

‘Coyotes’ on the Loose at Utah Construction Sites May Be Trouble for Contractors

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Following a local television station’s report of labor brokers paying cash to construction laborers to avoid paying taxes for these workers, a Utah state legislator said she plans to introduce legislation in 2020 to increase fines and make subcontractors liable for the acts of these labor brokers.

A Salt Lake City television station investigated and reported on the use of labor brokers, colloquially known as “coyotes,” who pay cash under the table, or off the record, to construction laborers. One legislator called the practice a robbery of tax dollars. Indeed, the report highlights that such employers pay their construction laborers cash to avoid paying workers’ compensation, unemployment insurance, and federal and state taxes. Union representatives quoted in the story also decried the practice because of the inability of employers who use union workers and abide by the law to compete under such circumstances.

Several contractors who worked with the suspected coyotes interviewed during the investigation said they did not have an obligation to audit the pay practices of another company with whom they worked and denied any reason to believe illegal activity was taking place.

Yet, these construction employers may be playing with fire. Depending on the circumstances, contractors can be held responsible for the actions of their subcontractors. For example, some states, such as California, hold general contractors liable for a subcontractor’s unpaid wages. Thus, general contractors should beware of possible illegal employment practices by other employers on the construction site. If a bid from a subcontractor appears too good to be true, then it probably is. A subcontractor paying employees in cash out of a large envelope should also raise concerns. (See our article, [Are General Contractors Liable for Their Subcontractors’ Actions or Inactions?](#))

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