

AMENDED IN SENATE SEPTEMBER 3, 2013

AMENDED IN SENATE AUGUST 12, 2013

AMENDED IN SENATE JULY 10, 2013

AMENDED IN ASSEMBLY MAY 1, 2013

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

ASSEMBLY BILL

No. 576

Introduced by Assembly Member V. Manuel Pérez

February 20, 2013

An act to add and repeal Part 12.2 (commencing with Section 15910) of Division 3 of Title 2 of the Government Code, relating to the underground economy.

LEGISLATIVE COUNSEL'S DIGEST

AB 576, as amended, V. Manuel Pérez. Revenue Recovery and Collaborative Enforcement Team Act: pilot program.

Existing law requires various state entities, including, but not limited to, the State Board of Equalization, the Franchise Tax Board, and the Department of Justice, to enforce laws relating to the taxation and legal operation of businesses throughout the state under their respective jurisdictions.

This bill would establish, until January 1, 2019, a pilot program to create a multiagency team consisting of the Franchise Tax Board, Department of Justice, ~~and~~ State Board of Equalization, *and Employment Development Department*, to be known as the Revenue Recovery and Collaborative Enforcement Team, to collaborate in combating criminal tax evasion associated with the underground economy by, among other activities, developing a plan for a central intake process and

organizational structure to document, review, and evaluate data and complaints. The bill would authorize other specified state entities to participate in the pilot program in an advisory capacity. The bill would authorize team members to exchange information for the purpose of investigating criminal tax evasion associated with the underground economy. The bill would require a report to be filed with the Legislature by December 1, 2017, to include the number of complaints received by the team and cases investigated or prosecuted as a result of team collaboration.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. The Legislature finds and declares all of the
2 following:

3 (a) According to the State Board of Equalization, an estimated
4 nine billion dollars (\$9,000,000,000) in corporate, personal, and
5 sales and use taxes goes uncollected in California each year, with
6 unreported and underreported economic activity responsible for
7 the vast majority of that total.

8 (b) Criminal tax evasion associated with underground economic
9 activities hurts all Californians. Revenues to support government
10 services are lost, workers are forced to go without basic
11 employment protections, and legitimate businesses are confronted
12 with unfair competition. Despite significant statewide efforts,
13 California continues to lose billions of dollars in annual tax
14 revenues due to the underground economy.

15 (c) The mission of the Labor Enforcement Task Force (LETf)
16 and the Joint Enforcement Strike Force (JESF) is to combat the
17 underground economy to ensure a level playing field for California
18 businesses. However, these programs focus on labor violations
19 while often overlooking or disregarding criminal tax evasion.

20 (d) The Legislature intends this act to enhance existing efforts
21 to combat criminal tax evasion associated with underground
22 economic activities by institutionalizing collaboration among state
23 agencies. This collaborative effort to combat criminal tax evasion
24 will further aid the state in its progress toward protecting consumers
25 from counterfeit products, increasing public services, and
26 preventing human trafficking by enhancing the state's ability to

1 identify and punish offenders. The Legislature recognizes that the
2 state needs to comprehensively address the underground economy
3 and capitalize on each agency's enforcement efforts and
4 investigative resources by creating the Revenue Recovery and
5 Collaborative Enforcement Team. A key element of this effort is
6 to authorize and facilitate data and intelligence sharing among
7 participating state agencies. It is the intent of the Legislature in
8 enacting this act to focus on the criminal and civil prosecution of
9 those who operate in the underground economy and flagrantly
10 violate the tax laws.

11 SEC. 2. Part 12.2 (commencing with Section 15910) is added
12 to Division 3 of Title 2 of the Government Code, to read:

13
14 PART 12.2. REVENUE RECOVERY AND COLLABORATIVE
15 ENFORCEMENT TEAM ACT
16

17 15910. This part shall be known, and may be cited, as the
18 Revenue Recovery and Collaborative Enforcement Team Act.

19 15912. (a) The Revenue Recovery and Collaborative
20 Enforcement Team is hereby established in state government as a
21 pilot program.

22 (b) For purposes of this part, the term "team" shall refer to the
23 Revenue Recovery and Collaborative Enforcement Team.

24 15914. (a) The team shall include all of the following state
25 entities:

- 26 (1) Franchise Tax Board.
27 (2) Department of Justice.
28 (3) State Board of Equalization.
29 (4) *Employment Development Department*.

30 (b) In addition to the agencies listed in subdivision (a), the
31 following agencies may participate in the pilot program in an
32 advisory capacity to the team:

- 33 (1) California Health and Human Services Agency.
34 (2) Department of Consumer Affairs.
35 (3) Department of Industrial Relations.
36 (4) Department of Insurance.
37 ~~(5) Employment Development Department.~~
38 ~~(6)~~
39 (5) Department of Motor Vehicles.

1 (c) If, in its normal course of investigation, an agency listed in
2 subdivision (b) discovers a violation of law that would result in
3 increased tax revenues to the state, that agency may notify the
4 appropriate tax agency listed in subdivision (a).

5 15916. The team shall meet as needed, but at least quarterly,
6 to conduct its business.

7 15918. To serve the best interests of the state by combating
8 criminal tax evasion associated with the underground economy,
9 the agencies listed in subdivision (a) of Section 15914 shall do all
10 of the following:

11 (a) Develop a plan for a central intake process and organizational
12 structure to document, review, and evaluate data and complaints.

13 (b) Evaluate the benefits of a processing center to receive and
14 analyze data, share complaints, and research leads from the input
15 of agencies listed in subdivisions (a) and (b) of Section 15914.

16 (c) Provide participating and nonparticipating agencies with
17 investigative leads where collaboration opportunities exist for
18 felony-level criminal investigations, including, but not limited to,
19 referring leads to agencies with appropriate enforcement
20 jurisdiction.

21 15920. Duly authorized team members listed in subdivision
22 (a) of Section 15914 may exchange intelligence, data, documents,
23 information, complaints, or lead referrals for the purpose of
24 investigating criminal tax evasion associated with underground
25 economic activities. Any member or ex-member of the team, any
26 agent employed by any agency listed in subdivisions (a) and (b)
27 of Section 15912, or any person who has at any time obtained such
28 knowledge from any of the foregoing agencies or persons shall
29 not divulge, or make known in any manner not provided by law,
30 any of the confidential information received by, or reported to, the
31 team. Information exchanged pursuant to this section shall retain
32 its confidential status and shall remain subject to the confidentiality
33 provisions contained in the following provisions:

34 (a) California Health and Human Services Agency: Subdivision
35 (c) of Section 6254 of this code and Section 14100.2 of the Welfare
36 and Institutions Code.

37 (b) Department of Consumer Affairs: Section 30 of the Business
38 and Professions Code and Section 56.29 of the Civil Code.

39 (c) Department of Industrial Relations: Sections 11181, 11183,
40 and 15553 of this code, Article 7 (commencing with Section 1877)

1 of Chapter 12 of Part 2 of Division 1 of the Insurance Code, and
2 Sections 92, 138.7, 1026, 3762, 6309, 6322, 6396, and 6412 of
3 the Labor Code.

4 (d) Department of Insurance: Section 11180 of this code and
5 Sections 1872.6, 1873, 1874.2, 1875.1, 1877.1, 1877.3, 1877.4,
6 and 1877.5 of the Insurance Code.

7 (e) Department of Justice: Section 11183.

8 (f) Department of Motor Vehicles: Sections 1808.2, 1808.4,
9 1808.5, 1808.6, 1808.21, 1808.24, and 12800.5 of the Vehicle
10 Code.

11 (g) Employment Development Department: Sections 1094 and
12 1095 of the Unemployment Insurance Code.

13 (h) Franchise Tax Board: Sections 19542, 19542.1, and 19542.3
14 of the Revenue and Taxation Code.

15 (i) State Board of Equalization: Section 15619 of this code,
16 Section 42464.8 of the Public Resources Code, and Sections 7056,
17 7056.5, 8255, 9255, 9255.1, 30455, 38705, 38706, 43651, 45981,
18 45982, 45983, 45984, 46751, 50159, 50160, 50161, 55381, 60608,
19 and 60609 of the Revenue and Taxation Code.

20 15922. The team shall submit to the Legislature on or before
21 December 1, 2017, and in compliance with Section 9795, a report
22 of the pilot program that includes, but is not limited to, the
23 following information:

24 (a) The number of leads or complaints received by the team.

25 (b) The number of cases investigated or prosecuted through
26 civil action or criminal prosecution as a result of team
27 collaboration.

28 (c) Recommendations for modifying, eliminating, or continuing
29 the operation of any or all of the provisions of this part.

30 15923. The team shall operate the pilot program using existing
31 funding of the Department of Justice, the Franchise Tax Board,
32 and the State Board of Equalization and shall not request additional
33 funding for the pilot program until after making its report to the
34 Legislature described in Section 15922.

35 15924. This part shall remain in effect only until January 1,
36 2019, and as of that date is repealed, unless a later enacted statute,
37 that is enacted before January 1, 2019, deletes or extends that date.