

*** NEWS RELEASE ***

DEFENDANT SENTENCED IN WORKERS' COMPENSATION INSURANCE FRAUD AND TAX EVASION

FOR IMMEDIATE RELEASE

April 20, 2016

**CONTACT: CAROL REED, Deputy District Attorney
(831) 755-5128**

Monterey County District Attorney Dean D. Flippo announced today that Juan P. Gutierrez, age 54, of Salinas, was sentenced today by Judge Pamela L. Butler. On February 24, 2016, the defendant 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 formerly conducted business under the name of Costa Pacific Roofing. It was indicated to the court that he was now working for a licensed contractor as an employee.

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 court placed the defendant on felony probation for a stipulated term of ten years due to the amount of restitution owed in the case. The restitution is estimated at over \$718,000. A victim restitution order in the amount of \$392,224.08 was ordered to be paid to the State Compensation Insurance Fund [SCIF]. The defendant has been making direct payments to the Employment Development Department so the court retained jurisdiction over this part of the restitution. The court ordered the defendant to serve 250 days in county jail, pay over \$20,000 in fines, be subject to a search by any probation or peace officer and be subject to other terms and conditions of probation to ensure the defendant is properly conducting any business he may have an interest in or own.

The case was investigated by CDI Detective Stuart Rind.

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.

###