



State Board of Equalization

News Release

Chairman Jerome E. Horton

4th District – Los Angeles

Kristine Cazadd
Executive Director
www.boe.ca.gov

**For Immediate Release
December 5, 2011**

**Contact: NR 139-11-H
Communications Office
916-327-8988**

More Coordination of State, Federal Agencies Urged to Combat Underground Economy

Strategic Cooperation Key to Minimizing Revenue Loss

Board of Equalization (BOE) Executive Director Kristine Cazadd today delivered remarks at the opening of the *Select Committee on Small Business and the Underground Economy*, stressing the importance of cooperation between State and Federal agencies to combat California's underground economy. Ms. Cazadd spoke on behalf of BOE Chairman Jerome E. Horton, who was unable to attend the hearing.

The *Select Committee on Small Business and the Underground Economy*, held today at the State Capitol, brought together agency and legislative leadership to focus on a range of problems posed by the underground economy for the State and to business owners, including economic impact, unfair business competition, worker safety, and labor conditions.

"I am supportive of the ongoing efforts of Legislators, business, and labor interests to address this vital issue," said Chairman Horton in a prepared statement. "Our goal is to work collaboratively with agencies to develop and implement proactive strategies, marshaling our resources in order to more effectively combat organized crime operating in the black market. We intend to work together with Legislators and stakeholders on legislation that will address this issue."

The term "underground economy" refers to those individuals and businesses that deal in cash and/or use other schemes to conceal their activities, identities and their true tax liability from government licensing, regulatory, and taxing agencies, ranging from the sale of stolen or counterfeit products to the exploitation of victims of human trafficking. Those who operate in the underground economy enjoy the same public services as tax and fee payers, such as hospitals, roads, and police and fire protection, without making the same contributions.

It is estimated that the total tax revenue loss attributable to underground economic activity is over \$7 billion annually. As the Governor and Legislature grapple with a potential \$12 billion deficit for fiscal year 2011-12, the loss of potential revenue to the underground economy highlights the need for increased enforcement.

Introduced at today's Select Committee Hearing was the proposal by the BOE to create the *Underground Economy Centralized Intelligence Partnership*, comprising representatives from the BOE, the Franchise Tax Board (FTB), the Employment Development Department (EDD), and the Office of the Attorney General, among others. While each of these agencies are working on various aspects of the fight against the

underground economy, all agree that there is a need for more coordination and collaboration on these efforts.

Elected in 2010, Chairman Jerome E. Horton is the Fourth District Member of the California State Board of Equalization, representing more than 8.5 million residents in Los Angeles County. He is also the Board of Equalization Legislative Committee chairman. He is the first to serve on the Board of Equalization with over 21 years of experience at the BOE. Horton previously served as an Assembly Member of the California State Assembly from 2000-2006.

The five-member California State Board of Equalization is a publicly elected tax board. The Board of Equalization collects more than \$50 billion annually in taxes and fees supporting state and local government services. It hears business tax appeals, acts as the appellate body for franchise and personal income tax appeals, and serves a significant role in the assessment and administration of property taxes. For more information on other taxes and fees in California, visit www.taxes.ca.gov.

Underground Economy Partnership Concept:

http://www.boe.ca.gov/meetings/pdf/P1_1_111511_Collaborative_Investigations.pdf

###