

# Painters & Allied Trades: Thank the U.S. attorney for criminal prosecution of a known labor broker

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MADISON, Wis – Painters & Allied Trades, District Council No. 7 would like to thank U.S. Attorney Timothy O’Shea for joining other prosecutors from red and blue states that criminally prosecute construction labor brokers for payroll fraud. Gustavo Reyes was sentenced on August 18, 2023, for federal tax evasion in connection with his operation of a number of commercial drywall entities.

“Reyes is well-known to members of the Painters & Allies Trades throughout southcentral and southeast Wisconsin as someone who doesn’t play by the rules,” said business manager/secretary treasurer Jeff Mehrhoff. “Workers report to us that Reyes often doesn’t pay what they were promised and federal and state court records plainly establish that he doesn’t pay federal or state income tax or unemployment insurance tax. These are classic signs of payroll fraud-a problem that is crippling the construction industry.”

Payroll fraud is a multi-faceted scheme. Workers are “misclassified” as independent contractors or, more commonly, paid cash off the books. Workers who are entirely off the books are easy to exploit, such as not getting paid over-time. By using misclassified workers, employers evade payroll and income taxes, unemployment insurance payments, and workers’ compensation premiums. Some of these actions are crimes.

“Having served on Governor Ever’s misclassification and payroll fraud task force, I know that Wisconsin taxpayers are cheated out of \$200 million annually in tax revenue,” said director of government affairs, Andy Buck. “Contractors that follow the rules cannot compete against labor brokers who engage in criminal payroll

fraud. Legitimate contractors, exploited workers, taxpayers and the State of Wisconsin are all victims of these crimes. I am glad that someone is willing to pursue prosecutions, like the one involving Reyes.”