

# New Hotline Cracks Down on Underground Employers

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Officials in California estimate that \$7 billion in payroll tax, workers compensation insurance, and other mandates are lost every year because of underground employment practices, including employers that pay workers under the table, according to a December 2011 [article](#) in the Los Angeles Times.

It may be difficult to confirm the correctness of the estimated losses, but one thing is clear – the underground economy is costing the state a significant amount in revenue.

A new initiative aims to find those who aren't paying their fair share. These employers are breaking the law and benefiting from an unfair advantage over competitors who play by the rules and have to compete with a more burdensome cost structure.

The main tool of the initiative is a public hotline, a phone number (855-297-5322) that now allows people to report businesses that may be flouting state requirements and avoiding payroll tax and workers' compensation requirements, not to mention paying workers less than is required under State law.

A phone number for people to tell on others may not be the highest form of legal enforcement, but it could be an effective and necessary tool.

The article referenced above noted that a survey of more than 300,000 licensed contractors last year "showed that nearly two-thirds had filed papers with the [California Contractor's State Licensing] [b]oard claiming that they should be exempt from carrying workers' compensation insurance because they had no employees."

Experts say that's unusual, and it's likely that many contractors may be misclassifying workers to avoid the need for such insurance.

In today's challenging business environment, effective business planning is necessary to succeed, especially if you play by the rules and comply with the State's challenging regulatory requirements.

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