



Economic & Employment ENFORCEMENT COALITION

CALIFORNIA ENROLLED AGENTS WORKSHOP

California Labor and Workforce Development Agency

Coalition between:



Other Partner Agencies

- Employment Development Department Workforce Services Branch
- Department of Consumer Affairs – Bureau of Automotive Repair
- Department of Consumer Affairs – Alcoholic Beverage Control
- Board of Equalization

MISSION STATEMENT

Economic & Employment Enforcement Coalition (EEEC) is a partnership of state and federal agencies, each expert in their own field;

Collaborating for vigorous and targeted enforcement against unscrupulous businesses;

Helping to level the playing field and restoring competitive advantage to law abiding businesses and their employees.



EEEC Focus Industries

- Agriculture
- Auto Body Repair
- Car Wash
- Construction
- Garment
- Wooden Pallet Manufacturing and Repair
- Restaurants

PREVIOUS INDUSTRIES: Janitorial & Horse Race Tracks

PROTOCOL

EEEC Representatives upon arrival at the business premises or jobsite will:

Ask to speak with the owner
if owner not available, the manager or person in charge;

Present their business card; and

Explain to the owner or manager the reason for the visit.

PROTOCOL, cont.

Verify compliance with:
State and Federal Labor Laws,
Employment Tax Laws,
Health and Safety Laws.

Validate:
appropriate licenses,
workers' compensation insurance coverage,
time and payroll records,
required postings, and
other labor or Industrial Welfare Commission
requirements.

Underground Economy Activities

Illegal techniques to gain unfair financial advantage
over law-abiding employers

- Failure to report and pay employment taxes
- No workers compensation insurance coverage –
Mandatory
- Failure to pay minimum wage, overtime, shift-
differential
- Misclassification of employees
- Failure to provide safe environment for employees
(examples: hazardous tools and equipment, no sufficient
toilet and washing facilities, unsafe scaffolding, etc.)

Underground Economy Activities, cont'd.

- Failure to provide safety training
- Failure to provide Illness and Injury Protection Program
- Failure to secure required licenses and/or registrations

Note: The underground economy in California has been
conservatively estimated at \$6.5 Billion in just
unreported taxable wage income every year
(*California's Tax Gap*, 2005 California Legislative
Analysts Office)

EDD - What is the Underground Economy?

Businesses using schemes to conceal their true tax liability from taxing agencies

EDD - Underground Economy Operations

Detect, deter, educate and bring into compliance those employers that are avoiding their employment tax liabilities.

Create a *level playing field* for the business competition.

Ensure that workers receive benefit coverage provided by law

Ensure that businesses obtain the proper licenses

Issues found by EDD:

- Unregistered employers
- Corporate officers
- Family Members
- Under-reporting of wages
- Unreported cash pay
- Tips, Meals and Lodging

Misclassification Consequences

- Disgruntled workers
- Competitor informants
- Liability for worker injury
- Revocation of state/local licenses
- Costly reclassification audits
 - -IRS, EDD, Dept. of Industrial Relations
 - -Additional taxes, penalties, and interest

Prevent Penalties and Interest

- Properly classify workers
- Be aware of abusive employment tax schemes
- File all documents and returns timely
- Make all payments timely and in full
- Use electronic filing and payment methods
- Respond timely to all correspondence

Accomplishments to Date

Employment Development Department (Tax)

- Identified almost \$300 Million in unreported wages
- \$46 Million in Employment Tax Liabilities
- Identified 15,000 unreported employees
- Employer Self Audited Reported Wages = over \$5.4M
- Employer Self Audit Tax Liability = over \$250,000
- Employer Self Audited Reported employees = 650
- Over 350 newly registered employers

Accomplishments to Date

Labor, Health & Safety and Business and Profession Code (DLSE, DOSH, CSLB and DOL)\

- 18,726 Citations and Violations issued
- Over \$38M Citation Assessments and Penalties
- Over 15,000 unreported employees
- Over \$297M unreported wages identified

Accomplishments to Date

- 5,546 compliance inspections completed
- 823 cases referred to District Attorney's office for criminal prosecution
- 431 cases resulted to criminal conviction

RE-INSPECTIONS (Garment, Carwash & Restaurant Industries)

- 82% of businesses in compliance [compliance (41%), out of business (31%) or sold to a new owner who are in compliance (10%)]

Education and Outreach

One of EEEEC's goal to provide ongoing education to employers and employees on state tax laws, registration, health, safety and labor laws.

- 70 Post Inspection Meetings
- 120 employer/employee workshops
- 4,778 attendees

Resources

- California Employer's Guide - **DE 44**
- Payroll tax seminars and workshops - **www.edd.ca.gov/taxsem**
- Taxpayer Assistance Center - **(888) 745-3886**



**Economic & Employment
ENFORCEMENT COALITION**

END OF PRESENTATION

THANK YOU

California Labor and Workforce Development Agency
