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**N E W S R E L E A S E**

**LWC Putting Employer Tax Evaders on Notice**

*Nearly \$1.2 million collected so far this year in overdue taxes, penalties and interest*

Armed with an innovative statewide detection system, the Louisiana Workforce Commission (LWC) has collected nearly \$1.2 million of improperly avoided unemployment insurance taxes, plus penalty and interest, so far this year.

The LWC uses a number of methods to uncover taxes that have been improperly avoided using means generally covered by "SUTA dumping." SUTA is the State Unemployment Tax Act. SUTA dumping can occur in various ways, and some may be found to be fraudulent.

The LWC's investigative efforts have gotten a boost this year with the addition of a new statewide detection system which is the first of its kind in the country. Developed under contract with SAS, a leading business analytics software and services provider, the system has helped to spot suspected SUTA dumping faster through use of automation and predictive modeling.

"Having the technology to do the data-mining and analysis previously done manually has greatly enhanced our capability to go after those who are shortchanging the state," said Curt Eysink, LWC executive director. "Identifying potential SUTA dumping cases and investigating them used to take about two weeks per case, and now it only takes about two hours."

The new system, which uses the SAS<sup>®</sup> Fraud Framework for Government, has resulted in several collections, including a recent case totaling more than \$400,000 in overdue taxes, penalties and interest.

"We are absolutely ramping up the agency's efforts to address SUTA dumping. Making sure all employers pay their fair share -- no more, no less -- is good for all legitimate businesses and for the business climate in Louisiana," Eysink said.

The LWC administers Louisiana's unemployment program, including assessing and collecting taxes and determining eligibility for and paying benefits. Unemployment tax rates are individually assigned to each employer each year under an experience-rating system. Several factors can influence a company's tax rate, including the company's average annual payroll, how much the company has contributed in unemployment taxes, and how much unemployment benefits have been paid to former employees.

The new detection system helps to identify several ways in which unemployment taxes can be improperly avoided, including:

- A business with a large payroll and high experience rating transfers its payroll to a corporate shell that has a low tax rate.

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- A new corporation is registered, and a small payroll is reported each year until a low or minimum experience rate is achieved. Once the low tax rate is attained, large payroll amounts from a related corporation are transferred into the lower-rated account.

- A new or existing employer acquires a business with a high tax rate and fails to properly notify LWC of the acquisition.

Employers should familiarize themselves with state statutes R.S. 23:1539 and R.S. 23:1539.1, which describe how business mergers and acquisitions that involve the transfer of employees should be reported and what experience rating to use when paying unemployment taxes, especially when there is common ownership, management or control with another entity with a lower tax rate. Employers' improper tax avoidance may be inadvertent, but they still have a responsibility to pay all taxes due. The law authorizes civil and criminal penalties for violating the law or advising others to do so. Individuals can be fined up to \$10,000 and/or imprisonment for up to six month per violation. Employers can also be assigned the highest experience rate for the year when the violation occurred or was attempted, as well as for the following three years.

To report suspected SUTA dumping, contact the LWC Unemployment Insurance Tax Unit at 225-342-2992.

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