



State Board of Equalization

# News Release

## Chairman Jerome E. Horton

### 4<sup>th</sup> District – Los Angeles

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### **Underground Economy Robs the State of Billions**

**Landmark Legislation Will Strategically Position California to Protect Consumers and Recover Revenue**

**Sacramento** – Counterfeiters, smugglers and other illegal operators in the Underground Economy are depriving California of an estimated \$8 billion in state taxes that could be spent on schools, public safety, hospitals and other essential services. To combat the criminal activity and level the playing field for California businesses, Senator Curren D. Price, Jr. (D-Los Angeles) has partnered with the Board of Equalization (BOE) to promote legislation ([Senate Bill 1185](#)). Senate Bill 1185 would create a *Centralized Intelligence Partnership* – a central location for agencies to share information that will help them expose, investigate and prosecute illegal operators as well as create a statewide evasion hotline for the public to anonymously report illegal activities.

"These are startling and sobering figures," said Senator Price. "We must capture the billions lost to the underground economy by creating a concerted and comprehensive effort to protect our state's signature industries and California's consumers and taxpayers. I am making it a legislative priority to target directly this drain on California's struggling economy."

"Government is not properly aligned to deal effectively with tax evasion by organized crime. The *Centralized Intelligence Partnership* creates an operational structure and collaboration that is critical and necessary to mitigate criminal activity from those who manufacture and distribute illegal products and refuse to pay their fair share," said BOE Chairman Jerome E. Horton. "This illegal behavior places an unfair burden on California taxpayers."

Criminal activity in the Underground Economy includes a variety of illegal activities such as selling counterfeit goods like "knock off" designer items, offering and paying for services under the table, and smuggling goods into California without paying the required taxes. Criminals that don't pay taxes harm legitimate businesses by offering goods for lower prices and deprive the state and local governments of corporate, personal and sales and use taxes used to fund critical state and local public services. Illegal operators in the Underground Economy ignore many state laws, deprive workers of employment protections, contribute to crime in our local communities and create health and safety hazards for consumers.

The *Centralized Intelligence Partnership* is anticipated to increase California's revenues and consumer protection by accelerating the investigations process and reducing prosecution costs while working together with state and local law enforcement and prosecutors.

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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](http://www.taxes.ca.gov).

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