

Chairman Jerome E. Horton
4th District – Los Angeles**For Immediate Release**
June 8, 2012**Contact: NR 55-12-H**
Jaime Garza
916-327-8988**Underground Economy Endangers Public, Cheats Consumers, Robs State of Billions**
Board of Equalization Fighting To Stop Illegal Activities

Los Angeles – Every year California loses billions of dollars to smugglers, counterfeiters and illegal operators who make up the underground economy. These criminals are depriving California, a state drowning in red ink, of an estimated \$8 billion annually in corporate, sales, use and personal income taxes that could be spent on schools, public safety, hospitals and other essential services.

The California State Board of Equalization (BOE) is fighting back by working closely with law enforcement and other agencies to investigate and prosecute criminals as well as sound the alarm about the damage the underground economy is doing to California.

“Not since the days of Al Capone have so many criminals brazenly violated the law. These modern day mobsters engage in human trafficking, selling illegal drugs and smuggling cigarettes and other products. They endanger lives, deceive consumers and cheat us out of the money we need for public safety, schools, parks and other services,” said BOE Chairman Jerome E. Horton.

The underground economy includes a variety of illegal activities such as selling counterfeit drugs and “knock off” designer items, offering and paying for services under the table, manufacturing and distributing products without paying taxes or following health, safety and employment laws.

Last year, the BOE seized smuggled cigarette and tobacco products that deprived the state of \$276,000 in taxes. Earlier this year, two North Hollywood store owners pleaded guilty to smuggling cigarettes, which cheated the state out of \$2.5 million. In 2011 more than \$10 million in counterfeit electronics, stolen merchandise and bank receipts were recovered by the Los Angeles Port Police in a cargo theft investigation.

BOE Vice Chair Michelle Steel said the underground economy hurts California businesses and state revenue. “In a high-tax and high-regulation state such as California, some unscrupulous people operate business outside the law to gain a competitive advantage over business owners who follow the rules. We must protect legitimate California businesses and prosecute criminals in the underground economy.”

Join BOE and law enforcement leaders at a news conference in San Pedro on June 12 as they discuss the destructive effects of the underground economy and display a multitude of products confiscated from illegal activities.

– More –

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What: Underground Economy News Conference
When: Tuesday, June 12, 2012
10:30 a.m.
Where: Fire Station 112
444 South Harbor Blvd
San Pedro, CA 90731

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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.

Elected to the Board of Equalization in 2006 and re-elected in 2010, Michelle Steel serves as *Southern California's elected taxpayer advocate*. In December 2007, Steel discovered the Board of Equalization had delayed the return of millions of dollars in security deposits owed to California businesses. Procedures were changed due to Steel's decisive leadership. Following her investigation, the tax agency refunded tax security deposits to over 5,500 small businesses. To date, over \$100 million in security deposits have been returned to taxpayers.

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.

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