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Legislation to Save California Millions Passes Critical Milestone SB 1185 Passes on Unanimous Vote in Senate

Sacramento – A proposed law designed to combat California’s underground economy passed a critical milestone Thursday with a unanimous (38-0) vote in the Senate. SB 1185 could recapture \$32 million annually, reduce criminal activity, and level the playing field for California businesses, the Board of Equalization (BOE) announced today.

“This vote brings California one step closer to recapturing the billions in annual tax revenue lost to illegal businesses operating in the underground economy,” said BOE Chairman Jerome E. Horton. “I extend my thanks and gratitude to the Senate for its unanimous vote, and to Senator Curren D. Price, Jr. for his tireless work to provide state agencies the cooperative framework with which we can better identify and bring to justice those individuals and organized crime syndicates that rob our state of critical revenues.”

“The underground economy takes a heavy toll on California businesses and state revenue,” said Vice Chair Michelle Steel. “In a high-tax and high-regulation state such as California, it becomes attractive to operate businesses outside the law in order to obtain a competitive advantage over law-abiding citizens. We must work together to ensure that no California business is put at a competitive disadvantage for simply following the law.”

“Unpaid taxes are really a tax increase on all taxpayers,” said Second District Board Member Senator George Runner. “I support this effort to combat the underground economy as it will help California’s law-abiding taxpayers.”

The BOE is partnering with Senator Curren D. Price, Jr. (D-Los Angeles) to promote legislation ([Senate Bill 1185](#)), which would create a *Centralized Intelligence Partnership (CIP)* – a central location for the BOE, the Franchise Tax Board, and the Employment Development Department 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. SB 1185 continues to accelerate towards becoming law, heading next to the Assembly.

If adopted, the CIP would become operational January 1, 2013 and is expected to generate \$38 for every dollar invested by its third operating year. It will remain revenue-neutral while ramping up in the first two years. The partnership would achieve significant savings by accelerating the investigations process, reducing prosecution costs, and creating efficiencies through the collaborative efforts of the CIP and law

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enforcement agencies.

California's underground economy deprives the state of an estimated \$8 billion in state taxes annually through a spectrum of illegal activities, including the sale of counterfeit goods like "knock off" designer items, offering and paying for services under the table, the exploitation of victims of human trafficking, and smuggling goods into California without paying the required taxes.

Criminals who 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 like schools, public safety, transportation, and others. 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.

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The five-member California State Board of Equalization (BOE) is a publicly elected tax board. The BOE 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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