

Interagency Compliance Network (ICN)

House Committee on Revenue

March 30, 2015

History of the ICN

- What is the ICN?
 - Created in 2009
 - Representatives from various state agencies dedicated to collaborating, sharing information, educating the public, and coordinating enforcement efforts to encourage compliance with tax and employment law.

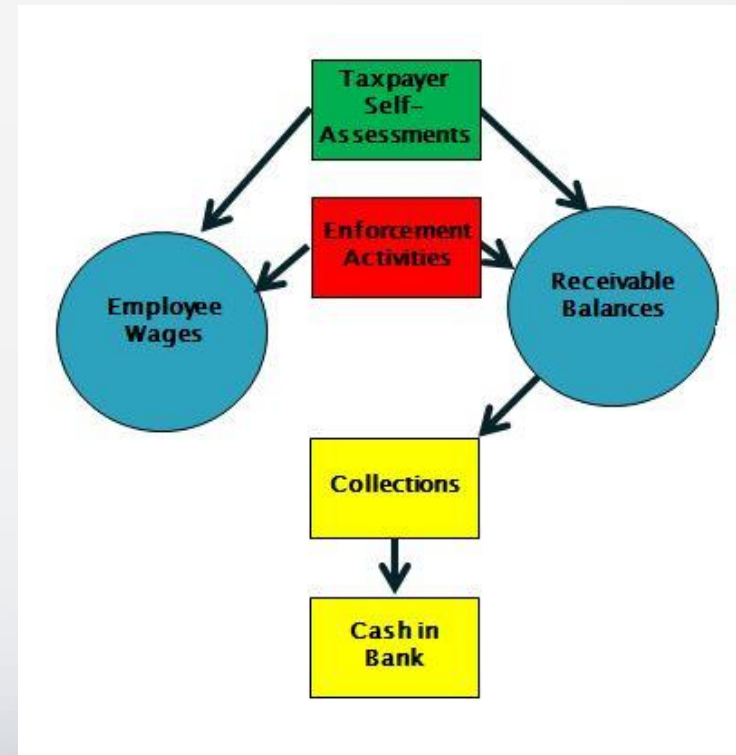
BOLI DCBS DOR OED
CCB DOJ LCB

Importance of the ICN

- Objective: Create a level playing field.
 - Worker misclassification contributes to underfunded worker benefits, tax avoidance, unfair wage practices, and puts businesses and individuals who obey the law at a disadvantage.

ICN functions

- Address issues involving:
 - Misclassification of employees.
 - Cash payments.
 - Obstacles to compliance.
 - Taxation.



ICN strategies

- Education and outreach
 - Facilitate voluntary compliance from employers regarding classification, reporting, and payment of taxes and wages.
 - Identify opportunities to improve compliance.
- Criminal prosecution
 - For when administrative sanctions don't work.

ICN strategies

- Data/lead sharing
 - Coordinate enforcement.
 - Integrate information sharing into culture.
 - Accept other agencies into the network.
- Super auditors
 - Develop investigation methods.
 - Make consistent determinations.
 - Conduct joint audits.

Organization and structure

- ICN Steering Committee
 - Meets quarterly and additionally as needed.
 - Makes decisions impacting the ICN.
 - Reviews and approves reports and documents.
 - Ensures proper messaging is released to the public.
 - Interacts with elected officials and executive staff.
- ICN Enforcement Group
 - Meets monthly.
 - Discusses specific cases.
 - Shares tips and leads.
 - Develops collaborative audit strategy.

Resources and funding

- All ICN agencies have staff who perform ICN-related work as part of their normal business with no dedicated funding stream.
- DOR and OED have dedicated staff to only do ICN-related work.
- Dedicated funding for ICN activities would allow additional enforcement efforts for some member agencies.
- U.S. Department of Labor grant
 - \$500,000 awarded to OED in one time funds has resulted in additional dedicated staff and activities without impact to daily operations.

Results from ICN-dedicated staff (DOR and OED)

July 1, 2012 through December 31, 2014

- \$58 million in payroll audited.
- \$34 million unreported payroll discovered.
- 795 misclassified workers identified.
- \$475,000 UI tax assessed.
- \$204,000 withholding tax assessed.
- \$138,000 transit tax assessed.
- \$27,234 in unpaid taxes found per auditor, per month.

Other ICN-related results

July 1, 2012 through December 31, 2014

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|-------------|--|
| DOR | <ul style="list-style-type: none">• 1,800 investigations initiated from ICN referrals.• \$188 million in unreported wages discovered. |
| DCBS | <ul style="list-style-type: none">• 2,400 investigations of potential misclassification.• \$30,300 in civil penalties. |
| BOLI | <ul style="list-style-type: none">• \$275,885.38 collected for 65 misclassified employees. |
| OED | <ul style="list-style-type: none">• 48 misclassified workers identified.• \$440,883 in unreported payroll discovered. |

Upcoming plans

- Hire an additional ICN auditor.
- Increase outreach efforts.
- Update the website.
- Refine outcome tracking process.
- Streamline appeal process.

Continuing coordinated efforts

- Commitment to sharing.
- Consistent investigation of referrals.
- Commitment to educational outreach events.

Questions?

If you have additional questions after today please contact:

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