



Last week, FinCEN and IRS Criminal Investigation issued a notice warning of a “concerning increase” in state and federal payroll tax evasion and workers’ compensation insurance fraud in the residential and commercial real estate construction industries.

The notice describes how payroll tax evasion and workers’ compensation fraud schemes involve networks of individuals and the use of shell companies and fraudulent documents.

Banks should be aware of red flags, such as:

- newer, highly specialized construction firms with minimal internet presence;
- people with no prior experience in the construction industry opening accounts using a non-U.S. passport as identification;
- and a company bank account with minimal to no tax or payroll related payments to the IRS and state and local tax authorities.

The notice provides an overview of the underlying schemes, red flag indicators, and specific Suspicious Activity Report (SAR) filing instructions.

You can access the notice [here](#).

CCI recommends sharing this information with your BSA Officer and bank staff. As always, CCI is available to answer any BSA/Compliance questions.