

Assembly Bill No. 576

CHAPTER 614

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.

[Approved by Governor October 7, 2013. Filed with
Secretary of State October 7, 2013.]

LEGISLATIVE COUNSEL'S DIGEST

AB 576, 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, the Employment Development Department, 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, 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.

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

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

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

(b) Criminal tax evasion associated with underground economic activities hurts all Californians. Revenues to support government services are lost,

workers are forced to go without basic employment protections, and legitimate businesses are confronted with unfair competition. Despite significant statewide efforts, California continues to lose billions of dollars in annual tax revenues due to the underground economy.

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

(d) The Legislature intends this act to enhance existing efforts to combat criminal tax evasion associated with underground economic activities by institutionalizing collaboration among state agencies. This collaborative effort to combat criminal tax evasion will further aid the state in its progress toward protecting consumers from counterfeit products, increasing public services, and preventing human trafficking by enhancing the state's ability to identify and punish offenders. The Legislature recognizes that the state needs to comprehensively address the underground economy and capitalize on each agency's enforcement efforts and investigative resources by creating the Revenue Recovery and Collaborative Enforcement Team. A key element of this effort is to authorize and facilitate data and intelligence sharing among participating state agencies. It is the intent of the Legislature in enacting this act to focus on the criminal and civil prosecution of those who operate in the underground economy and flagrantly violate the tax laws.

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

PART 12.2. REVENUE RECOVERY AND COLLABORATIVE
ENFORCEMENT TEAM ACT

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

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

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

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

- (1) Franchise Tax Board.
- (2) Department of Justice.
- (3) State Board of Equalization.
- (4) Employment Development Department.

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

- (1) California Health and Human Services Agency.
- (2) Department of Consumer Affairs.
- (3) Department of Industrial Relations.

(4) Department of Insurance.

(5) Department of Motor Vehicles.

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

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

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

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

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

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

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

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

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

(c) Department of Industrial Relations: Sections 11181, 11183, and 15553 of this code, Article 7 (commencing with Section 1877) of Chapter 12 of Part 2 of Division 1 of the Insurance Code, and Sections 92, 138.7, 1026, 3762, 6309, 6322, 6396, and 6412 of the Labor Code.

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

(e) Department of Justice: Section 11183.

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

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

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

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

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

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

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

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

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

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