



Fraud: A Serious Approach to a Serious Problem

The underground economy includes individuals and businesses that use evasive schemes to conceal their activities and true tax liability from government license, regulatory, and tax agencies to gain competitive advantage over law abiding businesses. The Employment Development Department (EDD) works to combat the underground economy in many ways. The EDD leads the Joint Enforcement Strike Force (JESF), a formal partnership of government agencies committed to combating the underground economy. The EDD also partners with other state and federal agencies as a member of the Labor Enforcement Task Force.

Some of the negative impacts resulting from the underground economy are:

- An unfair competitive advantage over businesses that comply with labor, licensing, and payroll tax laws.
- A lack of protections for consumers.
- A potential lack of protection for employees in case of injury on or off the job.

The EDD is taking a serious approach to combating fraud. Some of the efforts being made are:

- Conducting payroll tax audits.
- Performing unannounced inspections based on tips.
- Identifying and prosecuting those responsible for criminal activities.

You can view recent and past convictions on the [EDD's Recent Fraud Convictions](#) web page.

The ultimate impact of this type of fraud is the erosion of the economic stability and working conditions in our great state. Our pamphlet [Paying Cash Wages "Under the Table"...Is It Really Worth the Risk?, DE 573CA](#), outlines some of the costs and effects of cash payments on your business, your employees, and taxpayers in general. It is available in both English and [Spanish](#).

To report fraud, call the JESF hotline at 1-800-528-1783. You can also complete an online [lead referral/complaint](#) to be mailed to the JESF at the address included on the form.

Options for E-file and E-pay Compliance

You may be aware that using [e-Services for Business](#) is a fast, easy, and secure way to file and pay electronically, and it complies with the e-file and e-pay mandate, but did you know that other electronic options for compliance exist? You can learn more about the approved electronic [File and Pay Options](#) from our website.

Remember, if you cannot file and pay electronically due to lack of automation, severe economic hardship, current federal exemption, or other good cause, submit an [E-file and E-pay Mandate Waiver Request, DE 1245W](#). If you have an approved waiver, you will continue to receive paper tax forms and payment coupons in the mail and won't have to worry about penalties for paper submittal.

For more information or assistance, contact the Taxpayer Assistance Center at 1-888-745-3886, Monday through Friday, 8 a.m. to 5 p.m. (Pacific Time).

e-Services for Business. Online. Anytime.

Did You Receive a Federal Unemployment Tax Act (FUTA) Discrepancy Letter From the IRS?

You are required to file reports and pay Unemployment Insurance (UI) taxes with the EDD along with filing your payroll tax with the Internal Revenue Service (IRS) to report total taxable UI wages and contributions paid. Generally, you can take a federal credit against your FUTA tax for the UI taxes you paid to the state.

Annually, the IRS and the EDD compare the amount of total subject wages reported on your federal and state payroll tax returns and if there is a discrepancy, a reconciliation must be made or an assessment may be issued by either the IRS or the EDD. If there is a discrepancy, it is often due to a change of entity or a change in the federal employer identification number (FEIN) that has not been updated with the EDD. You can update your FEIN and make other changes to your employer payroll tax account online using the EDD's [e-Services for Business](#).

If you need a FUTA recertification, you can request it online using [Ask EDD](#) and following the prompts under Payroll Tax.

DID YOU KNOW?

The *Statement of Charges to Reserve Account*, DE 428T, is now available to view through [e-Services for Business](#). If you have not enrolled in e-Services for Business yet, enroll today to learn more about the features and benefits available.

If you need assistance enrolling, accessing your employer payroll tax account using e-Services for Business, or if you have questions on how to view your DE 428T online, you can call the Taxpayer Assistance Center at 1-888-745-3886.

For information and detailed instructions on how to file a protest to the DE 428T, refer to [Information Sheet: Statement of Charges to Reserve Account \(DE428T\), DE 428I](#), available on the EDD's [forms and publications](#) web page.

Good News About the UI Fund!

In May 2018, the [UI Fund](#) became solvent for the first time since the economic downturn in 2008.

The UI Fund is projected to end the year with a positive balance estimated at \$2.1 billion, as compared to a fund deficit of \$1.1 billion at the end of 2017. The fund is forecast to increase to \$2.6 billion by the end of 2019. If the UI Fund has a positive balance on November 10, 2018, when the U.S. Department of Labor determines final credit reductions for the year, then the FUTA tax credit reductions will cease and California employers will receive the full FUTA tax credit.

To get more details and view the entire [UI Fund Forecast](#), visit the EDD website. You can also access the [2018 Disability Insurance Fund Forecast](#) online.

The Newly Revised *Tax Audit Guidelines*, DE 40, Is Here!

The [Tax Audit Guidelines, DE 40](#), has been revised and is now available online. The changes made reflect updates to the EDD's:

- Tax systems
- Policies
- Procedures
- Organizational structure

This great resource provides insight into the employment tax audit process, for example:

- The definition of a payroll tax audit.
- The EDD's authority, responsibilities, and reasons to conduct payroll tax audits.
- The employer's responsibilities with record keeping and the type of business records that are usually required as part of the examination.
- The audit and assessment processes from the initial planning to the closing interview, including the pre and post assessment conferences to resolve audit-related issues.
- The subpoena process, penalty determination, refund and credits, and more.

Visit the payroll tax [forms and publications](#) web page to review or print the *Tax Audit Guidelines*, DE 40.

CALIFORNIA
EMPLOYER



The EDD is an equal opportunity employer/program. 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 1-916-651-7572. TTY users, please call the California Relay Service at 711.

Employment Development Department
PO Box 826880
Sacramento, CA 94280-0001

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Loree Levy, Deputy Director
Tressa Mattingly, Editor

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