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## New York City Enacts Unprecedented Requirements for Hiring Freelance Workers

New York City companies that hire freelance workers will soon have to adhere to an unprecedented set of requirements governing those arrangements. On May 15, 2017, the New York City law known as the Freelance Isn't Free Act will become effective.

The law defines a freelance worker as “any natural person or any organization composed of no more than one natural person, whether or not incorporated or employing a trade name, that is hired or retained as an independent contractor by a hiring party to provide services in exchange for compensation.”

Any party that hires a freelance worker to provide services with a value of \$800 or more — determined by taking the aggregate value of all such services during the immediately preceding 120 days — must provide the freelance worker with a written contract that, at a minimum, provides:

- The name and address of the hiring party and freelance worker.
- An itemized list of services that will be provided.
- The value of those services.
- The rate and method of compensation.

- The date on which payment is due or the mechanism by which that date will be determined (in the absence of this, the hiring party must pay the worker within 30 days of completion of the services).

In addition to a written contract, the law:

- Requires the hiring party to pay the contractor timely and in full.
- Prohibits hiring parties from attempting to force workers to agree to less compensation once the work has started in order to be paid on time.
- Prohibits hiring parties from retaliating against a freelancer who attempts to exercise his or her rights under the Act.

In the event of a violation of the Act, a freelance worker may file an administrative complaint with the New York City Office of Labor Standards within two years following the violation. A freelance worker may also bring a civil action in court for violations of the Act. Claims for failure to enter into the required written contract must be brought within two years after such failure, and claims for payment violations or retaliation must be brought within six years of the complained of conduct.

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Damages and penalties available under the Act can be significant, and include the following:

- Statutory damages of \$250 for failure to execute a contract or include all the required terms.
- Statutory damages equaling the value of the contract for other violations.
- Double damages for unlawful payment practices (failing to pay or making late payments).
- Attorneys' fees and costs.
- Civil penalties up to \$25,000 for evidence of a pattern or practice of violations.

Hiring parties may also be subject to injunctions and "other appropriate remedies."

The Office of Labor Standards plans to post on its website model contracts and other relevant information, including guidance on classifying persons as employees or independent contractors.

In anticipation of the May 15, 2017 effective date of the Act, parties hiring freelance workers should do the following:

- Ensure all contracts entered into with freelance workers (or existing contracts that are renewed) with a value of \$800 or more contain the terms required by the Act.
- Train human resources personnel and other supervisors about the Act's requirements.
- Review whether individuals hired as freelance workers should be classified instead as employees, since the penalties and damages for any such misclassifications are likely to be greater than those under the Act.

For more information, please contact [Mark Goldberg](mailto:mgoldberg@loeb.com) at [mgoldberg@loeb.com](mailto:mgoldberg@loeb.com) or 212.407.4925.

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