

California employers are required to file payroll reports and pay the associated taxes. Failure to report and pay tax obligations may result in the following actions:

- Investigation of your business by the Underground Economy Operations unit of EDD.
- Payroll tax audit conducted on your business.
- Assessments levied that include taxes, interest, and penalties up to 120 percent of the amount of contributions.
- Criminal charges instituted above and beyond administrative penalties.
- Felony criminal conviction that includes time in jail or prison, fines of up to \$20,000 per charge or both imprisonment and fine in addition to administrative penalties.
- Criminal and felony charges can include restitution of taxes plus penalties, interest, and cost of the investigation.
- Seizure of your assets, both present and future.

For general information, call: **(888) 745-3886** or to report fraud, call: **(800) 528-1783** or access EDD's Web site at **www.edd.ca.gov**

EDD, an equal opportunity employer/program, is a partner in this publication. Auxiliary aids and services are available upon request to individuals with disabilities. Requests for services, aids, and/or alternate formats need to be made by calling 1-888-745-3886 (voice) or TTY at 1-800-547-9565.

## Combating California's Underground Economy

"Underground Economy" refers to those individuals and businesses that deal in cash and/or use other schemes to conceal their activities and their true tax liability from government license, regulatory, and tax agencies.

The JESF was established by Executive Order to:

- Develop and share information necessary to combat the Underground Economy.
- Improve the coordination of enforcement activities.
- Develop methods to pool, focus, and target the enforcement resources of all JESF members.

### JESF Members

**Employment Development Department (EDD)**

**Division of Labor Standards Enforcement (DLSE)**

**Contractors' State License Board (CSLB)**

**Franchise Tax Board (FTB)**

**Board of Equalization (BOE)**

**Department of Insurance (DOI)**

**Occupational Safety and Health (CAL/OSHA)**



California employers have a legal obligation to provide and maintain a safe workplace for employees.

Failing to provide a safe workplace can result in the issuance of citations for alleged violations of occupational safety and health regulations.

- Serious violations can carry penalties up to \$25,000 each.
- Willful, serious violations can carry penalties up to \$70,000 each.
- In addition, the California Occupational Safety Health Administration (CAL/OSHA) has the authority to shut down dangerous equipment and job sites. CAL/OSHA may refer cases to District Attorneys for criminal prosecution in flagrant cases.

Free resources are available to assist employers with compliance on workplace safety and health regulation. The CAL/OSHA Consultation Service provides on-site visits and compliance assistance including telephone support, education outreach, and publications.

Contact CAL/OSHA at **(800) 963-9424**

Access CAL/OSHA's Web site at **www.dir.ca.gov**

To locate CAL/OSHA Consultation Service Area Offices access CAL/OSHA's Web site at **www.dir.ca.gov/dosh/consultation%5Foffices.html**

If you are an employer with employees, you need to comply with the laws relating to:

- **Workers' Compensation Insurance**
- **Payroll Deduction Statements**
- **Minimum Wage**
- **Overtime**
- **Child Labor**

Failing to comply with labor laws can result in penalties assessed against your business and may include:

- Fines of \$250 per worker, per pay period for failing to issue completed itemized payroll deduction statements to the workers.
- Fines of \$1,000 per worker for failing to maintain a current workers' compensation insurance policy for the workers.
- Your business could be issued a Stop Order Assessment and be barred from using employee labor until a valid workers' compensation insurance policy is secured.

For local office locations and phone numbers, go to DLSE's Home page at **www.dir.ca.gov/dlse**

## Board of Equalization (BOE)

Under California law, anyone selling tangible personal property in California must first obtain a seller's permit. Additionally, anyone selling cigarette or tobacco products in California must also obtain a license prior to making sales of these products.

### Sales Tax

It is illegal to engage in business without a seller's permit or after a permit has been suspended or revoked. Violators may be subject to:

- Misdemeanor fines up to \$5,000 and/or up to one (1) year in county jail.

### Cigarette and Tobacco License

It is illegal to sell cigarettes or tobacco products in this State without a license or after a license has been suspended or revoked under the California Cigarette and Tobacco Products Licensing Act of 2003. Violators may be subject to:

- Seizure of your cigarettes and/or tobacco products.
- Misdemeanor fines up to five times the retail value of the seized cigarettes or tobacco products or \$5,000, whichever is greater, and/or up to one (1) year in county jail.

Individuals found evading business taxes in excess of \$25,000 in a 12-month period may be subject to felony prosecution.

Board of Equalization Tax Evasion Hotline:  
**(888) 334-3300**

For questions, call BOE's Information Center:  
**(800) 400-7115**

Access BOE's Web site at [www.boe.ca.gov](http://www.boe.ca.gov)

## Contractors' State License Board (CSLB)

Under California law, any home improvement or construction work valued at \$500 or more requires a license from the Contractors' State License Board (CSLB).

Contracting without a license is illegal.

- The first offense for misdemeanor unlicensed activity carries a maximum of six (6) months in county jail or an administrative fine up to \$15,000.
- A second violation carries a mandatory 90-day county jail sentence.
- Third and subsequent convictions carry a mandatory fine of \$4,500 to \$10,000 (or 20 percent of the contract price), and/or 90-days to one (1) year in county jail.

For questions, or to report unlicensed activity, call:

CSLB's Statewide Investigative Fraud Team:

Northern California: **(916) 255-2924**

Southern California: **(562) 345-7600**

Access CSLB's Web site at [www.cslb.ca.gov](http://www.cslb.ca.gov)  
**(800) 321-CSLB (2752)**

CSLB licenses California's 300,000 contractors and regulates the construction industry.

## Department of Insurance Fraud Division (DOI)

California employers are required by law to maintain workers' compensation coverage for their employees. Misrepresentations by employers to insurance carriers in order to receive a reduced premium for workers' compensation coverage and willful failure to secure workers' compensation coverage are violations of the law and could result in criminal sanctions including jail, prison, and fines. Examples of violations investigated by the Department of Insurance include:

Premium Fraud—Making a false or fraudulent statement for the purpose of reducing premium, rate, or cost of workers' compensation insurance is a violation of Insurance Code Section 11760 or 11880. Violation of either of these sections is punishable by up to five (5) years in State prison and a \$50,000 fine.

Willful failure to secure workers' compensation for one's employees is a violation of Labor Code Section 3700.5, a misdemeanor punishable by up to one (1) year in county jail and a \$10,000 fine for the first offense.

Contact Information:

- Enforcement Branch  
Headquarters Office  
9342 Tech Center Drive, Suite 100  
Sacramento, CA 95826  
Phone: **(916) 854-5760**
- Consumer Hotline  
**(800) 927-HELP (4357)**  
8:00 a.m. to 6:00 p.m., M-F

Internet: [www.insurance.ca.gov](http://www.insurance.ca.gov)

## Franchise Tax Board (FTB)

The FTB is responsible for administering California's income tax programs.

- Filing a false State income tax return or failing to file a State income tax return is punishable by imprisonment in the county jail up to one year or in the State prison, fines up to \$50,000 for individuals (\$200,000 for corporations), or both, plus penalties.
- Failure to comply with corporation's income tax obligations can result in the suspension of all corporate powers, rights and privileges.
- The FTB may take action to seize both current and future assets, if you or your business owes delinquent State income taxes.

Call:

**(800) 852-5711**  
**for income tax questions**

Internet: [ftb.ca.gov](http://ftb.ca.gov)