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April 13, 2021

COMMUNITIES & FAMILIES LOSE \$8.4 BILLION A YEAR TO CONSTRUCTION INDUSTRY TAX FRAUD

We're raising awareness during 'Tax Fraud Days of Action' April 14-17.

A growing number of construction contractors pay their employees off the books, wrongly classify them as independent contractors, or take advantage of foreign workers. In the process of maximizing profits for themselves, these corrupt contractors harm workers and their families, steal business from honest companies, and cheat taxpayers by evading payroll and employment taxes. This affects everyone. Communities and families lose more than \$8.4 billion a year to construction industry tax fraud, according to a [national study](#) by the Institute for Construction Economic Research. Much of the lost funding is tax revenue needed to provide essential services such as public education and infrastructure improvements.

Millwright Local 1263, which covers Georgia and the Carolinas, and the Southern States Millwright Regional Council are standing up against this illegal and harmful behavior, particularly during "Tax Fraud Days of Action," an annual event being held April 14-17 this year.

Our parent organization, the United Brotherhood of Carpenters, estimates that up to 2.16 million construction workers are paid off the books or called "independent contractors" when they are truly employees. **Here's how construction workers and their families suffer from tax fraud:**

- Workers for tax-fraud-committing contractors are more likely to be injured on the job, largely because these contractors do not invest in safety programs or equipment.
- Misclassified workers and those paid off the books are not covered by a workers' compensation policy if they are injured on the job. This means they could be left holding a big medical bill.
- Workers misclassified as independent contractors are responsible for paying an additional \$76.50 in taxes for every \$1,000 in taxable income each year.
- These workers are not eligible for employer-provided health, retirement, and other benefits, and they don't receive benefits under the Family and Medical Leave Act.
- Contractors don't report these workers' wages to the Social Security Administration. This reduces or disqualifies them from Social Security benefits in retirement.

- If they are fired, they do not receive unemployment benefits, and they can't get help from government agencies to recover unpaid wages.
- Because employees working in the U.S. under visa programs often are ill-equipped to stand up to contractors who fail to pay fair wages and overtime, these practices are unfortunately common.

How businesses are harmed

Unscrupulous contractors win low-ball bids for construction projects while honest contractors who play by the rules have trouble competing. This means fewer fair-paying jobs in the community, less tax revenue, and the possible loss of tax-paying businesses.

The SK Innovation battery plant – A Georgia example

Our labor union represents millwrights – industrial mechanics who install, maintain, and repair machinery in automotive and other manufacturing facilities and at power plants, refineries, paper mills, distribution hubs, and more. In the industries where millwrights work, tax fraud is often associated with non-immigrant visa programs and with the Visa Waiver Program.

A recent case involved travelers bound for the SK Innovation battery plant in Commerce, Georgia. Georgia gave SK one of the biggest incentive packages in state history to locate here, including \$300 million in grants, tax breaks, and free land.

In May of 2020, U.S. Customs and Border Protection intercepted 33 workers at Atlanta's Hartsfield International Airport. The workers were attempting to enter the country under the [Visa Waiver Program](#) using employment letters CBP determined to be fraudulent. CBP revoked an additional 43 Electronic System for Travel Authorization (ESTA) applications linked to the fraud scheme. ESTA is an automated system that determines travelers' eligibility to enter the United States under the Visa Waiver Program. According to CBP, the first group of 12 workers en route to the SK plant revealed that they were to be paid \$6,000-\$7,000 for two to three months of work, triggering fears that they would undercut U.S. wages when many tradespeople were out of work or underemployed. Typically, non-immigrant-worker visa programs require employers to pay foreign workers the same wages they would pay American workers performing the same jobs.

In September, federal authorities arrested 13 Koreans employed at SK Innovation, and the workers voluntarily left the United States. Read the [CBP news release](#) and articles from [Global Atlanta](#) and the [Atlanta Journal-Constitution](#). After these incidents, a contractor partner of the Southern States Millwright Regional Council obtained work at the plant, leading to more than 22,000 man-hours of work for union millwrights.

Schemes similar to the one at SK Innovation have involved contractors employing foreign workforces – by misusing the ESTA and B1 visitor visas – to build sections of U.S. auto plants in the South, as [documented by CBS News](#).

Informing the public and lawmakers

The Southern States Millwright Regional Council is working to raise awareness of construction tax fraud, strengthen employment laws, and beef up enforcement of existing laws. During Tax Fraud Days of Action, we hope you will help us inform the public about this far-reaching problem. Our political director and Eastern Region director are available for interviews (contact info below). Learn more at stoptaxfraud.net.

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