



State Board of Equalization

News Release

Chairman Jerome E. Horton

4th District – Los Angeles

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BOE LEGISLATIVE COMMITTEE RECOMMENDS BOE SPONSOR LEGISLATION CREATING INTELLIGENCE PARTNERSHIP

Mission Goal: Create Multiagency Partnership to Combat Underground Economy

Sacramento - The Board of Equalization's Legislative Committee, at a Sacramento meeting Wednesday, made a recommendation to the Board that it sponsor legislation creating a collaborative multiagency partnership to combat the State's underground economy, which deprives California of an estimated \$8 billion in revenues annually.

"Government has the resources and the authority to solve this problem. However, the bureaucratic agencies continue to fight for control and bragging rights, and covertly protect their pyramids at the expense of the public," said Jerome E. Horton, Board of Equalization Chair. "As a result, we continue to do the same thing expecting different results, and fail to develop a comprehensive proactive strategy to protect the public and recapture the billions of dollars lost to the black market. "

The Central Intelligence Partnership (CIP) is anticipated to increase California's revenues by accelerating the investigations process, reducing prosecution costs, and assisting in the capture of unreported taxes. In addition, the CIP is designed to streamline the complaint process by providing the public with a centralized one-call complaint hotline and make referrals to resources for victims of fraud and human trafficking.

"All efforts aimed at combating the underground economy in a more aggressive manner would be positive to the citizens of the State of California, and investing resources to combat this problem would pay huge dividends down the road," said Jose Mejia, Director of the State Council of Laborers. "Multi-agency efforts make much sense in an effort to protect workers and employers while capturing lost revenue."

"The existence of the underground economy creates a devastating loss to California's economy, depriving California of good jobs, robust revenue, and significant economic activity." said Melissa Patack, Vice President of State Government Affairs for the Motion Picture Association of America, in support of the BOE's initiative.

It is anticipated that the proposed CIP will include representatives of the Attorney General's Office, the Secretary of Labor, the Board of Equalization, the Franchise Tax Board, the Employment Development Department, and the Departments of Insurance, Health, Motor Vehicles, and Industrial Relations.

Facts and Terms: *The underground economy* refers to those individuals and businesses that deal in cash and/or use other schemes to conceal their activities, identities, and true tax liabilities from government licensing, regulatory, and taxing agencies. Illegal activities of the underground economy range 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.

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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.

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