

Indiana/Kentucky/Ohio Regional Council of Carpenters

1909 Arlingate Lane

Columbus, Ohio 43228

January 17, 2022

Dear Chairman Merrin and Committee Members;

My name is Enrique Cruz, and I am a Business Representative for the Indiana Kentucky Ohio Regional Council of Carpenters.

As a Representative for the Carpenters Union we handle issue members may have on a jobsite, with a contractor, or another member. We go to various jobsites to talk to those that are not Organized about the benefits of a Union and answer questions about the Organization itself. We also organize new members and contractors while extending a helping hand to those in the trade who have been taken advantage of, or are being exploited, while also checking on Tax Fraud.

And to this I have 2 examples.....

While visiting a jobsite in Hudson, Ohio another Rep. and I began talking to a young Hispanic male. He told us he had crossed the border about a year earlier and was paying off his debt to the contractor that had paid the coyote for bringing him over. As we talked later, at an offsite location, he informed us that the 2nd in command of the contractor was from his town in Mexico and he had been recruited there. The cousin of the 2nd in charge told him of the work opportunity in Nebraska working construction and that the contractor would pay for him to cross. After arriving and beginning to work he was informed that he must pay his debt and living costs to said contractor-Food, Lodging, Tools. The worker then explained that he was working 12-16hrs a day, 6-7 days a week at \$11 an hour. He worked for a year, only keeping \$10 a week for himself in order to payoff his debt. One year of work to pay a \$9,000.00 debt, $\$11\text{hr.} \times 14\text{hrs.} \times 6\text{ days} \times 52\text{ weeks} = \$48,048$. It was not only him, but one of his brothers and a cousin who was 17 at the time we met. They were paid through a reloadable Visa type card, Tax Fraud. No w-4, or 1099. The labor broker(2nd in command) was getting \$25-30hr., and paid the workers from those earnings. Single deposit to his account from the contractor. There were around 10-12 guys living in a 4 bedroom house 5min. down the street. The worker I spoke with informed me that they were not the only group working for this contractor, he said there were at least 20 more individuals like him on the other crew, one being another cousin. So 30+ individuals working on construction sites, no one paying any taxes.

The second example is from a jobsite in Cleveland, OH on the near Westside. Myself and another Rep. began talking to an individual from Nashville, TN. He said he was the owner of a company that was subcontracted by another contractor to perform the drywall hanging. He was undocumented but his cousin was documented. They were not registered with the State or the City of Cleveland. He had 8

workers with him, mostly all undocumented. He also paid his workers on a card or in cash. More Tax Fraud. He began to tell me how the contractor hadn't paid him in over a month and was owed money from previous projects as well, to tune of \$80,000! When he told me who the subcontractor was, I knew that there would be issues. He had me speak with another group that was working on said project and they informed me that they were owed almost \$300,000. This group was also mostly undocumented, and paid cash or through a card or personal check. No taxes being paid from this site either.

Taxes are skirted at every turn. Federal, State and Municipal. **We have estimated that the tax losses from construction in Ohio alone are \$868-928 million dollars annually.** That comes from our jobsite visits, 8-14 daily. **2-3 crews go out, 80-140 site visits a week.** Just in Cleveland. We have offices in Rossford(Toledo), Columbus, Cincinnati, Canton, and Youngstown as well. **480-840 jobsite visits a week across the State.**

This Business model of a subcontractor hiring a subsequent sub from out of state or unregistered subcontractor is becoming the norm. This hurts not only legitimate contractors but the cities and communities where these projects are being built. Not having to pay Federal, State and Municipal taxes puts good contractors at a disadvantage. The money from taxes not being paid hurts the communities because there is less funding for said community. The problem is growing, and if we hope to begin to make our cities and municipalities solvent, cracking down on Tax Fraud is one way to get the funds we so desperately need.

I would like to personally thank Representative Cutrona and Representative Edwards for introducing House Bill 482. The formation of a Tax Fraud Commission will shed light on just how devastating misclassification is in the state of Ohio. With the hope of a sensible solution on behalf of all good contractors and tax-paying Ohioans, I look forward to the passage of this legislation.

Respectfully,

Enrique Cruz
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