

FOR IMMEDIATE RELEASE

August 18, 2023

Contact: mgraul@arenastrategy.com

Construction Business Group Applauds Conviction of Construction Industry Labor Broker

Gustavo Reyes federal tax evasion conviction first known criminal prosecution for construction industry payroll fraud in Wisconsin.

Reyes still has over \$2 million in unpaid state taxes and unemployment insurance premiums pending.

MADISON, Wis – Construction Business Group applauds the conviction of Gustavo Reyes, who operated several drywalling businesses in Wisconsin. Reyes, who was known to routinely misclassify workers, was convicted in U.S. District Court Thursday on tax evasion charges and was sentenced to 18 months of incarceration, 2 years of probation and ordered to pay \$557,907 in federal taxes owed. According to Construction Business Group, the conviction is believed to be the first prosecution of a construction labor broker in Wisconsin for payroll fraud.

In addition to the federal criminal charges, Reyes also has had 20 separate liens totaling \$2.3 million filed against him or his businesses since 2015 for failing to pay state taxes and unemployment insurance premiums. Construction Business Group investigators have been speaking for years with workers who report they were misclassified by Reyes and deprived of fair wages and benefits.

“Gustavo Reyes has been exploiting workers and taxpayers in Wisconsin for far too long,” said Robb Kahl, Executive Director of Construction Business Group. “We are glad to see Reyes is being held accountable for at least some of his unlawful acts and grateful to the IRS and the U.S. Attorney for pursuing what we believe is the first prosecution in our state for payroll fraud in the construction industry.”

Payroll fraud happens when workers who should be classified as full-time employees are instead treated as independent contractors or, more commonly, off-the-books workers. Off-the-books workers are paid cash, do not appear on any payroll or employment records whatsoever, and are often victims of wage theft. The ramification of payroll fraud can include tax fraud/evasion, insurance fraud and wage theft. While Reyes only been convicted of tax evasion so far, it is clear he has a long history of not paying unemployment insurance and paying below market wages to workers.

Business entities controlled by Reyes and listed in the plea agreement include Reyes Drywall, Elite Drywall LLC, Royal LLC, American Drywall and Morales Construction.

“There is only one sure way to stop payroll fraud, and that is for project owners and general contractors to closely investigate subcontractors to ensure they are not doing business with someone who exploits workers and cheats the system,” said Kahl. “Unfortunately, Gustavo Reyes is just one of many bad actors working in construction, and we hope his prosecution and conviction on federal tax charges is the first – and not the last – step to shut down labor brokers from engaging in payroll fraud.”

###

Attachments: Plea Agreement in United States v Gustavo Reyes
Listing of liens filed against Reyes and his business entities by the State of Wisconsin

Construction Business Group

Construction Business Group, a joint Labor-Management company, was established in 1992 to enhance business opportunities and a quality of life by ensuring fairness, equity, and standards of excellence in the construction industry of Wisconsin. Learn more at: <https://cbgwi.com/>