, because he was in Italy when the whole thing took place and second that

Continued on page 9

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# THE PRICE OF ILLEGAL DISCRIMINATION

Continued from page 8

the Alexanders were not “creditworthy.”

There is a valuable lesson for landlords in the first claim. In rejecting the Rigas’ claim that Mr. Riga was not part of the case, the court cited the rules of agency. The Restatement (Second) of Agency states: “Punitive damages can properly be awarded against a master or other principal because of an act by an agent if. . .(c) the agent was employed in a managerial capacity and acting in the scope of employment.” Regardless of the fact that Mr. Riga was in Italy at the time, it was Mrs. Riga’s job to manage the apartments for both of them, so Mr. Riga couldn’t duck responsibility.

Think of this if you have a manager or property management company managing your properties. If the manager or management company violates the Fair Housing Act, you are just as responsible as your agent is because that person or company was “acting in the scope of employment.” You take the heat for all acts of your agents and employees.

That is why it is essential to craft policies and procedures that preclude any hint of violating the rights of tenants and prospective tenants, and that you immediately fire any employee or agent who ignores the policies. (Oh, and keep a complete written record of your activities and the chain of events when you fired the offending agent.)

The second claim, that the Alexanders were not

“creditworthy,” is pure rubbish. How could the Rigas possibly know the creditworthiness of the Alexanders when the Alexanders never filled out an application and never gave permission to obtain a credit report?

The 3rd Circuit Court was having none of the Rigas’ shenanigans. It reversed the decision of the District Court and sent the case back for rehearing on the amount of damages the Rigas would have to pay.

If you are a landlord and don’t like blacks, Hispanics, Jews, Italians, Poles, whites, or any other race or nationality, [that is your privilege](#), but keep it to yourself or just with your other bigoted cronies. Judge rather how good a tenant your applicants will be by how well they pay the rent and other bills, and how good a neighbor and caretaker of their homes they were. Character is what counts, not where or what color someone was born.

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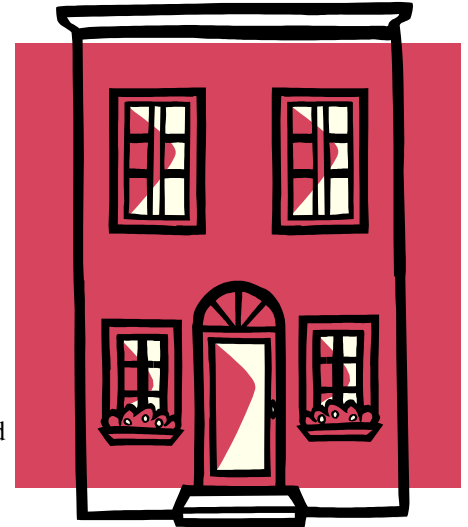
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# How to Choose a Property Manager



Continued from page 7

them. Another good reason for you to approve all tenants.

The apparently cheapest may not be the best. A “teaser” rate of five percent could be hiding some much higher back end charges. For example, the five percent might only apply if they only have to collect the rent and send you an accounting. If they have to do anything else, such as arrange for repairs or check references, they might charge you by the hour, thus quickly eclipsing any higher rate another management company might charge. Another company might charge eight percent, but includes all other services in that eight percent.

## What kinds of questions do I need to ask when trying to choose a property manager?

I think I covered that above. But ask for references, and check them. The most important point to remember is that you are turning your property over to someone you don’t know to manage for you, and you will be many miles away. You won’t be able to just drive by and see how it looks.

At least as important as asking the property manager questions would be asking the property manager’s clients questions. Get a list of references, and call them, just as you would landlord references.

## What expenses would be tax deductible? Is the interest paid on the mortgage (or any part there of) still deductible?

All management expenses are deductible, as well as repairs and maintenance. Your mortgage interest is still deductible, as are your property taxes and insurance. In fact, all your expenses, including sales tax and going to inspect the property a few times a year, are business expenses. Plus, of course, you have depreciation to deduct, once it becomes rental property. Ask your accountant about any things to watch out for.

## If you can provide me with a list of available resources that can help me answer these questions and the many others that I have, I would greatly appreciate it.

[The National Association of Residential Property Managers](#) (NARPM) – is an association of real estate professionals who know first-hand the unique problems and challenges of managing single-family and small residential properties. NARPM

offers training and designations for the manager specializing in residential property management. These certified managers are designated RMP and MPM. In addition companies can be certified as CRMC.

Only property management firms that are headed by an MPM® and that demonstrate the highest level of professionalism are eligible for the Certified Residential Management Company (CRMC®) designation.

[The Institute of Real Estate Management](#) (IREM) – is an organization of professional property managers. It is a subgroup of the Realtors and issues professional designations such as Certified Property Manager (CPM). So if you see a property manager with a “CPM,” you can figure that he or she has taken the time and spent considerable money to learn a good deal about the business. When you look in the yellow pages for property managers, you will see some of them advertise themselves as CPMs. Other designations to look for are ARM and AMO. These professionals have also spent considerable money and time to acquire the skills necessary to become an expert in their field.

[All Property Management](#) – is a national directory of property managers and resource designed to help landlords find and select the best property manager for their needs. Property owners can search by property type and zip code to find property managers that service their location. Then owners can compare and select managers to get more information about the company and even a free quote on the cost of managing the owners property.

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# The rights of independent contractors

By Scott Newcomer April 19, 2012

Across Wisconsin, thousands of independent contractors are working hard to provide for their families and contribute to our local economy. You may know them as hairstylists, software engineers, package deliverers, home inspectors and even emergency room physicians. Their roles are extremely diverse, but they share an important commitment to earning a living by working for themselves and, in many cases, providing jobs for others.

Unfortunately, tucked away in President Barack Obama's 256-page budget proposal is language that would make it difficult for people to have the option of working for themselves. The net effect will be restrictive and unnecessary oversight that would limit job growth and possibly even eliminate existing jobs.

Obviously, given our tenuous economic recovery, this is a move in the wrong direction.

Independent contractors work in every city and town in Wisconsin and every other state across the country. Many of the Independent Business Association of Wisconsin's members work as independent contractors, utilize them or, in some cases, do both. Working as an independent contractor brings additional responsibility but also allows us to make our own decisions on work schedules to match our personal situations. And some of us simply like being our own boss.

Independent contractors are essential to our economy, accounting for \$473 billion in personal income, or one in every \$10 earned. And the sector is rapidly growing. In fact, economists predict that at least half of the total workforce will be independent contractors by 2020.

Just as important, many independent contractors eventually expand into small businesses that create jobs for others. According to the U.S. Department of Commerce, small companies - many of them arising out of independent contracting beginnings - create three out of every four new jobs. They are the key to job growth and economic recovery.



There's no question that independent contractors should obey all laws and pay taxes as required. But broad-scale attempts to reclassify independent contractors and turn them into company employees, as some have proposed, is harmful to those who play by the rules.

The president's budget submission takes a step in the wrong direction by proposing items that will make it more difficult for people to run their own businesses. One of the recommendations is to spend \$14 million to put businesses that use independent contractors under a microscope. That

means lots of red tape and time lost that should be spent making a business more successful.

The president also wants to broaden the ability of the Internal Revenue Service to reclassify independent contractors as employees. If approved, the result will be fewer opportunities for the self-employed because businesses won't be willing to risk the wrath of the heavy hand of the IRS. And who can blame them?

Independent contractors, like everyone, deserve the right to choose a job and a lifestyle that works for them. The president and Congress should not do anything to risk driving away innovation, job creation, entrepreneurship and the opportunity for greater work-life balance.

*Scott Newcomer is executive director of the Independent Business Association of Wisconsin and the president of Newcomer's Consulting Group. He has owned several small businesses and has been an independent contractor and has utilized contractors.*

#### Find this article at:

<http://www.jsonline.com/news/opinion/the-rights-of-independent-contractors-0i52ipn-148186795.html>

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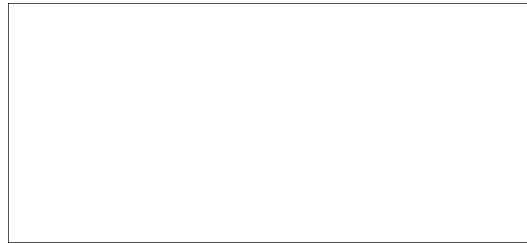


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