



STATE OF NEW JERSEY

DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT



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## Nov-08-07 New Jersey State Agency Will Share Employment Tax Examination Results with the IRS

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**Washington D.C., November 07, 2007**—Under the direction of Governor Jon S. Corzine, the New Jersey Department of Labor and Workforce Development has entered into a cooperative agreement with the Internal Revenue Service (IRS), to share employment tax examination results with each other as part of a joint Questionable Employment Tax Practice (QETP) initiative.

The New Jersey Department of Labor and Workforce Development has partnered with the IRS to leverage resources in order to improve compliance with federal and state employment tax laws.

"I have charged various state agencies, including the Department of Labor and Workforce Development and the Division of Taxation in the Treasury Department to develop new collaborations and share data," said Governor Corzine. "Today's agreement with the U. S. Internal Revenue Service and the New Jersey Department of Labor and Workforce Development provides similar data sharing and gives both state and federal governments stronger tools to protect workers from exploitation and employers from unfair competition."

This information sharing agreement will help improve compliance with federal and state regulations governing employment tax/unemployment tax activity and reduce fraudulent filings, schemes, and worker misclassification in the employment tax arena.

"Under Governor Corzine's leadership New Jersey is at the forefront of the fight against worker misclassification and the fight to reduce fraudulent filings and schemes by unscrupulous employers," said labor Commissioner David J. Socolow. "The collaborative agreement with the IRS will give the state of New Jersey more leverage and tools to reduce the employment tax gap and to ensure a level playing field for businesses that abide by the law."

The New Jersey Department of Labor and Workforce Development's recent yearly audits of 2.2 percent of employers – around 6,000 annually – have found either independent contractor misclassification or workers being paid in cash "off the books" in 42 percent of cases. Even among the more than 750 employers selected totally at random for an audit, 38 percent of these firms violated the law by misclassifying their employees.

For the year 2006 the Department of Labor and Workforce Development found nearly 25,000 workers who were misclassified and uncovered more than half-a-billion dollars in misclassified or unreported wages (\$565 million). In 2005, New Jersey's audits found 28,286 misclassified workers, with misclassified or unreported wages of \$625.9 million. In calendar year 2004, audits by the Department turned up more than 26,000 workers whose employers misclassified their employment and failed to provide these workers with New

Jersey unemployment and disability insurance coverage.

So far the New Jersey Department of Labor and Workforce Development has greatly benefited from data-sharing with the IRS. Investigations initiated as the result of analysis of 1099 information provided by the IRS since 2003 resulted in findings of non-compliance in 75 percent of cases (111 cases, 84 assessments). The new QETP agreement provides for the first time, a centralized and uniform mechanism for the IRS and state employment tax data exchanges what in turn will help increase the collection of employment and unemployment tax debts.

The joint working relationship of the IRS and the Department of Labor and Workforce Development will empower a multi-agency oversight group to establish uniform processes through collaborative agreements and legislative proposals. The new partnership also encourages coordinated outreach and education activities, allowing all of the participating agencies to present a consistent message to help the greatest number of businesses voluntarily meet their employment/unemployment tax responsibilities.

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