

*** NEWS RELEASE ***

DEFENDANT PLEADS TO WORKERS' COMPENSATION INSURANCE FRAUD AND TAX EVASION

FOR IMMEDIATE RELEASE

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Monterey County District Attorney Dean D. Flippo announced today that Juan P. Gutierrez, age 53, of Salinas, pled to two counts of making a material misrepresentation in order to obtain a lower workers' compensation insurance premium and one count of willfully failing to file payroll tax returns with intent to evade tax. The defendant was doing business as Costa Pacific Roofing. Sentencing is scheduled for April 20, 2016 in front of the Honorable Pamela L. Butler. The maximum exposure for the charges pled is six years, eight months incarceration; however it is anticipated the defendant will be placed on felony probation. The restitution is estimated at over \$718,000. This includes premium payments owed to the State Compensation Insurance Fund [SCIF] in the amount of \$374,045 and taxes (including penalties and assessments) which were not paid to the Employment Development Department [EDD] in the amount of 344,170.

In 2012, the Joint Enforcement Strike Force [JESF] conducted an inspection on targeted businesses with suspected active labor to confirm compliance with licensing and employment laws. JESF is a coalition of California State government enforcement agencies mandated by law to work together and in partnership with local and federal agencies to combat the underground economy. The operation included agencies from the California Department of Insurance [CDI], Monterey County District Attorney's office [MCDA], the Contractors State License Board [CSLB], and the Employment Development Department [EDD]. The investigation revealed the defendant had committed premium fraud from October 2010 through October 2013 by falsely reporting he had no employees and no payroll. In 2007, the defendant registered with EDD as an employer and reported wages for only the first three quarters of the year. The account was later closed due to inactivity. Audits were completed by CDI and EDD based upon documentation and evidence of employees' wages during the charged time period.

The case was investigated by CDI Detective Stuart Rind.

Making a material misrepresentation in order to obtain a lower workers' compensation insurance premium has a maximum penalty of five years and a fine of up to double the amount of the fraud and failing to file payroll tax returns with intent to evade tax has a maximum penalty of three years and up to a \$20,000 fine. Employers are required to register their businesses, report and pay taxes to EDD for all employees. Contractors have license requirements. Additionally, business owners and the public need to be aware that California law requires all employers to secure workers' compensation insurance for their employees so that there is adequate medical coverage and other benefits for employees for any work related injuries that may occur.

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