

Support AB 2570 (Stone) False Claims Act

The California False Claims Act (CFCA), enacted in 1987 (Chapter 1420, Statutes of 1987), imposes liability on beneficiaries who have benefitted from an inadvertent submission of a false claim, discovered the claim was false, and failed to disclose the claim’s falsity to the government after a reasonable period of time. A person who submits a false claim to the State, or a political subdivision of the State, is liable for: three times the amount of damages that the State or political subdivision sustains because of the false claim; a civil penalty ranging from \$5,500 to \$11,000, for each violation; and the cost of recovery. The CFCA requires the Attorney General of California (AGC) or the prosecuting authority of a political subdivision to investigate diligently any false claim involving public funds and authorizes the AGC or the prosecuting authority to bring a civil action on behalf of the State or political subdivision against a person who violates the CFCA.

On September 27, 2012, former Governor Jerry Brown, signed Assembly Bill 2492 (Chapter 647, Statutes of 2012), to amend the CFCA to protect whistleblowers who disclose false or fraudulent claims that their employers or others have made to the State. Under current law, employees, contractors, or agents that are discharged, demoted, suspended, threatened, harassed, or otherwise discriminated against for lawful acts in furtherance of a CFCA claim, or for other efforts to stop a violation of the CFCA, are entitled to two times the amounts of back pay, interest on back pay, compensation for any special damages sustained, and where appropriate, punitive damages.

MOTION

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RIDLEY-THOMAS	_____
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MOTIOB BY SUPERVISOR MARK RIDLEY-THOMAS
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On February 21, 2020, Assemblymember Mark Stone introduced AB 2570, to make several changes designed to increase the effectiveness of the CFCA. The measure, sponsored by the AGC's office, was further amended on May 4, 2020, to expand the application of the CFCA to cases of tax fraud where the amount of damages claimed exceeds \$200,000 and the amount of income, receipts, or sales of the person that made the false claim exceeds \$500,000 in a taxable year. Currently, the CFCA does not apply to claims, records, or statements made under the Revenue and Tax Code, which prevents the AGC or local prosecutors from holding those who commit tax fraud accountable and from recovering these funds for the State.

Furthermore, AB 2570 would enhance protections for whistleblowers by clarifying that anti-retaliation protections under the CFCA apply to both current and former employees, contractors, and agents, and by protecting whistleblowers from civil liability for disclosing internal company documents in breach of contractual obligations of confidentiality to provide evidence of false claims.

I THEREFORE MOVE THAT THE BOARD OF SUPERVISORS:

Direct Los Angeles County's legislative advocates in Sacramento to support AB 2570, which would strengthen tax enforcement in the State and shorten the difference between what taxpayers owe and what they actually pay by expanding the application of the CFCA to cases of tax fraud and enabling the Attorney General of California to prosecute cases of tax fraud, and by enhancing protections for whistleblowers who reveal cases of tax fraud by their employers.

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