Employment Development Department
State of California

CALIFORNIA

Employer's Guide 2005

2005 Payroll Tax Rates, Taxable Wage Limits, and Maximum Benefit Awards

Unemployment Insurance (UI)

The UI taxable wage limit for 2005 is $7,000 per employee, per year. The UI tax rate for new employers is 3.4 percent (.034). The UI tax rate for experienced employers varies based on each employer's experience and the balance in the UI Fund. The maximum weekly benefit award is $450. Please refer to page 98 for additional information.

Employment Training Tax (ETT)

The 2005 ETT rate is 0.1 percent (.001) of the first $7,000 per employee, per year. Please refer to page 8 for additional information.

State Disability Insurance (SDI)

The 2005 SDI tax rate is 1.08 percent (.0108). The SDI taxable wage limit is $79,418 per employee, per year. The maximum weekly benefit award is $728. Please refer to page 109 for additional information.

California Personal Income Tax (PIT) Withholding

California PIT withholding is based on the amount of wages paid, the number of withholding allowances claimed by the employee, and the payroll period. Please refer to page 12 for more information on PIT withholding and page 36 for the California PIT withholding schedules.

NOTE: UI, ETT, and SDI rate information is available on the Employment Development Department (EDD) 24-hour automated call system at (916) 653-7795.

What's New in 2005?

File your most common EDD tax and wage forms through the internet. For more information please see page 86.

Beginning January 1, 2005, registered domestic partners will be treated the same as spouses for unemployment insurance (UI), employment training tax (ETT), and state disability insurance (SDI) purposes. However, registered domestic partners will not be treated the same as spouses for California personal income tax withholding (PIT) and PIT wages.

Hot Topics

Fraud Prevention and Detection – for information on how to prevent and detect UI fraud, see page 101.

Tips for Reducing Your UI Rate – refer to page 100 for tips on ways to reduce your UI rate.

UI Rate Manipulation – This is not an option for lowering your UI rate. Read more about this issue on page 101.

Important Information

***Payroll Tax Deposit* (DE 88) Coupon**

Preprinted DE 88 coupons are barcoded to identify the EDD employer account that should be credited for the payroll tax payment. Using another employer's preprinted DE 88 (original or copy) to send your payroll tax payments will result in your payments being applied to the other employer's account. See page 73 for the methods to obtain DE 88s.

***Quarterly Wage and Withholding Report* (DE 6)**

Before submitting your DE 6, make sure the following are correct: the quarter you are reporting, your Employer Account Number, the names of your employees and their Social Security Numbers.

Workers' Compensation

If you have employees, you are required by law to have workers' compensation insurance coverage. Please refer to page 110 for additional information.

Value of Meals and Lodging

If you provide meals and/or lodging to your employees, they are wages. For the value of meals and lodging or additional information, see page 11.

Dear California Employer:

Governor Arnold Schwarzenegger thanks you for choosing to do business in the great State of California. As an employer you are a vital component of the State's economic growth. Our goal is to provide you with information in a clear and concise manner in an effort to reduce the time you spend on your payroll tax responsibilities.

If you have questions or need additional information, please visit the Employment Development Department (EDD) Web site at **www.edd.ca.gov,** or contact our Taxpayer Assistance Center toll-free at (888) 745-3886. The EDD also offers a variety of other quality services for both new and established employers, including labor market information and assistance in locating qualified job applicants and job training.

In addition to providing you with information and services, we are committed to preventing and detecting fraud. Please see page 9 for information on our Underground Economy Operations, and page 101, for information on Unemployment Insurance rate manipulation.

We appreciate your commitment to doing business in California and wish you great success in the year ahead.

Sincerely,

PATRICK W. HENNING
Director
Employment Development Department

TABLE OF CONTENTS

Introduction 1

Quick and Easy Access for Tax Help, Forms, and Publications 2

How to Get Started 3

2005 Forms and Due Dates 5

Who Is an Employer and When to Register 6
- Who Is an Employer? 6
- When to Register 6

Who Is an Employee? 7
- "Common Law" Employee or Independent Contractor 7

What Are State Payroll Taxes? 8
- Unemployment Insurance (UI) 8
- Employment Training Tax (ETT) 8
- State Disability Insurance (SDI) 8
- California Personal Income Tax (PIT) 8
- State Payroll Taxes (Chart) 9
- Underground Economy 9

What Are Wages? 10
- Subject Wages 10
- Personal Income Tax (PIT) Wages 10
- Difference Between Subject Wages and PIT Wages 10
- Employers Subject to California Personal Income Tax (PIT) Only 10
- Meals and Lodging 11
- Additional Information 11

California Personal Income Tax Withholding 12
- Wages Subject to PIT Withholding 12
  - How to Determine Which Wages Require PIT Withholding 12
- Marital Status, Withholding Allowances, and Exemptions (Form W-4 and DE 4) 12
  - Employer's Obligations for the Form W-4 and DE 4 13
- How to Determine PIT Withholding Amounts 14
  - What if Your Employee Wants Additional PIT Withholding? 14
- How to Withhold PIT on Supplemental Wages 14
- Quarterly Estimated Payments 14
- Wages Paid to:
  - California Residents 15
  - Nonresidents of California 15
- Additional Information 15

Types of Employment (table) 16

Types of Payments (table) 26

California Withholding Schedules for 2005 36

Required Forms 68
- *Report of New Employee(s)* (DE 34) 69
  - Sample DE 34 Form 70
- *Report of Independent Contractor(s)* (DE 542) 71
  - Sample DE 542 Form 72
- *Payroll Tax Deposit* (DE 88) 73
  - Overview 73
  - Sample DE 88 Form 73
  - Withholding Deposits 74
  - Due Dates for Quarterly Tax Deposits 75
  - 2005 Quarterly EFT Payment Chart 75
  - Correcting Payroll Tax Deposits 77
- *Quarterly Wage and Withholding Report* (DE 6) 79
  - Overview 79
  - Sample DE 6 Form 80

TABLE OF CONTENTS

Annual Reconciliation Statement (DE 7) 81
Overview 81
Sample DE 7 Form 82
Federal Forms W-2 and 1099 84
Filing Options 86
Electronic Funds Transfer 86
Internet Filing 86
Telefile 86
Electronic Data Interchange (EDI) 87
Magnetic Media Reporting 88
Change of Status 90
Purchase, Sell, Transfer, or Change Ownership 90
What Is a Successor Employer? 91
Mailing Address Change 91
No Longer Have Employees 91
Close Your Business 91
Additional Information 91
Additional Requirements 92
Required Notices and Pamphlets 92
Plant Closure or Mass Layoff (WARN) 93
U.S. Government Contractor Job Listing Requirements 95
Recordkeeping 95
Employers' Bill of Rights 96
Commitment 96
Employer Rights 96
Office of the Taxpayer Rights Advocate 96
Offers in Compromise (OIC) 97
Protecting Your Privacy 97
Unemployment Insurance Taxes 98
Methods of Paying for UI Benefits 98
How Your UI Tax Rate Is Determined 98
Notice of Tax Rates 99
Federal Unemployment Tax Act (FUTA) Certification 99
Reserve Account Transfers 99
Interstate Reciprocal Coverage Elections for Multistate Workers 100
Tips for Reducing Your UI Tax Rate 100
Fraud Prevention and Detection 101
UI Rate Manipulation 101
Unemployment Insurance Benefits 102
How Benefits Are Paid 102
Benefit Award 102
Benefit Qualifications 102
Qualifying UI Wages 103
UI Eligibility Determination 103
UI Claims Process 103
False Statement Penalty 105
Notices of Determination, Ruling, or Modification 106
UI Benefits - Appeal Process 106
Benefit Audits to Determine Fraud 107
Back Pay Award 107
Statement of Charges 107
Layoff Alternatives 108
Notice of Layoff 108
Wage Notices 108
State Disability Insurance (SDI) 109
Taxes - Who Pays for SDI and PFL Coverage? 109
Employee Benefits 109
Claim Notices 109
Disability Insurance Voluntary Plan 110
Self-Employed Benefits 110
Workers' Compensation Insurance 110
Additional Information 110

Employment and Training Services 111
EDD Job Service 111
Employment Training Panel 111
Trade Adjustment Assistance 112
Work Opportunity Tax Credit 113
Workforce Investment Act 113

Labor Market Information 114

Information and Assistance by Topic 115

Glossary 121

Index 125

EDD Forms and Publications Listing
Forms, Guides, Brochures, and Notices 129
Information Sheets 130
Fact Sheets 131

This guide is published to help you understand your rights and responsibilities as an employer.

How to Use This Guide
Information in this guide is presented in a chronological sequence, beginning with what you need to know or do first; such as, who is an employer and when to register, who is an employee, and what are wages.

To simplify reporting requirements, EDD follows federal tax guidelines and due dates whenever possible. However, California laws and rates may differ from federal laws and rates. The EDD administers payroll tax reporting laws according to the California Unemployment Insurance Code (CUIC) and California Code of Regulations (CCR).

Regardless of the size of your business, this guide is an important resource on the procedures required for compliance with California payroll tax laws. It clarifies both the provisions of the CUIC and CCR and their application to your business.

This guide provides information that applies to the majority of employers. The guide provides references to additional information on specialized topics. Information on very specific topics or information that only applies to a small number of employers is not included in the guide.

How to Obtain Assistance and Additional Information
If you have questions that are not addressed in this guide or need additional information, you can access reference materials on EDD's Web site at **www.edd.ca.gov** or contact the Taxpayer Assistance Center toll-free at (888) 745-3886 for assistance. For your convenience, EDD's Web site and the Call Center telephone number are listed at the bottom of most pages. Also, this guide is available on EDD's Web site at **www.edd.ca.gov/taxrep/taxform.htm#Publications**.

We also offer workshops on California payroll tax reporting requirements and customized seminars and presentations to help you:

- Understand your California payroll tax reporting requirements.
- Avoid common pitfalls and costly mistakes.
- Control Unemployment Insurance costs.
- Learn the differences between independent contractors and employees.
- Understand your reporting requirements for new employees and independent contractors.
- Discover no-cost services and resources available to you.

We tailor our education and outreach activities to meet your needs, providing for example, seminars in Spanish, accommodations for the hearing-impaired, and personalized consultations. We offer seminars, workshops, and presentations at locations throughout California. To find out more about a payroll tax education event near you, contact the Taxpayer Assistance Center at (888) 745-3886 or register on-line by accessing EDD's Web site at **www.edd.ca.gov/taxsem**.

Other Services
This guide also contains useful information on the many services that EDD offers specifically for employers. The EDD supplies information on a wide range of programs, including programs offering tax credits. The EDD also provides a number of employment services, such as job development and job search workshops, that are designed to reduce unemployment and consequently, your taxes. Whether you are a new or established employer, we offer a variety of services to assist you in building a more successful business while complying with California laws.

We Want to Hear From You
Please let us know what you think about our products and services, especially what we can do to improve this guide to better meet your needs. Please send your comments and suggestions to:

Employment Development Department
Outreach and Education Office, MIC 93
P.O. Box 826880
Sacramento, CA 94280

Fax: (916) 654-6969
E-mail: www.edd.ca.gov/taxrep/txicustf.htm

Other Web site of Interest

www.taxes.ca.gov –Sponsored by the Internal Revenue Service, Franchise Tax Board, State Board of Equalization, and EDD, this Web site offers California and federal business and individual tax information.

Personal Computer

Access EDD's Web site at **www.edd.ca.gov** to:

- Download and order forms, instructions, and publications at **www.edd.ca.gov/taxrep/taxform.htm**
- Obtain answers to Frequently Asked Questions at **www.edd.ca.gov/taxrep/taxfaq.htm**
- Obtain information on payroll tax seminars at **www.edd.ca.gov/taxsem**
- Obtain tax information and learn about EDD services at **www.edd.ca.gov/taxind.htm**
- Obtain information for tax professionals at **www.edd.ca.gov/taxrep/taxprof.htm**
- Send comments and questions to EDD on-line at **www.edd.ca.gov/eddmail.htm** (select the"Payroll Tax" category).

Access the California Tax Information Center Web site at **www.taxes.ca.gov** for federal and California tax information for businesses and individuals.

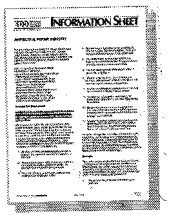
Fax-on-Demand

Call (877) 547-4503 to get most tax forms, publications, and information sheets faxed to you. You can also listen to recorded messages on various payroll tax topics.

Walk-in

For information and advice on your payroll tax responsibilities, visit your local Employment Tax Office between 8 a.m. and 5 p.m., PT, Monday through Friday:

Anaheim	2099 S. State College Blvd., #401, 92806
Escondido	240 West 2nd Avenue, 92025
Fresno	1050 "O" Street, 93721
Los Angeles	4021 Rosewood Avenue, Suite 301, 90004
Oakland	7700 Edgewater Drive, Suite 100, 94621
Sacramento	3321 Power Inn Road, Suite 220, 95826
San Bernardino	464 West Fourth Street, Suite 454A, 92401
San Diego	3110 Camino Del Rio South, Suite 100, 92108
San Jose	906 Ruff Drive, 95110
Santa Fe Springs	10330 Pioneer Blvd., Suite 150, 90670
Van Nuys	6150 Van Nuys Blvd., Room 210, 91401



For a listing of forms and publications please refer to pages 129 and 130.

Telephone

Call (888) 745-3886 (toll-free) to speak to a representative. Staff are available Monday through Friday from 8 a.m. to 5 p.m., Pacific Time (PT) to answer your questions.

For the hearing impaired, call (800) 547-9565.

Self Service Offices

Tax forms, a mail drop, and a free direct-line telephone are available, from 8 a.m. to 5 p.m. PT at our self-service offices.

Capitola	2045 40th Avenue, Suite A, 95010
Chico	240 West Seventh Street, 95928
El Centro	1550 West Main Street, 92243
Eureka	409 "K" Street, Suite 202, 95501
Fontana	17590 Foothill Blvd., 92335
Marysville	1114 Yuba Street, 95901
Modesto	3340 Tully Road, Suite E-10, 95350
Monterey	1900 Garden Road, Suite 160, 93940
Palm Springs	1111 E. Tahquitz, Canyon Wy, Bldg. C, 92262
Pleasant Hill	3478 Buskirk Avenue, Suite 215, 94523
Redding	1325 Pine Street, 96001
Riverside	1180 Palmyrita Avenue, Suite B, 92507
San Francisco	745 Franklin Street, Suite 400, 94102
San Luis Obispo	3196 South Higuera Street, Suite C, 93401
Santa Monica	914 Broadway, 90401
Santa Rosa	50 "D" Street, Room 415, 95404
Vallejo	1440 Marin Street, 94590

To help you meet your employer reporting and tax payment obligations, we have highlighted some essential steps to ensure that you get off to a good start. Please keep in mind that your employer requirements may **not** be limited to what is listed on this page. This guide will provide you with the detailed information needed to meet your employer reporting and tax payment obligations.

Step 1

Are You an Employer?
If you have paid in excess of $100 in total wages in a calendar quarter to one or more employees, you are an employer and must register with the Employment Development Department (EDD).

Step 2

***ACTION REQUIRED*: Complete and submit a *Registration Form for Commercial/Pacific Maritime/Fishing Boat Employers* (DE 1)** no later than 15 days after the date you paid in excess of $100 in wages. (If you are **not** a "commercial" employer, refer to page 6.) Be sure to complete all items on the DE 1. You will be assigned an eight-digit EDD employer account number, which identifies your business for the purpose of reporting and paying payroll taxes. Include your EDD employer account number on all correspondence, including reports and payments that you send to EDD.

Step 3

***ACTION REQUIRED*:**

- **Report new employee(s)** within 20 days of the employee's start-of-work date. All newly hired and rehired employees should be reported to EDD on the *Report of New Employee(s)* (DE 34) form. If you acquire an ongoing business and employ any of the former owner's workers, these employees are considered new hires and you should report them to EDD's New Employee Registry. For additional information on reporting new employees, refer to page 69.
- **Report independent contractor information** within 20 days of paying an independent contractor $600 or more, or entering into a contract for $600 or more, whichever is earlier. Independent contractor information must be reported to EDD by completing the *Report of Independent Contractor(s)* (DE 542) form. For additional information on Independent Contractor Reporting, refer to page 71.
- **Provide your employees** with pamphlets on employee withholdings and Unemployment Insurance (UI), State Disability Insurance (SDI), and Paid Family Leave Insurance (PFL). For additional information on employee pamphlets, refer to page 92
- **Post an employee notice** with UI, SDI, and Paid Family Leave claim and benefit information. This notice should be posted in a prominent location, easily seen by your employees. The appropriate notice will be sent to you after you register. For additional information on employee notices, refer to page 92.

Step 4

***ACTION REQUIRED*: Make your UI, Employment Training Tax (ETT), SDI, and California Personal Income Tax (PIT) deposits** by submitting a *Payroll Tax Deposit* (DE 88) coupon with your remittance or through Electronic Funds Transfer. Your SDI and PIT withholdings are due based on your federal deposit requirements. Your UI and ETT payments are due quarterly. For additional information on your deposit requirements, refer to page 73.

Step 5

***ACTION REQUIRED*: File a *Quarterly Wage and Withholding Report* (DE 6)** to report wages paid and PIT withheld for each employee for each quarter. The reports are due on January 1, April 1, July 1, and October 1 each year. This report must be submitted even if no wages are paid during a calendar quarter. For additional information on DE 6 reporting requirements, refer to page 79.

Step 6

***ACTION REQUIRED*: File an *Annual Reconciliation Statement* (DE 7)** to reconcile the tax and withholding amounts with your DE 88 deposits for the year. Your 2005 DE 7 must be postmarked by January 31, 2006, to be timely. For additional information on DE 7 reporting requirements, refer to page 81.

NOTE: Failure to complete the above steps on time may result in penalty and interest charges.

Most forms and publications are available on EDD's Web site at **www.edd.ca.gov/taxrep/taxform.htm**, by accessing our Fax-on-Demand at (877) 547-4503, or by contacting our Taxpayer Assistance Center at (888) 745-3886.

For information on your federal employment tax reporting requirements, access the IRS' Web site at **www.irs.gov** or contact IRS at (800) 829-1040.

STEP 1

Have you paid cumulative wages in excess of $100 in a calendar quarter?

For State Disability Insurance and Personal Income Tax withholding requirements, refer to page 9.

No → No registration requirement

Yes ↓

STEP 2

Complete ***Registration Form For Commercial / Pacific Maritime/Fishing Boat Employers*** (DE 1)

After registering as an employer with EDD, the information below will be mailed to you to do the following:

STEP 3

Provide to EDD within 20 Days

DE 34 ***Report of New Employee(s)***

DE 542 ***Report of Independent Contractor(s)***

Give to Employee(s)

DE 35 ***Notice to Employees***

DE 2320 ***For Your Benefit***

DE 2511 ***California Paid Family Leave***

DE 2515 ***State Disability Insurance Provisions***

Post in Workplace

DE 1857A ***Notice to Employees***

(If you are a public entity or not subject to UI, refer to page 92 for your posting requirements.)

Continuous Filing Requirements

The required tax forms below are preprinted and mailed to you.*

STEP 4

Payroll Tax Deposit **(DE 88)**

(Quarterly or More Frequently)

Submit your deposit (taxes and withholding) with your DE 88 coupon according to the schedule on page 74.

STEP 5

Quarterly Wage and Withholding Report **(DE 6)**

(Quarterly)

Report total, wages paid to employees, PIT wages, and PIT withheld on a DE 6. This report must be filed even if no wages were paid.

STEP 6

Annual Reconciliation Statement **(DE 7)**

(Annually)

Reconciles your payroll tax payments (DE 88s) and the wages you reported (DE 6) for the year.

* To ensure that you receive your forms, it is important that EDD has your correct mailing address and that you notify EDD of any address change. Most forms are available on our Web site at **www.edd.ca.gov**, or by calling our Taxpayer Assistance Center at (888) 745-3886, or Fax-on-Demand at (877) 547-4503.

2005 FORMS AND DUE DATES

Due	Form	Name
Within 15 calendar days after paying over $100 in wages.	DE 1	*Registration Form for Commercial/Pacific Maritime/Fishing Boat Employer* (If you are **not** a commercial employer, refer to page 6.)
Within 20 days of start of work for new or rehired employees.	DE 34	*Report of New Employee(s)*
Within 20 days of paying an independent contractor $600 or more, or entering into a contract for $600 or more, whichever is earlier.	DE 542	*Report of Independent Contractor(s)*

Due	Delinquent if not filed by[1]	Report	Quarter/Annual (Covering)
April 1, 2005	May 2, 2005	DE 6	**1st** (January, February, March)
July 1, 2005	August 1, 2005	DE 6	**2nd** (April, May, June)
October 1, 2005	October 31, 2005	DE 6	**3rd** (July, August, September)
January 1, 2006	January 31, 2006	DE 6	**4th** (October, November, December)
January 1, 2006	January 31, 2006	DE 7	**2005** (Entire Year)

CALIFORNIA DEPOSIT REQUIREMENTS

If Your Federal Deposit Schedule Is[1]	And You Have Accumulated State PIT Withholding of	SDI & PIT Deposit Required	If Payday Is	Deposit Due By[2]
Next Banking Day	$500 or less	No[3]	Not applicable	Not applicable
	More than $500	Yes	Not applicable	Next Banking Day
Semiweekly	$500 or less	No[3]	Not applicable	Not applicable
	More than $500	Yes	Wed., Thurs., or Fri.	Following Wednesday
	More than $500	Yes	Sat., Sun., Mon., or Tues.	Following Friday
Monthly	$500 or less	No[3]	Not applicable	Not applicable
	More than $500	Yes	Not applicable	15th of the following month
Quarterly[4]	Less than $350	Yes	Not applicable	May 2, 2005 August 1, 2005 October 31, 2005 January 31, 2006
	$350 or more	Yes	Not applicable	15th of the following month

[1] Refer to page 86 to determine if you are required to pay by Electronic Funds Transfer.

[2] If the due date falls on a Saturday, Sunday, or legal holiday, the due date is extended to the next business day.

[3] If you have accumulated $500 or less of PIT and choose to make a deposit, designate the "Payment Type" as QUARTERLY on your DE 88 coupon.

[4] This is not a federal deposit requirement. If you do not meet one of the above federal deposit schedules, you are required to make California payroll tax deposits quarterly.

WHO IS AN EMPLOYER?

An employer is a person or legal entity who hires one or more persons to work for a wage, salary, or other compensation. Employers include sole proprietors, joint ventures, partnerships (including a husband/wife co-ownership), corporations, S corporations, limited liability companies, limited liability partnerships, nonprofit organizations, associations, trusts, charitable foundations, public entities, and State and federal agencies.

Private households, local college clubs, and local chapters of fraternities and sororities who employ workers to perform household services are "household employers." For more information on household employment, obtain a *Household Employer's Guide* (DE 8829) by accessing EDD's Web site at **www.edd.ca.gov/taxrep/taxform.htm**, or contacting the Taxpayer Assistance Center at (888) 745-3886.

NOTE: If you acquired an existing business, refer to "What is a Successor Employer?" on page 91 for further details.

When Do I Become an Employer?

A business becomes an employer when it pays **accumulative** wages in excess of $100 in a calendar quarter to one or more employees. Wages are compensation for services performed, including, but not limited to, cash payments, commissions, bonuses, and the reasonable cash value of nonmonetary payments for services, such as meals and lodging. For more information, refer to "What are Wages" on page 10.

WHEN TO REGISTER

All employers conducting business in California are subject to the employment tax laws of the California Unemployment Insurance Code. Once a business hires an employee, the business is considered an employer and must complete and submit a registration form to the Employment Development Department (EDD) within 15 days after paying wages in excess of $100 in a quarter.

Employers are responsible for reporting wages paid to their employees and paying Unemployment Insurance (UI) tax and Employment Training Tax (ETT) on those wages, as well as withholding and remitting State Disability Insurance (SDI) tax and California Personal Income Tax (PIT) due on wages paid to their workers. Once subject, an employer **must** report wages for that year and the following year, regardless of the amount of wages paid.

❑ ***ACTION REQUIRED:*** Register with EDD for an employer account number if you have paid wages in excess of $100 in a calendar quarter to one or more employees.

How to Register (Obtaining an EDD Employer Account Number)

Register by completing the appropriate registration form for your industry.

- Commercial/Pacific Maritime/Fishing Boat DE 1
- Agricultural DE 1AG
- Government/Schools/Indian Tribes DE 1GS
- Household DE 1HW
- Nonprofit DE 1NP
- Personal Income Tax Only DE 1P

To obtain your industry specific registration form, access EDD's Web site at **www.edd.ca.gov/taxrep/taxform.htm**, access our Fax-on-Demand at (877) 547-4503, or contact the Taxpayer Assistance Center at (888) 745-3886. Please mail or fax the completed registration form to:

Employment Development Department
Account Services Group, MIC 28
P.O. Box 826880
Sacramento, CA 94280-0001

Fax (916) 654-9211

You may also register by telephone by calling EDD's Tele-Reg at (916) 654-8706. When you use Tele-reg, you will receive your EDD employer account number over the phone and your new employer packet in three separate mailings.

NOTE: If you employ workers around your private residence, refer to the *Household Employer's Guide* (DE 8829) for your reporting requirements.

***REMEMBER*:**

- Employment occurs when an employer engages the services of an employee for pay.
- You become an employer when you pay total wages in excess of $100 in a quarter to one or more employees.
- You must complete a registration form and submit to EDD within 15 days of paying wages in excess of $100.
- Employers are responsible for reporting wages paid to employees and paying UI and ETT on the wages, as well as withholding and remitting SDI and PIT.

An “employee” includes all of the following:

- Any officer of a corporation
- Any worker who is an employee under the usual common law rules
- Any worker whose services are specifically covered by law

An employee may perform services on a temporary or less than full-time basis. The law does not exclude workers and services, commonly referred to as day labor, part-time help, casual labor, temporary help, probationary, and outside labor.

“COMMON LAW” EMPLOYEE OR INDEPENDENT CONTRACTOR

What is Common Law?
“Common law,” as we know it, has evolved slowly over the years based upon decisions rendered by the courts on individual cases. The **common law** rules of employment, as they exist today, are the total of all court decisions related to the question of what constitutes an employment relationship.

When Does an Employer-Employee Relationship Exist?
An employer-employee relationship exists when a person who hires an individual to perform services has the right to exercise control over the manner and means by which the individual performs his/her services. The **“right of control,”** whether or not exercised, is the most important factor in determining the relationship. Tax decisions by the California Unemployment Insurance Appeals Board (CUIAB) are based on the right of control factor along with the examination of secondary factors, when necessary.

How Can I Get Additional Information on This Topic?
Incorrectly classifying your workers can be a costly mistake. If you have incorrectly treated employees as independent contractors, you could be liable for back taxes, penalties, and interest. To help you determine if you have correctly classified your workers, EDD has several resources available:

- ***Employment Determination Guide* (DE 38) -** Asks a series of “Yes” or “No” questions regarding your treatment of workers to help determine if a problem may exist and whether you need to seek additional guidance.
- ***Determination of Employment Work Status for Purposes of State of California Employment Taxes and Personal Income Tax Withholding* (DE 1870) -** Provides a series of questions regarding your relationship with the workers. After you complete and return this form, EDD will send you a written determination stating whether your workers are employees or independent contractors based on the facts that you have provided.
- **Information Sheets** on general and industry specific issues including *Information Sheet: Employment* (DE 231) - To request information sheets, access EDD’s Web site at **www.edd.ca.gov/taxrep/taxform.htm#Publications**, access our Fax-on-Demand at (877) 547-4503, or contact the Taxpayer Assistance Center at (888) 745-3886.
- **Precedent Tax Decisions** by the CUIAB - Available on EDD’s Web site at **www.edd.ca.gov/txprecdt/txpdind.htm**.
- **Payroll Tax Seminars** on employee and independent contractor issues - Access EDD’s Web site at **www.edd.ca.gov/taxsem** or contact the Taxpayer Assistance Center at (888) 745-3886.
- **Verbal Guidance** on worker classification issues - Contact the Taxpayer Assistance Center at (888) 745-3886.

***REMEMBER*:**

- An employee includes any officer of a corporation, a worker who is an employee under common law, and a worker whose services are specifically covered by law. (Refer to the “Types of Employment” table on page 16 for additional information.)
- An employee may perform services on a temporary or less than full-time basis.
- The “right of control” is the most important factor in determining an employer-employee relationship.
- The EDD has several resources available to help you correctly classify your workers.

The EDD administers the following California payroll tax programs:

- Unemployment Insurance (UI)
- Employment Training Tax (ETT)
- State Disability Insurance (SDI)
- California Personal Income Tax (PIT) withholding

NOTE: Paid Family Leave (PFL) is a component of the State Disability Insurance Program.

The UI and ETT are employer paid contributions. The SDI and PIT are withheld from employee wages. Wages are subject to all four payroll taxes unless otherwise stated.

UNEMPLOYMENT INSURANCE (UI)

What Is UI Tax?
The UI program was established as part of a national program administered by the U.S. Department of Labor under the Social Security Act. The UI program provides temporary payments to individuals who are unemployed through no fault of their own.

Who Pays It?
The UI program is an employer-paid tax. Tax-rated employers pay a percentage on the first $7,000 in wages paid to each employee in a calendar year. The UI rate schedule and amount of taxable wages are determined annually. New employers pay 3.4 percent (.034) for up to three years.

Nonprofit and governmental employers may elect the reimbursable method of financing UI in which they reimburse the UI Fund on a dollar-for-dollar basis for all benefits paid to their former employees.

EMPLOYMENT TRAINING TAX (ETT)

What Is ETT?
The ETT provides funds to train employees in targeted industries to improve the competitiveness of California businesses. The ETT funds promote a healthy labor market by helping California businesses invest in a skilled and productive workforce, and develop the skills of workers who directly produce or deliver goods and services.

Who Pays It?
The ETT is an employer-paid tax. Employers subject to ETT pay one-tenth of one percent (.001) on the first $7,000 in wages paid to each employee in a calendar year.

STATE DISABILITY INSURANCE (SDI)

What Is SDI Tax?
The SDI program provides temporary benefit payments to workers for non-work-related disabilities. The SDI tax provides State Disability Insurance (SDI) and Paid Family Leave (PFL) benefits. Paid Family Leave is a component of SDI and extends benefits to individuals unable to work because they need to care for a seriously ill family member or bond with a new minor child.

Who Pays It?
The SDI is a deduction from employees' wages. Employers withhold a percentage for SDI on the first $79,418 in wages paid to each employee in a calendar year.

CALIFORNIA PERSONAL INCOME TAX (PIT)

What Is PIT?
California PIT is a tax levied by the Franchise Tax Board (FTB) on the income of California residents and on income that nonresidents derive within California. The EDD administers the reporting, collection, and enforcement of PIT withholding. California PIT is administered by FTB and EDD for the Governor to provide resources needed for California public services such as schools, public parks, roads, and health and human services.

Who Pays It?
California PIT is withheld from employees' pay based on the *Employee's Withholding Allowance Certificate* (Form W-4 or DE 4) on file with their employer.

STATE PAYROLL TAXES

	Unemployment Insurance (UI)	Employment Training Tax (ETT)	State Disability Insurance (SDI)	California Personal Income Tax (PIT)
Who Pays	Employer	Employer	Employee (employer withholds from employee wages)	Employee (employer withholds from employee wages)
Taxable Wages	First $7,000 of subject wages per employee, per year	First $7,000 of subject wages per employee, per year	First $79,418 of subject wages per employee, per year	No limit. Please refer to PIT withholding schedules on page 36.
Tax Rate	Changes each year based on an employer's UI experience. The EDD notifies employers of their new rate each December. Generally, a new employer's UI tax rate is 3.4 percent for up to three years.	Set by statute at 0.1 percent (.001) of UI taxable wages for employers with positive UI reserve account balances and employers subject to section 977(c) of the CUIC.	Set by the California State Legislature, SDI may change each year. The 2005 SDI tax rate is 1.08 percent (.0108) (this includes the rate for Paid Family Leave) of SDI taxable wages per employee, per year.	California PIT is withheld based on the employee's Form W-4 or DE 4.
Maximum Tax (Except if employer is subject under section 977(c) of the CUIC.)	$434 per employee, per year. (Calculated at the highest UI tax rate of 6.2 percent x $7,000.)	$7 per employee, per year ($7,000 x .001)	$857.71 per employee, per year ($79,418 x .0108)	No maximum
NOTE: Some types of employment are not subject to payroll taxes and/or PIT withholding. Please refer to the "Types of Employment" table on page 16. Certain types of wages and benefits are not subject to payroll taxes. Please refer to the "Types of Payments" table on page 26.				

UNDERGROUND ECONOMY

The "underground economy" is comprised of those individuals and businesses that deal in cash and/or use other schemes to conceal their activities and their true tax liability from government licensing and taxing agencies. When businesses operate in the underground economy, they gain an unfair competitive advantage over businesses that comply with the law because they do not pay workers' compensation and State and federal payroll taxes. This causes unfair competition in the marketplace and forces law-abiding businesses to pay higher taxes. To learn more about EDD's Underground Economy Operation (UEO) programs, visit EDD's Web site at **www.edd.ca.gov/taxrep/txueoind.htm.**

To report businesses that are paying workers undocumented cash payments, failing to carry workers' compensation insurance, or not complying with labor and licensing laws, please download and complete an *Underground Economy Operations Lead Referral/Complaint Form* (DE 660) available at **www.edd.ca.gov/taxrep/de660.pdf** or contact UEO at:

Hotline: **(800) 528-1783**
Telephone: **(916) 227-2730**
Fax: **(916) 227-2772**
E-mail: **ueo@edd.ca.gov**

To obtain the *Paying Cash Wages "Under the Table"* (DE 573CA) brochure, access EDD's Web site at **www.edd.ca.gov/taxrep/taxform.htm#Publications**, access our Fax-on-Demand at (877) 547-4503, or contact the Taxpayer Assistance Center at (888) 745-3886.

Wages are all compensation for an employee's personal services, whether paid by check or cash, or the reasonable cash value of noncash payments such as meals and lodging. The method of payment, whether by private agreement, consent, or mandate, does not change the taxability of wages paid to employees. Payments are considered wages even if the employee is a casual worker; day or contract laborer; part-time or temporary worker; or is paid by the day, hour, or any other method or measurement. Supplemental payments, including bonuses, overtime pay, sales awards, commissions, and vacation pay, are also considered wages.

SUBJECT WAGES

Generally, all wages are considered subject wages and are used to determine the amount of Unemployment Insurance (UI), State Disability Insurance (SDI) and Paid Family Leave (PFL) Insurance benefits a claimant should receive. Subject wages are the full amount of wages, regardless of the UI ($7,000) and SDI ($79,418) taxable wage limits. Enter the Total Subject Wages in "Item G" for each employee on the *Quarterly Wage and Withholding Report* (DE 6). Certain types of employment and payments are not considered subject (refer to the "Types of Employment" table on page 16 and "Types of Payments" table on page 26).

PERSONAL INCOME TAX (PIT) WAGES

Personal Income Tax (PIT) wages are cash and noncash payments subject to State income tax. Wages that must be reported on an individual's California income tax return are PIT wages. Most payments for employees' services are reportable as PIT wages. An employee's calendar year total for PIT wages should agree with the amount reported on the employee's federal *Wage and Tax Statement* (Form W-2) in Box 16 (State Wages, Tips, etc.). The PIT wages for each employee must be reported quarterly in "Item H" on the DE 6. For additional information, obtain the *Information Sheet: Personal Income Tax Wages Reported on the Quarterly Wage and Withholding Report* (DE 231PIT). To obtain the DE 231PIT, access EDD's Web site at **www.edd.ca.gov/taxrep/taxform.htm#Publications,** access our Fax-on-Demand at (877) 547-4503, or contact the Taxpayer Assistance Center at (888) 745-3886.

NOTE: Some wages excluded from PIT withholding are still considered PIT wages and must be reported to EDD (for example, wages paid to agricultural workers).

DIFFERENCE BETWEEN SUBJECT WAGES AND PIT WAGES

In most situations, when wages are subject to UI, ETT, SDI, and PIT withholding, subject wages and PIT wages are the same. Examples of when subject wages and PIT wages are different are:

- Employee salary reduction contributions to a qualified retirement or pension plan are included as subject wages, but are not reportable as PIT wages (refer to "Types of Payments" table on page 26).
- Under certain situations, wages paid to family employees (minor child under 18, registered domestic partner, spouse, and father or mother) may not be reported as subject wages but are reportable as PIT wages (refer to "Types of Employment" table on page 16).
- Payments made to employees of churches are not reported as subject wages, but are reportable as PIT wages (refer to "Types of Employment" table on page 16).

EMPLOYERS SUBJECT TO CALIFORNIA PERSONAL INCOME TAX (PIT) ONLY

Employers who are only required to withhold California PIT, but not the other payroll taxes, are still required to register with EDD using the *Registration Form for Employers Depositing Only Personal Income Tax* (DE 1P). The employer is liable for the required PIT, whether or not it is withheld. By law, the filing of federal Form 1099 (issued to the worker) with the Internal Revenue Service or Franchise Tax Board does not relieve the employer of liability.

MEALS AND LODGING

Meals and lodging provided free of charge or at a reduced rate to an employee are wages. If your employees are covered under a contract of employment or union agreement, the taxable value of meals and lodging should not be less than the estimated value stated in the contract or agreement.

If the cash value is not stated in an employment contract or union agreement, please refer to the table below for the value of the meals and/or lodging. To determine the value of lodging, multiply the amount you could rent the property for (ordinary rental value) by 66 2/3 percent (0.6667). Ordinary rental value may be calculated on a monthly or weekly basis as follows:

Value of Meals						Value of Lodging	
Year	3 Meals per Day	Breakfast	Lunch	Dinner	Meal Not Identified	Minimum Per Week	Maximum Per Month
2005	$ 9.00	$ 1.95	$ 2.75	$ 4.30	$ 3.10	$31.05	$ 957
2004	$ 8.55	$ 1.85	$ 2.60	$ 4.10	$ 3.00	$ 29.85	$ 921
2003	$ 8.45	$ 1.85	$ 2.55	$ 4.05	$ 2.95	$ 28.75	$ 886
2002	$ 8.20	$ 1.80	$ 2.50	$ 3.90	$ 2.85	$ 26.80	$ 826

NOTE: For maritime employees, refer to EDD's Web site at **www.edd.ca.gov/taxrep/taxrte9x.htm#meals.**

For more information on meals and lodging, call the Taxpayer Assistance Center at (888) 745-3886.

ADDITIONAL INFORMATION

- EDD Web site (forms and publications) **www.edd.ca.gov/taxrep/taxform.htm**
- Fax-on-Demand (877) 547-4503
- Who is an Employee Page 7
- Types of Employment (table) Page 16
- Types of Payments (table) Page 26
- Information Sheets: Page 130
  - DE 231A – *Wages*
  - DE 231PIT – *Personal Income Tax Wages Reported on the Quarterly Wage and Withholding Report (DE 6)*
  - DE 231W – *How to Reduce Your Personal Income Tax Liability*

WAGES SUBJECT TO PIT WITHHOLDING

With certain exceptions, compensation for services performed by an employee are considered wages and subject to California Personal Income Tax (PIT) withholding. California wages include, but are not limited to, salaries, bonuses, commissions, fees (except fees paid to public officials), and payments in forms other than checks or cash. Wages in any form other than checks or cash are measured by the fair market value of the goods, lodging, meals, or other compensation given in payment for the employee's services.

How to Determine Which Wages Require PIT Withholding

Most wages require California PIT withholding. In order to determine which wages require PIT withholding, refer to "Types of Employment" table on page 16 and "Types of Payments" table on page 26. These tables identify special classes of employment and special types of payments and their treatment for UI, ETT, SDI, and California PIT wages and withholding. Also refer to "Who is an Employee" on page 7.

To obtain information sheets for specific industries and types of services, access EDD's Web site at **www.edd.ca.gov/taxrep/taxform.htm#Publications**, access our Fax-on-Demand at (877) 547-4503, or contact the Taxpayer Assistance Center at (888) 745-3886.

MARITAL STATUS, WITHHOLDING ALLOWANCES, AND EXEMPTIONS (FORM W-4 AND DE 4)

An Internal Revenue Service (IRS) *Employee's Withholding Allowance Certificate* (Form W-4) is normally used for California PIT withholding. However, if an employee wants to claim a different marital status and/or a different number of allowances than are claimed for federal withholding purposes, the employee should file an *Employee's Withholding Allowance Certificate* (DE 4). For instance, California recognizes the "Head of Household" status, and an employee would need to file a DE 4 to claim that status.

If an employee expects to itemize deductions on his/her California income tax return, he/she can claim additional withholding allowances, which are greater than his/her regular withholding allowances. When reduced withholding amounts are appropriate because of large amounts of itemized deductions, the employee **must** complete a DE 4, including the attached worksheets, to support additional allowances for the itemized deductions. For information on treatment of additional withholding allowances for estimated deductions, refer to "Instructions for Additional Withholding Allowances for Estimated Deductions" on page 36 and the "Estimated Deduction" table on page 38.

Use of the DE 4 is optional; however, if an employee provides you with a DE 4, you must use it to determine his/her California PIT withholdings. To obtain copies of the DE 4, access EDD's Web site at **www.edd.ca.gov/taxrep/taxform.htm**, access our Fax-on-Demand at (877) 547-4503, or contact the Taxpayer Assistance Center at (888) 745-3886.

An employee may request that no California PIT be withheld if he/she:

- Incurred no liability for federal income tax for the preceding taxable year; **and**
- Anticipates that no federal income tax liability will be incurred for the current taxable year.

❑ ***ACTION REQUIRED***: Each employee must complete a Form W-4 for federal and California withholding. If the employee wants to claim a different marital status and/or different number of allowances for California PIT withholding, the employee must also complete a DE 4.

If	Then
Employee does not file a DE 4	You **must** use the marital status and allowances claimed (including any additional allowances) by the employee on the federal Form W-4 to calculate the employee's California PIT withholding. **Exception:** Do not withhold any California PIT from wages of employees who have filed "EXEMPT" on their Form W-4 unless you receive a written notice from IRS or Franchise Tax Board (FTB) to withhold at a special rate. To maintain "EXEMPT" status, the employee **must** file a new Form W-4 **each year** on or before February 15.
Employee files a DE 4	You **must** use the DE 4 to calculate and withhold California PIT.
Employee's marital status cannot be determined from the Form W-4 or DE 4	Request the employee to correct or submit a new Form W-4 or DE 4. Until the new form is received consider the employee as single for California PIT withholding purposes.

Employer's Obligations for the Form W-4 and DE 4

Normally, the employer retains the Form W-4 (and DE 4) in the employee's payroll records. Federal regulations require employers to submit copies of all Forms W-4 to IRS which claim:

- More than 10 withholding allowances.
- Exemption from withholding when the usual weekly wages will exceed $200.

If you send a Form W-4 to IRS, you should treat the form as valid for State withholding purposes until notified by IRS to use a different number of withholding allowances.

If Form W-4 is not required to be sent to IRS but the DE 4 meets one of the above reporting requirements, you are required to send a copy of the DE 4 to EDD with your next *Quarterly Wage and Withholding Report* (DE 6). Continue to treat the DE 4 as valid for State withholding purposes until notified by FTB to withhold using a different number of withholding allowances.

❑ ***ACTION REQUIRED***: If Form W-4 meets the criteria above, submit a copy of Form W-4 to IRS. If the employee's Form W-4 was not sent to IRS and he/she claims more than 10 withholding allowances on a DE 4, submit a copy of the DE 4 to EDD. Please keep the original form(s) in the employee's payroll records.

If	Then
Form W-4 is sent to IRS	Treat the Form W-4 as valid until notified in writing by IRS on how to handle the employee's withholding for federal withholding purposes. The instructions you receive for federal withholding purposes also apply for California withholding purposes unless the employee provides you with a DE 4.
DE 4 meets the EDD reporting requirement	Employers are required to send a copy of the DE 4 to EDD with the next *Quarterly Wage and Withholding Report* (DE 6) when: • You did not send the same information on Form W-4 to IRS. • The employee makes material alterations on Form W-4 or DE 4. • The employee provides you with a Form W-4 or DE 4 that the employee admits is false. The EDD forwards the DE 4 to FTB for determination. Continue to treat the DE 4 as valid until notified in writing by FTB of the proper marital status and number of allowances to use for California withholding purposes for the employee.

NOTE:

- If an employee disagrees with an IRS or FTB determination as it applies to California withholding, the employee may request a review of the determination by writing to:

  Franchise Tax Board
  W-4 Unit
  P.O. Box 2952
  Sacramento, CA 94240

- The burden of proof rests with the employee to show that the determination is incorrect for California withholding purposes. Continue to withhold California PIT based on the IRS or FTB determination until notified in writing by IRS or FTB of any changes. In the event IRS or FTB finds no reasonable basis for the number of withholding allowances claimed on Form W-4 or DE 4, the employee may be subject to a $500 penalty.

HOW TO DETERMINE PIT WITHHOLDING AMOUNTS

Refer to page 36 for the 2005 California PIT withholding schedules and information on how to calculate withholdings.

What if Your Employee Wants Additional PIT Withholding?

In addition to the tax required to be withheld from salaries and wages, you may, upon written request from the employee, agree to withhold an additional amount from the employee's wages. This agreement will be effective for the periods you and the employee mutually agree upon or until written termination of the agreement.

If employees rely on the Form W-4 instructions when calculating California withholding allowances, their California PIT could be significantly underwithheld. This is particularly true if the household income is derived from more than one source. If an employee wants more California PIT withheld than the schedules and the alternate methods allow, the employee should either request additional withholding or, if married, indicate "single" on the DE 4. For more information, refer to the DE 4 form and instructions.

HOW TO WITHHOLD PIT ON SUPPLEMENTAL WAGES

Supplemental wages include, but are not limited to, bonuses, overtime pay, sales awards, commissions, stock options, and vacation pay. Under certain circumstances, bonuses and stock options are taxed at a different flat rate than other types of supplemental wages (see "Supplemental Wages" below). This only applies to stock options that are considered wages subject to PIT withholding.

If the supplemental wage is given to the employee at the same time as the employee's regular wages are paid, you are ***required*** to treat the sum of the payments as regular wages and withhold PIT based on the regular payroll period using the PIT withholding schedules.

If the supplemental wage is **not** given to the employee at the same time as the employee's regular wages are paid, you may use either of the following two options:

1. Compute the amount of PIT to withhold from the supplemental wage based on the combined regular wages and the supplemental wage. Compute the PIT withholding on the total of the supplemental wage and the current or most recent regular (gross) wage payment using the PIT withholding schedules. From that amount, subtract the PIT you withheld from the regular wages. The difference is the PIT amount you should withhold from the supplemental wages.

   or

2. Withhold the percentage noted below on the following types of supplemental wages without allowing for any withholding allowances claimed by the employee:

Supplemental Wages	Percentage
Bonuses and stock options	9.3 percent (.093)
Other types (such as overtime pay, commissions, sales awards, and vacation pay)	6 percent (.06)

To find out if stock options are wages subject to PIT withholding, obtain the *Information Sheet: Stock Options* (DE 231SK) by accessing EDD's Web site at **www.edd.ca.gov/taxrep/taxform.htm#Publications**, or calling the Taxpayer Assistance Center at (888) 745-3886.

QUARTERLY ESTIMATED PAYMENTS

Wages are subject to mandatory California PIT withholding at the time they are paid to the employee. Quarterly estimates paid directly to FTB are intended to satisfy taxes on income that is not subject to withholding. Quarterly estimates paid by an employee directly to FTB in lieu of proper withholdings from wages may result in an assessment to the employer. If you have questions regarding quarterly estimated payments, contact FTB at (800) 852-5711.

WAGES PAID TO CALIFORNIA RESIDENTS

If	Then
A California resident performs services in California or in another state	Wages paid to the resident employee are subject to California PIT withholding, and PIT must be withheld from all wages paid, in accordance with the employee's Form W-4 or DE 4. The wages paid must be reported as PIT wages on the *Quarterly Wage and Withholding Report* (DE 6). The PIT withheld must also be reported on the DE 6.
A California resident performs services that are subject to personal income tax withholding laws of both California and another state, political subdivision, or the District of Columbia	Make the withholding required by the other jurisdiction and: • For California, withhold the amount by which the California withholding amount exceeds the withholding amount for the other jurisdiction; **or** • Do not withhold any California PIT if the withholding amount for the other jurisdiction is equal to, or greater than, the withholding amount for California. The wages reported as PIT wages on the *Quarterly Wage and Withholding Report* (DE 6) are the same wages that are entered in "Box 16" on your employee's Form W-2. The PIT withheld must also be reported on the DE 6.

WAGES PAID TO NONRESIDENTS OF CALIFORNIA

If	Then
A nonresident employee performs all services in California	The wages paid to the nonresident employee are subject to California PIT withholding, and PIT must be withheld from all wages paid, in accordance with the employee's Form W-4 or DE 4. The wages paid must be reported as PIT wages on the DE 6. The PIT withheld must also be reported on the DE 6.
A nonresident employee performs services both in California as well as in another state	Only the wages earned in California are subject to California PIT withholding. The amount of wages subject to California PIT withholding is that portion of the total number of working days employed in California compared to the total number of working days employed in both California and the other state. The California wages must be reported as PIT wages on the DE 6. The PIT withheld must also be reported on the DE 6. **NOTE:** For employees whose compensation depends on the volume of business transacted, the amount of earnings subject to California PIT withholding is that portion received for the volume of business transacted in California compared to the total volume of business in both California and the other state.

ADDITIONAL INFORMATION

- EDD Web site (forms and publications) **www.edd.ca.gov/taxrep/taxform.htm**
- Fax-on-Demand (877) 547-4503
- Information Sheets: Page 130
  - DE 231D – *Multistate Employment*
  - DE 231P – *Withholding From Pensions, Annuities, and Other Deferred Income*
  - DE 231PS – *Supplemental Wage Payments & Moving Expense Reimbursement*
  - DE 231R – *Third-Party Sick Pay*
- Types of Employment (table) Page 16
- Types of Payments (table) Page 26

This table identifies special classes of employment and whether the type of employment is subject to California payroll taxes. For additional information on the taxability for a particular type of employment, refer to the code section(s) noted under the specific tax. If you have questions regarding an individual's proper status in working for/with you, please contact the Taxpayer Assistance Center at (888) 745-3886.

In addition to this table, EDD has prepared the "Types of Payments" table on page 26 and information sheets for specific industries, types of services, or types of payments. To obtain the information sheets, access EDD's Web site at **www.edd.ca.gov/taxrep/taxform.htm#Publications**, access our Fax-on-Demand at (877) 547-4503, or contact the Taxpayer Assistance Center at (888) 745-3886.

Types of Employment	TREATMENT FOR TAX PURPOSES			
	Unemployment Insurance and Employment Training Tax[1]	**State Disability Insurance**	**Personal Income Tax Withholding**	**Personal Income Tax Wages**
Agricultural Labor Also refer to federal *Agricultural Employer's Tax Guide* (Publication 51, Circular A).	Subject California Unemployment Insurance Code (CUIC) Section (§) 611	Subject CUIC §611	Not subject[2] CUIC §13009(a)	Reportable CUIC §13009.5
Artists and Authors: A. Common law employees.	Subject CUIC §621(b)	Subject CUIC §621(b)	Subject CUIC §13004	Reportable CUIC §13009.5
B. Statutory employees hired for specific work in the motion picture, radio, or television industry. Refer to *Information Sheet: Statutory Employees* (DE 231SE).	Subject CUIC §601.5	Subject CUIC §601.5	Not subject California Code of Regulations (CCR), Title 22 §4304-1	Not Reportable CUIC §13009.5
Automotive Repair Industry Refer to *Information Sheet: Automotive Repair Industry* (DE 231B).	Subject CUIC §621(b)	Subject CUIC §621(b)	Subject CUIC §13004	Reportable CUIC §13009.5
Barber and Beauty Shops Refer to *Information Sheet: Barbering and Cosmetology Industry* (DE 231C).	Subject CUIC §621(b)	Subject CUIC §621(b)	Subject CUIC §13004	Reportable CUIC §13009.5
Baseball Players	Subject unless under agreement to perform for expenses and a share of the profits of the club. CUIC §653	Subject unless under agreement to perform for expenses and a share of the profits of the club. CUIC §653	Subject CUIC §13004	Reportable CUIC §13009.5
Brokers and/or Salespersons (does not apply to nonprofit or public agencies): A. Gas, oil, or mineral. B. Real estate. C. Yacht.	Not subject if all three of the conditions in endnote 3 are met. CUIC §650	Not subject if all three of the conditions in endnote 3 are met. CUIC §650	Not subject if all three of the conditions in endnote 3 are met. CUIC §13004.1	Not reportable if all three of the conditions in endnote 3 are met. CUIC §13004.1
D. Cemetery.	Not subject if all three of the conditions in endnote 3 are met. CUIC §650	Not subject if all three of the conditions in endnote 3 are met. CUIC §650	Subject if common law employee. CUIC §13009	Reportable if common law employee. CUIC §13009.5

See page 25 for endnotes

Types of Employment	TREATMENT FOR TAX PURPOSES			
	Unemployment Insurance and Employment Training Tax[1]	**State Disability Insurance**	**Personal Income Tax Withholding**	**Personal Income Tax Wages**
Casual Labor: Refer to *Information Sheet: Casual Labor* (DE 231K) A. Part-time or temporary workers.	Subject CUIC §621(b)	Subject CUIC §621(b)	Subject CUIC §13004	Reportable CUIC §13009.5
B. Service **not** in the course of employer's trade or business: • Noncash payments (e.g., meals and lodging)	Not subject CUIC §936	Not subject CUIC §936	Not subject CUIC §13009(h)	Not reportable CUIC §13009.5
• Cash payments	Subject **only** if $50 or more is paid in a quarter **and** employee works some part of 24 or more different days in that quarter or on 24 or more days in the preceding quarter. CUIC §640	Subject **only** if $50 or more is paid in a quarter **and** employee works some part of 24 or more different days in that quarter or on 24 or more days in the preceding quarter. CUIC §640	Subject **only** if $50 or more is paid in a quarter **and** employee works some part of 24 or more different days in that quarter or on 24 or more days in the preceding quarter. CUIC §13009(c)	Reportable **only** if $50 or more is paid in a quarter **and** employee works some part of 24 or more different days in that quarter or on 24 or more days in the preceding quarter. CUIC §13009.5
Construction Contractors Refer to *Information Sheet: Construction Industry* (DE 231G).	Subject unless contractor has a valid contractor's license and is not a common law employee. CUIC §621(b) or 621.5	Subject unless contractor has a valid contractor's license and is not a common law employee. CUIC §621(b) or 621.5	Subject unless contractor has a valid contractor's license and is not a common law employee. CUIC §13004 or 13004.5	Reportable unless contractor has a valid contractor's license and is not a common law employee. CUIC §13009.5
Domestic (Household) Employment In private homes, local college clubs, fraternities, and sororities. Refer to *Information Sheet: Household Employment* (DE 231L), *Household Employer's Guide* (DE 8829), and the federal *Household Employer's Guide* (IRS Publication 926).	Subject if $1,000 or more in cash paid in any calendar quarter for household services. CUIC §629 and 682	Subject if $750 or more in cash paid in any calendar quarter for household services. CUIC §2606.5 and 684	Not subject[2] CUIC §13009(b)	Reportable if otherwise required to register with EDD. CUIC §13009.5
Election Campaign Workers for candidates or committees. Refer to *Information Sheet: Election Campaign Workers* (DE 231V).	Not subject CUIC §636	Not subject CUIC §636	Subject CUIC §13004	Reportable CUIC §13009.5

See page 25 for endnotes

Types of Employment	TREATMENT FOR TAX PURPOSES			
	Unemployment Insurance and Employment Training Tax[1]	**State Disability Insurance**	**Personal Income Tax Withholding**	**Personal Income Tax Wages**
Family Employees Minor child under 18 employed by a father or mother; an individual employed by spouse, registered domestic partner, son or daughter. Refer to *Information Sheet: Family Employment* (DE 231FAM) and *Information Sheet: Specialized Coverage* (DE 231SC).	Not subject – only applies to sole proprietorships and partnerships. CUIC §631	Not subject unless an approved elective coverage agreement is in effect. (This only applies to sole proprietorships and partnerships.) CUIC §631	Subject CUIC §13004	Reportable CUIC §13009.5
Federal Employees: A. Members of the U.S. Armed Forces.	The federal government pays cost of benefits. CUIC §632	Not subject CUIC §632	Subject if stationed in and domiciled in California; both conditions must be present. CCR, Title 22 §4305-1(d)	Reportable if stationed in and domiciled in California; both conditions must be present. CUIC §13009.5
B. Federal civilian employees.	The federal government pays cost of benefits. CUIC §632	Not subject CUIC §632	Subject CCR, Title 22 §4305-1(d)	Reportable CUIC §13009.5
Fishing and Related Activities Refer to *Information Sheet: Commercial Fishing* (DE 231CF).	Subject CUIC §621(b)	Subject CUIC §621(b)	Not subject CUIC §13009.(j)	Not Reportable CUIC §13009.5
Foreign Government and International Organizations	Not subject CUIC §643, 644, and 644.5	Not subject CUIC §643, 644, and 644.5	Not subject CUIC §13009(d)	Not reportable CUIC §13009.5
Foreign Service Performed by a U.S. Citizen: A. U.S. Government employee.	Not subject CUIC §632	Not subject CUIC §632	Subject if employee is a California resident. CUIC §13009	Subject if employee is a California resident. CUIC §13009.5
B. For an American employer or a foreign subsidiary of U.S. corporation or other private employer. Refer to *Information Sheet: Foreign Employment and Employment on American Vessels or Aircraft* (DE 231FE).	Subject if the conditions in endnote 4 are met. CUIC §610	Subject if the conditions in endnote 4 are met. CUIC §610	Subject if employee is a California resident. CUIC §13009	Reportable if employee is a California resident. CUIC §13009.5
Golf Caddies	Not subject CUIC §651	Not subject CUIC §651	Subject CUIC §13004	Reportable CUIC §13009.5
Homeworkers (Industrial): A. Common law employees Refer to *Information Sheet: Employment* (DE 231).	Subject CUIC §621(b)	Subject CUIC §621(b)	Subject CUIC §13004	Reportable CUIC §13009.5

See page 25 for endnotes

Types of Employment	TREATMENT FOR TAX PURPOSES			
	Unemployment Insurance and Employment Training Tax[1]	State Disability Insurance	Personal Income Tax Withholding	Personal Income Tax Wages
Homeworkers (Industrial): (cont.) B. Statutory employees Refer to *Information Sheet: Statutory Employees* (DE 231SE).	Subject CUIC §621(c)(1)(C)	Subject CUIC §621(c)(1)(C)	Not subject CUIC §13004	Not Reportable CUIC §13009.5
Hotel and Restaurant Industries Refer to *Information Sheet: Restaurant and Hotel Industries* (DE 231E).	Subject CUIC §621(b)	Subject CUIC §621(b)	Subject CUIC §13004	Reportable CUIC §13009.5
Household (Domestic) Employment In private homes, local college clubs, fraternities, and sororities. Refer to *Information Sheet: Household Employment* (DE 231L), *Household Employer's Guide* (DE 8829), and the federal *Household Employer's Guide* (IRS Publication 926).	Subject if $1,000 or more in cash paid in any calendar quarter for household services. CUIC §629 and 682	Subject if $750 or more in cash paid in any calendar quarter for household services. CUIC §2606.5 and 684	Not subject[2] CUIC §13009(b)	Reportable if otherwise required to register with EDD. CUIC §13009.5
Interns Working in Hospitals (Also, see "Students" D Nurse working for a hospital or nursing school).	Not subject CUIC §645	Not subject CUIC §645 unless employed by a nonprofit or district hospital. CUIC §2606	Subject CUIC §13004	Reportable CUIC §13009.5
Janitors (Business Services Industry) Refer to *Information Sheet: Service Industries* (DE 231I).	Subject CUIC §621(b)	Subject CUIC §621(b)	Subject CUIC §13004	Reportable CUIC §13009.5
Jockeys or Exercise Persons working freelance, if licensed by the California Horse Racing Board.	Not subject CUIC §654	Not subject CUIC §654	Subject if a common law employee. CUIC §13004	Reportable if a common law employee. CUIC §13009.5
Manufacturing Industry Refer to *Information Sheet: Manufacturing Industry* (DE 231H).	Subject CUIC §621(b)	Subject CUIC §621(b)	Subject CUIC §13004	Reportable CUIC §13009.5
Ministers of churches and members of religious orders, performing duties as such, may elect coverage. Refer to *Information Sheet: Specialized Coverage* (DE 231SC).	Not subject CUIC §634.5(b)	Not subject unless an approved elective coverage agreement is in effect. CUIC §634.5(b)	Not subject[2] CUIC §13009(f)	Reportable if otherwise required to register with EDD. CUIC §13009.5
Newspaper Carriers under 18 years old delivering to consumers.	Not subject if not regular, full-time work. CUIC §634.5(g) and 649(a)	Not subject if not regular, full-time work. CUIC §634.5(g) and 649(a)	Not subject[2] CUIC §13009(g)(1)	Not reportable CUIC §13009.5
Newspaper and Magazine Vendors buying at fixed prices and retaining excess from sales to consumers.	Not subject CUIC §634.5(h) and 649(b)	Not subject CUIC §634.5(h) and 649(b)	Not subject CUIC §13009(g)(2)	Not reportable CUIC §13009.5

See page 25 for endnotes

Types of Employment	TREATMENT FOR TAX PURPOSES			
	Unemployment Insurance and Employment Training Tax[1]	State Disability Insurance	Personal Income Tax Withholding	Personal Income Tax Wages
Nonprofit Organization Employees: Refer to *Information Sheet: Nonprofit and/or Public Entities* (DE 231NP) A. Churches, conventions, or associations of churches, or religious organizations which are operated primarily for religious purposes and operated, supervised, controlled, or principally supported by a church, convention, or association of churches. (See also Ministers and members of religious orders.)	Not subject CUIC §634.5(a)	Not subject unless employed by a nonprofit hospital CUIC §645 (g) and 2606 or while an approved electric coverage agreement is in effect.	Subject CUIC §13009 (except ministers and members of religious orders)	Reportable CUIC §13009.5
B. Elected or appointed officials of nonprofit fraternal organizations earning less than $100 per month.	Not subject CUIC §652	Not subject CUIC §652	Subject CUIC §13009	Reportable CUIC §13009.5
C. All other nonprofit organizations exempt under Internal Revenue Code (IRC) §501(c)(3) except those under "A" and "B" above.	Subject (Employees earning less than $50 in any quarter are exempt.) CUIC §641	Subject (Employees earning less than $50 in any quarter are exempt.) CUIC §641	Subject CUIC §13009	Reportable CUIC §13009.5
D. All other organizations exempt under IRC §501(a), other than a pension profit-sharing or stock bonus plan described in IRC §401(a) or under IRC §521.	Subject CUIC §608	Subject CUIC §608	Subject CUIC §13009	Reportable CUIC §13009.5
Nonresidents of California: A. U.S. Residents: • Service performed in California.	Subject CUIC §601	Subject CUIC §601	Subject CUIC §13009	Reportable CUIC §13009.5
• Service performed outside U.S.	Subject if employer's principal place of business in U.S. is in California.[4] CUIC §610	Subject if employer's principal place of business in U.S. is in California.[4] CUIC §610	Not subject CUIC §13009	Not reportable CUIC §13009.5
B. Aliens Working in California: • Residents of Canada or Mexico entering California frequently in transportation service across the border.	Subject (unless railroad service) CUIC §621(b)	Subject (unless railroad service) CUIC §621(b)	Not subject CUIC §13009(e) and CCR, Title 22 §4309-2(f)(2)(A)	Not reportable CUIC §13009.5

See page 25 for endnotes

Types of Employment	TREATMENT FOR TAX PURPOSES			
	Unemployment Insurance and Employment Training Tax[1]	State Disability Insurance	Personal Income Tax Withholding	Personal Income Tax Wages
Nonresidents of California: (cont.)				
• Residents of Canada or Mexico entering California frequently for construction, maintenance, or operation of waterway, bridge, etc., traversing the border.	Subject CUIC §621(b)	Subject CUIC §621(b)	Not subject CCR, Title 22 §4309-2(f)(2)(B)	Not reportable CUIC §13009.5
• Residents of any foreign country entering California frequently, employed wholly within California.	Subject CUIC §621(b)	Subject CUIC §621(b)	Subject CUIC §13009	Reportable CUIC §13009.5
• Workers from any foreign country or its possession lawfully admitted on a temporary basis to perform agricultural labor.	Subject CUIC §611	Subject CUIC §611	Not subject[2] CUIC §13009(a)	Reportable CUIC §13009.5
• Students, scholars, trainees, or teachers as nonimmigrant aliens under sections of the Immigration and Nationality Act (INA)[6].	Subject unless excluded per CUIC §642 or if a nonresident nonimmigrant temporarily residing in U.S. performs services for a CUIC §608 nonprofit employer to carry out the purpose specified in the employee's "F," "J," "M," or "Q" type visa.	Subject unless excluded per CUIC §642 or if a nonresident nonimmigrant temporarily residing in the U.S. performs services for a CUIC §608 nonprofit employer to carry out the purpose specified in the employee's "F," "J," "M," or "Q" type visa.	Subject unless exempted by regulations or treaty with a foreign government. Treaty must specify exemption from "State or local taxes." CUIC §13009(e)	Reportable CUIC §13009.5
• Professional athlete, in California for occasional or incidental engagements.	Not subject CUIC §655	Not subject CUIC §655	Subject CUIC §13009	Reportable CUIC §13009.5
Officer of a Corporation performing services as an employee:				
A. Corporation subject to FUTA *Sole Shareholder/Corporate Officer Exclusion Statement* (DE 459).	Subject CUIC §621(a)	Subject unless sole shareholder or only shareholder other than his/her spouse or registered domestic partner and has filed an exclusion for SDI (DE 459). CUIC §621(a) and 637.1	Subject unless agricultural labor. CUIC §13004 and 13009(a)	Reportable CUIC §13009.5

See page 25 for endnotes

Types of Employment	TREATMENT FOR TAX PURPOSES			
	Unemployment Insurance and Employment Training Tax[1]	**State Disability Insurance**	**Personal Income Tax Withholding**	**Personal Income Tax Wages**
B. Corporation not subject to FUTA, Unemployment Insurance and Employment Training Tax (e.g., agriculture corporation under CUIC §637).	Subject unless excluded as an officer and/or director who is sole shareholder or the only shareholder other than his/her spouse or registered domestic partner. CUIC §637	Subject unless excluded as an officer and/or director who is the sole shareholder or the only shareholder other than his/her spouse. CUIC §637	Subject unless agricultural labor. CUIC §13004 and 13009 (a)	Reportable if otherwise required to register with EDD. CUIC §13009.5
Patients employed by hospitals	Not subject CUIC §647	Not subject unless nonprofit or district hospital. CUIC §647 and 2606	Subject CUIC §13004	Reportable CUIC §13009.5
Private Postsecondary School Intermittent and Adjunct Instructors Services must be performed for an institution that meets the requirements of the Education Code, Article 8 (commencing with §94900), Chapter 7, Part 59.	Subject CUIC §621(b)	Not subject if the conditions in endnote 5 are met. CUIC §633	Not subject if the conditions in endnote 5 are met. CUIC §13009(r)	Not reportable if the conditions in endnote 5 are met. CUIC §13009.5
Public Entity Employees of cities and counties, local public agencies, and schools. Refer to *Information Sheet: Nonprofit and/or Public Entities* (DE 231NP) and *Information Sheet: Specialized Coverage* (DE 231SC).	Subject CUIC §605	Not subject unless employed by a district hospital or public housing administration agency operated by state or local governmental subdivisions or an approved elective coverage agreement is in effect. CUIC §605 and 2606	Subject CUIC §13009	Reportable CUIC §13009.5
Restaurant and Hotel Industries Refer to *Information Sheet: Restaurant and Hotel Industries* (DE 231E).	Subject CUIC §621(b)	Subject CUIC §621(b)	Subject CUIC §13009	Reportable CUIC §13009.5
Salespersons: Refer to *Information Sheet: Salespersons* (DE 231N) A. Common law employees	Subject CUIC §621(b)	Subject CUIC §621(b)	Subject CUIC §13004	Reportable CUIC §13009.5
B. Real estate or direct sales salespersons	Not subject if all three conditions in endnote 3 are met. CUIC §650	Not subject if all three conditions in endnote 3 are met. CUIC §650	Not subject if all three conditions in endnote 3 are met. CUIC §13004.1	Not reportable if all three conditions in endnote 3 are met. CUIC §13009.5

See page 25 for endnotes

Types of Employment	TREATMENT FOR TAX PURPOSES			
	Unemployment Insurance and Employment Training Tax[1]	**State Disability Insurance**	**Personal Income Tax Withholding**	**Personal Income Tax Wages**
C. Traveling or City Salespersons. Refer to *Information Sheet: Statutory Employees* (DE 231SE).	Subject CUIC §621(c)(1)(B)	Subject CUIC §621(c)(1)(B)	Not subject CCR, Title 22 §4304-1	Not reportable CUIC §13009.5
Services on or in connection with an American aircraft or vessel, and such services are subject to the Federal Unemployment Tax Act (FUTA). Refer to *Information Sheet: Foreign Employment and Employment on American Vessels or Aircraft* (DE 231FE).	Subject if the operations are ordinarily and regularly directed and controlled from the employer's California office. CUIC §125.3, 125.5, and 609	Subject if the operations are ordinarily and regularly directed and controlled from the employer's California office. CUIC §125.3, 125.5, and 609	Subject if services are performed on an aircraft by a California resident or by a nonresident if over 50 percent of the nonresident's scheduled flight time is in California. CUIC §13009 and Title 49, U.S. Code, §40116 Not subject if services are performed on a vessel.	Reportable if services are performed on an aircraft by a California resident or by a nonresident if over 50 percent of the nonresident's scheduled flight time is in California. CUIC §13009.5 and Title 49, U.S. Code, §40116 Not subject if services are performed on a vessel.
Standby Employee doing no actual work in period for which paid.	Subject CUIC §926	Subject CUIC §926	Subject CUIC §13009	Reportable CUIC §13009.5
State Government and Political Subdivisions, services performed as:				
A. An elected official	Not subject CUIC §634.5(c)	Not subject CUIC §634.5(c)	Subject CUIC §13009	Reportable CUIC §13009.5
B. A member of a legislative body, or a member of the judiciary, or a State or political subdivision thereof.	Not subject CUIC §634.5(c)	Not subject CUIC §634.5(c)	Subject CUIC §13009	Reportable CUIC §13009.5
C. A member of a State National Guard, Ready Reserve, or Air National Guard.	Not subject CUIC §634.5(c)	Not subject CUIC §634.5(c)	Subject CUIC §13009	Reportable CUIC §13009.5
D. An employee serving on a temporary basis in case of fire, storm, snow, earthquake, flood, or other similar emergency.	Not subject CUIC §634.5(c)	Not subject CUIC §634.5(c)	Subject CUIC §13009	Reportable CUIC §13009.5
E. In a position which, under or pursuant to State law, is designated as either of the following: • A major, nontenured policy-making or advisory position.	Not subject CUIC §634.5(c)	Not subject CUIC §634.5(c)	Subject CUIC §13009	Reportable CUIC §13009.5
• A policymaking or advisory position, the performance of the duties of which ordinarily does not require more than eight hours per week.	Not subject CUIC §634.5(c)	Not subject CUIC §634.5(c)	Subject CUIC §13009	Reportable CUIC §13009.5

See page 25 for endnotes

Types of Employment	TREATMENT FOR TAX PURPOSES			
	Unemployment Insurance and Employment Training Tax[1]	State Disability Insurance	Personal Income Tax Withholding	Personal Income Tax Wages
State Government and Political Subdivisions, services performed as: (cont.) F. Employees of State or local governments and instrumentalities not included above.	Subject CUIC §605	Not subject except for public housing administration agencies and district hospitals. CUIC §2606	Subject CUIC §13004	Reportable CUIC §13009.5
G. Fees of public officials	Subject CUIC §926	Subject CUIC §926	Not reportable CCR, Title 22 §4309-2(b)	Not reportable CUIC §13009.5
Students: A. Working for a public or private school, college, or university, if enrolled and regularly attending classes at that school.	Not subject CUIC §642	Not subject CUIC §642	Subject CUIC §13009	Reportable CUIC §13009.5
B. Spouse or registered domestic partner of student, if such person is advised at the time service commences at the school that employment is provided under a program to provide financial assistance to the student by the school, college, or university, and that employment will not be covered by unemployment insurance or State disability insurance.	Not subject CUIC §642	Not subject CUIC §642	Subject CUIC §13009	Reportable CUIC §13009.5
C. Under age 22 enrolled in a full-time program at a nonprofit or public education institution. Institution must normally maintain a regular faculty and curriculum and normally have a regularly organized body of students where its educational activities are located. Student's service must be taken for credit at such an institution. It must combine academic instruction with work experience. It must be an integral part of such program, and the institution must have so certified to the employer.	Not subject unless program established solely for one employer or one group of employers. CUIC §646	Not subject unless program established solely for one employer or one group of employers. CUIC §646	Subject CUIC §13004	Reportable CUIC §13009.5
D. Student nurse working for a hospital or nursing school.	Not subject CUIC §645	Subject if employed by a nonprofit or district hospital. CUIC §2606 Not subject if employed by any other hospital or nursing school. CUIC §645	Subject CUIC §13004	Reportable CUIC §13009.5

See page 25 for endnotes

Types of Employment	TREATMENT FOR TAX PURPOSES			
	Unemployment Insurance and Employment Training Tax[1]	State Disability Insurance	Personal Income Tax Withholding	Personal Income Tax Wages
Students: (cont.) E. Full-time students[7] working for an organized camp[8].	Not subject CUIC §642.1	Not subject CUIC §642.1	Subject CUIC §13009	Reportable CUIC §13009.5
Temporary Services and Employee Leasing Industries Refer to *Information Sheet: Temporary Services and Employee Leasing Industries* (DE 231F).	Subject CUIC §621(b) and 606.5	Subject CUIC §621(b) and 606.5	Subject CUIC §13009	Reportable CUIC §13009.5
Transcribers of depositions, court proceedings, and hearings performed away from the office of the person, firm, or association obligated to produce a transcript of the proceedings.	Not subject CUIC §630	Not subject CUIC §630	Not subject CCR, Title 22 §4304-1	Not reportable CUIC §13009.5

1 Employers who have elected the "cost of benefits" or "reimbursable method" of financing Unemployment Insurance contributions or who have a negative reserve account balance are not required to contribute to the Employment Training Tax Fund.

2 Subject if employer and employee voluntarily agree to withhold California Personal Income Tax.

3 Not subject if all three of the following conditions are met:
a) Substantially all payments are directly related to sales or other output.
b) Services are performed pursuant to a written contract that provides the individual will not be treated as an employee with respect to those services for State tax purposes.
c) The individual has the license required to perform the services.

4 If the employer's principal place of business in the U.S. is in California or if the employer has no place of business in the U.S. but:
a) The employer is an individual who is a resident of California, or
b) The employer is a corporation, limited liability company, or limited liability partnership which is organized under the laws of California, or
c) The employer is a partnership or a trust and the number of partners or trustees who are residents of California is greater than the number who are residents of any one other state.

If none of the criteria above applies, but the employer has elected coverage in California or the employer has not elected coverage in any state and an individual has filed for benefits in California, based on such service.

5 Not subject if service is performed under written contract with **all** of the following provisions:
a) Any federal or State income tax liability shall be the responsibility of the party providing the services.
b) No disability insurance coverage is provided under the contract.
c) The party performing the services certifies that he/she is doing so as a secondary occupation or as a supplemental source of income.

6 "Employment" excludes services performed by a nonresident alien for the period temporarily in the U.S. as a nonimmigrant under IRC §3306(c)(19).

7 Full-time student – enrolled full-time for the current term of an academic year or, if between terms, for the immediately preceding period with a reasonable assurance of enrollment in the immediately subsequent period.

8 Organized camp – offers outdoor group living experience for social, spiritual, educational, or recreational purposes; must not operate more than 7 months a year, or at least two-thirds of its previous yearly gross income must have been in any 6 of the 12 months of the year.

Note: A registered domestic partner means an individual partner in a domestic relationship within the meaning of Section 297 of the Family Code.

This table identifies special types of payments and whether the type of payment is subject to California payroll taxes. For additional information on the taxability for a particular type of payment, refer to the code section(s) noted under the specific tax. If you have questions regarding if or how an individual payment is taxed, please call the Taxpayer Assistance Center at (888) 745-3886.

In addition to this table, EDD has prepared the "Types of Employment" table on page 16 and information sheets for specific industries, types of services, or types of payments. To obtain the information sheets access EDD's Web site at **www.edd.ca.gov/taxrep/taxform.htm#Publications**, access our Fax-on-Demand at (877) 547-4503, or contact the Taxpayer Assistance Center at (888) 745-3886.

Types of Payments	TREATMENT FOR TAX PURPOSES			
	Unemployment Insurance and Employment Training Tax[1]	**State Disability Insurance**	**Personal Income Tax Withholding**	**Personal Income Tax Wages**
Adoption Assistance: Payments as defined in the Internal Revenue Code (IRC) Section (§)137. A. If the adoption assistance program is **not** under an IRC §125 Cafeteria Plan.	Subject California Unemployment Insurance Code (CUIC) Section § 926	Subject CUIC §926	Not subject CUIC §13009(q)	Not reportable CUIC §13009.5
B. If the adoption assistance program is under an IRC §125 Cafeteria Plan: • Employer contributions (into the plan).	Subject CUIC §926	Subject CUIC §926	Not subject CUIC §13009(i)(5)	Not reportable CUIC §13009.5
• Employee contributions (into the plan).	Subject CUIC §926	Subject CUIC §926	Not subject CUIC §13009(i)(5)	Not reportable CUIC §13009.5
• Payments from the plan.	Not subject CUIC §926	Not subject CUIC §926	Not subject CUIC §13009(i)(5)	Not reportable CUIC §13009.5
Board of Directors Fees A director of a corporation or association performing services in the capacity of a director.	Not subject CUIC §622	Not subject CUIC §622	Subject if a common law employee. Not subject if corporation pays compensation to a nonresident corporate director for director services performed in California. CUIC §13020(c)	Reportable if a common law employee. Not reportable if corporation pays compensation to a nonresident corporate director for director services performed in California. CUIC §13009.5
Bonuses	Subject CUIC §926	Subject CUIC §926	Subject CUIC §13009	Reportable - refer to page 14. CUIC §13009.5
Business Expenses: A. Employer reimbursement of required or necessary business expenses incurred by the employee while performing services for the employer.	Not subject CUIC §929	Not subject CUIC §929	Not subject CUIC §13009(q)	Not reportable CUIC §13009.5
B. Long-term travel expenses allowed under IRC §162.	Not subject CUIC §929	Not subject CUIC §929	Subject CUIC §13009	Reportable CUIC §13009.5

See page 35 for endnotes

Types of Payments	TREATMENT FOR TAX PURPOSES			
	Unemployment Insurance and Employment Training Tax[1]	State Disability Insurance	Personal Income Tax Withholding	Personal Income Tax Wages
Cafeteria Plan Payments Under IRC §125 Refer to *Information Sheet: Taxability of Employee Benefits* (DE 231EB).	Generally not subject CUIC §938.3(d)	Generally not subject CUIC §938.3(d)	Not subject CUIC §13009(i)(5)	Not reportable if excluded from taxable income. CUIC §13009.5
Commissions	Subject CUIC §926	Subject CUIC §926	Subject CUIC §13009	Reportable – refer to page 14. CUIC §13009.5
Debts Paid by Employer: (Amounts in lieu of cash wages offset by the employer.) A. Amounts paid against a debt due from employee.	Subject CUIC §926	Subject CUIC §926	Subject CUIC §13009	Reportable CUIC §13009.5
B. Amounts applied to a debt owed to a third-party by the employee.	Subject CUIC §926	Subject CUIC §926	Subject CUIC §13009	Reportable CUIC §13009.5
Deceased Employee Wages Wages paid to beneficiary or estate after the date of the worker's death.	Subject in the calendar year in which the employee died. CUIC §938.7	Subject in the calendar year in which the employee died. CUIC §938.7	Not subject CUIC §13009(q)	Not reportable CUIC §13009.5
Dependent Care Assistance Programs (Limited to $5,000; $2,500 if married, filing separately.)	Not subject if at the time paid or furnished, it is reasonable to believe the amounts are excludable from gross income under IRC §129. CUIC §938.3(b)	Not subject if at the time paid or furnished, it is reasonable to believe the amounts are excludable from gross income under IRC §129. CUIC §938.3(b)	Not subject if at the time paid or furnished, it is reasonable to believe the amounts are excludable from gross income under IRC §129. CUIC §13009(q)	Not reportable if at the time paid or furnished, it is reasonable to believe the amounts are excludable from gross income under IRC §129. CUIC §13009.5
Dismissal or Severance Pay	Subject unless payments qualify as supplemental UI benefits. CUIC §1265	Subject unless payments qualify as supplemental UI benefits. CUIC §1265	Subject CUIC §13009(q)	Reportable CUIC §13009.5
Educational Assistance (Payments under IRC §127) Undergraduate and graduate level courses excluded up to $5,250 (maximum), per employee, per calendar year.	Not subject if at the time paid or furnished, it is reasonable to believe the amounts are excludable from gross income under IRC §127. CUIC §938.3(a)	Not subject if at the time paid or furnished, it is reasonable to believe the amounts are excludable from gross income under IRC §127. CUIC §938.3(a)	Not subject if the amounts are excludable from gross income under IRC §127. CUIC §13009(q)	Not reportable if the amounts are excludable from gross income under IRC §127. CUIC §13009.5

See page 35 for endnotes

Types of Payments	TREATMENT FOR TAX PURPOSES			
	Unemployment Insurance and Employment Training Tax[1]	State Disability Insurance	Personal Income Tax Withholding	Personal Income Tax Wages
Employee Achievement Awards	Not subject if at the time awarded, it is reasonable to believe the amount is excludable from gross income under IRC §74(c). CUIC §938.3(c)	Not subject if at the time awarded, it is reasonable to believe the amount is excludable from gross income under IRC §74(c). CUIC §938.3(c)	Not subject if at the time awarded, it is reasonable to believe the amount is excludable from gross income under IRC §74(c). CUIC §13009(q)	Not reportable if at the time awarded, it is reasonable to believe the amount is excludable from gross income under IRC §74(c). CUIC §13009.5
Fringe Benefits: A. Employee use of employer's vehicle for personal use.	Subject CUIC §926	Subject CUIC §926	Subject CUIC §13009	Reportable CUIC §13009.5
B. Employer-paid transportation costs that have no business connection and are not excluded under IRC §132.	Subject CUIC §926	Subject CUIC §926	Subject CUIC §13009	Reportable CUIC §13009.5
C. Employer-paid FICA, SDI, and/or Medicare. Refer to *Information Sheet: Social Security/Medicare/SDI Taxes Paid by an Employer* (DE 231Q).	Subject CUIC §926	Subject CUIC §926	Subject CUIC §13009	Reportable CUIC §13009.5
D. Employer-paid FICA and/or Medicare for domestic service in private home or agricultural labor. Refer to *Information Sheet: Social Security/ Medicare/SDI Taxes Paid by an Employer* (DE 231Q).	Not subject CUIC §935	Not subject CUIC §935	Not subject CUIC §13009(a) and 13009(b)	Reportable CUIC §13009.5
E. Benefits excluded from gross income under IRC §132 (i.e., services supplied to employees at no additional cost to the employer, discounts, parking, bus passes, athletic facilities, free coffee, moving expenses, qualified retirement planning services, etc.).	Not subject CUIC §938.3(c)	Not subject CUIC §938.3(c)	Not subject CUIC §13009(q)	Not reportable CUIC §13009.5
F. Rideshare subsidies defined in Revenue and Taxation Code (R&TC) §17149. Subsidies include vanpool, commuter bus, buspool, etc.	Not subject unless the subsidies exceed the federal limits of IRC §132. CUIC §926	Not subject unless the subsidies exceed the federal limits of IRC §132. CUIC §926	Not subject CUIC §13009(q)	Not reportable CUIC §13009.5
Gifts of nominal value given as an expression of goodwill and not based on the rate of pay, length or degree of prior personal service, or required under union agreement or contract of hire.	Not subject CUIC §926 and California Code of Regulations (CCR), Title 22 §926-2	Not subject CUIC §926 and CCR, Title 22 §926-2	Not subject CUIC §13009(q)	Not reportable CUIC §13009.5

See page 35 for endnotes

Types of Payments	TREATMENT FOR TAX PURPOSES			
	Unemployment Insurance and Employment Training Tax[1]	State Disability Insurance	Personal Income Tax Withholding	Personal Income Tax Wages
Group Legal Services	Subject CUIC §926 and IRC §120	Subject CUIC §926 and IRC §120	Subject CUIC §13004	Reportable CUIC §13009.5
Health Plans: A. Employer-provided coverage under accident or health plans or medical expense reimbursements.	Not subject CUIC §931	Not subject CUIC §931	Not subject (subject for 2% shareholder-employees of S corporations) CUIC §13009(q)	Not reportable (reportable for 2% shareholder-employees of S corporations) CUIC §13009.5
B. Employer-provided coverage under accident or health plans or medical expense reimbursements to an employee's registered domestic partner.	Not subject CUIC §931	Not subject CUIC §931	Not subject CUIC §13009(q)	Not reportable CUIC §13009.5
Life Insurance Premiums Paid on Behalf of Employees	Not subject CUIC §931(c)	Not subject CUIC §931(c)	Not subject if group-term life insurance. CUIC §13009(l)	Reportable if face value of group-term life insurance exceeds $50,000. CUIC §13009.5 see endnote 4
Lodging	Subject CUIC §926 and CCR, Title 22 §926-3, 926-4, and 926-5	Subject CUIC §926 and CCR, Title 22 §926-3, 926-4, and 926-5	Subject unless furnished on employer's premises, for the employer's convenience, and as a condition of employment. CCR, Title 22 §4309-1(b)(9)	Reportable unless furnished on employer's premises, for the employer's convenience, and as a condition of employment. CUIC §13009.5
Meals	Subject CUIC §926 and CCR, Title 22 §926-3, 926-4, and 926-5	Subject CUIC §926 and CCR, Title 22 §926-3, 926-4, and 926-5	Subject unless furnished for employer's convenience and on employer's premises. CCR, Title 22 §4309-1(b)(9)	Reportable unless furnished for employer's convenience and on employer's premises. CUIC §13009.5
Moving Expenses: A. Qualified expenses	Not subject if you reasonably believe expenses are deductible by the employee under IRC §217. CUIC §937	Not subject if you reasonably believe expenses are deductible by the employee under IRC §217. CUIC §937	Not subject CUIC §13009(m) and IRC §217	Not reportable CUIC §13009.5 and IRC §217
B. Nonqualified expenses	Subject CUIC §926	Subject CUIC §926	Subject CUIC §13009	Reportable CUIC §13009.5

See page 35 for endnotes

Types of Payments	TREATMENT FOR TAX PURPOSES			
	Unemployment Insurance and Employment Training Tax[1]	**State Disability Insurance**	**Personal Income Tax Withholding**	**Personal Income Tax Wages**
Noncash Payments: Refer to "Lodging" and "Meals" sections in this table. A. Household employees- For personal income tax wages, refer to *Information Sheet: Personal Income Tax Wages Reported on the Quarterly Report of Wages and Withholdings for Employers of Household Workers* (DE 231PH).	Refer to *Household Employer's Guide* (DE 8829) or *Information Sheet: Household Employment* (DE 231L). CCR, Title 22 §926-3	Refer to *Household Employer's Guide* (DE 8829) or *Information Sheet: Household Employment* (DE 231L). CCR, Title 22 §926-3	Not subject[2] CUIC §13009(b)	Reportable[2] CUIC §13009.5
B. Services not in the course of employer's trade or business.	Not subject CUIC §936	Not subject CUIC §936	Not subject CUIC §13009(h)	Not reportable CUIC §13009.5
Railroad Retirement Tax Act and Railroad Unemployment Insurance Act (payments to employees covered by these acts)	Not subject CUIC §635	Not subject CUIC §635	Subject CCR, Title 22 §4304-1	Reportable CUIC §13009.5
Retirement and Pension Plans: Refer to *Information Sheet: Withholding From Pensions, Annuities, and Certain Other Deferred Income* (DE 231P). A. Payments from a qualified plan.[3]	Not subject CUIC §934	Not subject CUIC §934	Subject if employee is a California resident, unless recipient elects exemption from withholding. CUIC §13028	Not reportable CUIC §13009.5
B. Employee contributions to a qualified cash or deferred compensation plan as defined in IRC §401(k).	Subject CUIC §928.5(a)	Subject CUIC §928.5(a)	Not subject if payments are not includable in gross income for California income tax purposes. CUIC §13009(i)(5)	Not reportable if payments are not includable in gross income for California income tax purposes. CUIC §13009.5
C. Employer contributions to a qualified cash or deferred compensation plan as defined in IRC §401(k).	Not subject unless the contributions result from a salary reduction agreement. CUIC §934	Not subject unless the contributions result from a salary reduction agreement. CUIC §934	Not subject if payments are not includable in gross income for California income tax purposes. CUIC §13009(i)(1)	Not reportable if payments are not includable in gross income for California income tax purposes. CUIC §13009.5
D. Employer contributions to a Simplified Employee Plan-Individual Retirement Arrangement (SEP-IRA) as defined in IRC §408(k).	Not subject unless the contributions result from a salary reduction agreement. CUIC §934(c)	Not subject unless the contributions result from a salary reduction agreement. CUIC §934(c)	Not subject if payments are not includable in gross income for California income tax purposes. CUIC §13009(i)(1)	Not reportable if payments are not includable in gross income for California income tax purposes. CUIC §13009.5

See page 35 for endnotes

Types of Payments	TREATMENT FOR TAX PURPOSES			
	Unemployment Insurance and Employment Training Tax[1]	State Disability Insurance	Personal Income Tax Withholding	Personal Income Tax Wages
Retirement and Pension Plans: (cont.)				
E. Employer contributions to a Savings Incentive Match Plan for Employees of Small Employers Individual Retirement Account (SIMPLE IRA) as defined in IRC §408(p).	Not subject unless the contributions result from a salary reduction agreement. CUIC §934(d)	Not subject unless the contributions result from a salary reduction agreement. CUIC §934(d)	Not subject if payments are not includable in gross income for California income tax purposes. CUIC §13009(i)(2)	Not reportable if payments are not includable in gross income for California income tax purposes. CUIC §13009.5
F. Employee contributions to a "Deemed IRA" as defined in IRC §408(q).	Subject CUIC §926	Subject CUIC §926	Subject CUIC §13009	Reportable CUIC §13009.5
G. Employer contributions to a qualified annuity contract as defined in IRC §403(a) (applies to IRC §501[c][3] organizations and public school employees).	Not subject CUIC §934(b)	Not subject CUIC §934(b)	Not subject CUIC §13009(i)(2)	Not reportable CUIC §13009.5
H. Employer contributions to a qualified annuity contract defined in IRC §403(b) (applies to IRC §501[c][3] organizations and public school employers).	Not subject unless the contributions result from a salary reduction agreement. CUIC §934(e)	Not subject unless the contributions result from a salary reduction agreement. CUIC §934(e)	Not subject CUIC §13009(i)(2)	Not reportable CUIC §13009.5
I. Employer contributions under an exempt governmental deferred compensation plan as defined in IRC §3121(v)(3).	Not subject CUIC §934(f)	Not subject CUIC §934(f)	Not subject CUIC §13009(q)	Not reportable CUIC §13009.5
J. Employer contributions to certain nonqualified deferred compensation plans.	Subject at the time services are performed or when there is no substantial risk of a forfeiture of the right to the amount, whichever is later. CUIC §926	Subject at the time services are performed or when there is no substantial risk of a forfeiture of the right to the amount, whichever is later. CUIC §926	Subject CUIC §13009(q)	Reportable CUIC §13009.5
K. Payments upon death or retirement for disability to employee or his/her dependent made under a plan providing for employees or a class or classes of employees.	Not subject CUIC §938	Not subject CUIC §938	Not subject CUIC §13009(q)	Not reportable CUIC §13009.5
Salary Advances	Subject at the time the advance is paid, **not** when it is deducted from future earnings (wage payments). CUIC §926	Subject at the time the advance is paid, **not** when it is deducted from future earnings (wage payments). CUIC §926	Subject at the time the advance is paid, **not** when it is deducted from future earnings (wage payments). CUIC §13009	Reportable at the time the advance is paid, **not** when it is deducted from future earnings (wage payments). CUIC §13009.5

See page 35 for endnotes

Types of Payments	TREATMENT FOR TAX PURPOSES			
	Unemployment Insurance and Employment Training Tax[1]	State Disability Insurance	Personal Income Tax Withholding	Personal Income Tax Wages
Scholarship Payments, Fellowship Grants, Tuition Reductions, or Stipend Award	Not subject if it is reasonable to believe that the benefit is excludable from gross income under IRC §117. CUIC §938.3(c)	Not subject if it is reasonable to believe that the benefit is excludable from gross income under IRC §117. CUIC §938.3(c)	Not subject if it is reasonable to believe that the benefit is excludable from gross income under IRC §117. CUIC §13009(q)	Not reportable if it is reasonable to believe that the benefit is excludable from gross income under IRC §117. CUIC §13009.5
Sickness or Injury Payments under:				
A. Workers' Compensation law.	Not subject CUIC §931(a)	Not subject CUIC §931(a)	Not subject CUIC §13009(q)	Not reportable CUIC §13009.5
B. Employer plans and contracts of insurance.	Not subject after the end of six calendar months after the calendar month employee last worked for employer. CUIC §933	Not subject after the end of six calendar months after the calendar month employee last worked for employer. CUIC §933	Subject to the extent the payments into the plan were made by the employer and were not included in the gross taxable income of the employee. CUIC §13009	Reportable to the extent the payments into the plan were made by the employer and were not included in the gross taxable income of the employee. CUIC §13009.5
C. Sick pay while employed	Subject CUIC §931	Subject CUIC §931	Subject CUIC §13009	Reportable CUIC §13009.5
D. A plan entirely funded by employees.	Not subject CUIC §926	Not subject CUIC §926	Not subject CUIC §13009(q)	Not reportable CUIC §13009.5
Sick Pay Paid by Third-Party Payers such as insurance companies and trusts: Reporting is the responsibility of the last employer if timely notified by the payer. Refer to *Information Sheet: Third-Party Sick Pay* (DE 231R).				
A. Third-party payer notifies the recipient's last employer within 15 days after payment. *Request for State Income Tax Withholding from Sick Pay* (DE 4S).	Subject – recipient's employer is responsible for reporting UI and ETT. CUIC §931.5	Not subject CUIC §931.5	Subject if employee requests withholding by filing form DE 4S with the third-party who is responsible for reporting PIT withholding. CUIC §931.5 and 13028.6	Reportable – recipient's employer is responsible for reporting PIT wages. CUIC §13009.5(a)(3)(A)
B. Third-party payer **does not** notify the recipient's last employer within 15 days after payment. Third-party payer is responsible for reporting UI, ETT, any voluntary PIT withholding, and PIT wages.	Subject – third-party payer is responsible for reporting UI and ETT. CUIC §931.5	Not subject – neither employer nor third-party payer are required to report. CUIC §931.5	Subject if employee requests withholding by filing form DE 4S with the third-party payer. CUIC §931.5 and 13028.6(c)	Reportable – third-party payer is responsible for reporting PIT wages. CUIC §13009.5(a)(3)(B)

See page 35 for endnotes

Types of Payments	TREATMENT FOR TAX PURPOSES			
	Unemployment Insurance and Employment Training Tax[1]	State Disability Insurance	Personal Income Tax Withholding	Personal Income Tax Wages
Sick Pay Paid by Third-Party Payers (cont.) C. Sick pay paid after the end of six calendar months after the calendar month the employee last worked for the employer, and the third-party payer notifies the recipient's last employer within 15 days after payment.	Not subject – neither employer nor third-party payer are required to report. CUIC §933	Not subject – neither employer nor third-party payer are required to report. CUIC §933	Subject if employee requests withholding by filing form DE 4S with the third-party who is responsible for reporting PIT withholding. CUIC §931.5 and 13028.6(c)	Reportable – recipient's employer is responsible for reporting PIT wages. CUIC §13009.5(a)(3)(A)
D. Sick pay paid after the end of six calendar months after the calendar month the employee last worked for the employer, and the third-party payer **does not** notify the recipient's last employer within 15 days after payment.	Not subject – neither employer nor third-party payer are required to report. CUIC §933	Not subject – neither employer nor third-party payer are required to report. CUIC §933	Subject if employee requests withholding by filing form DE 4S with the third-party payer. CUIC §13009	Reportable – third-party payer is responsible for reporting PIT wages. CUIC §13009.5(a)(3)(B)
Stock Options: Refer to page 14 and *Information Sheet: Stock Options* (DE 231SK) A. Incentive Stock Option (ISO): • Qualifying Disposition (after minimum holding period)	Not subject CUIC §928	Not subject CUIC §928	Not subject CUIC §13003(b)(4) and 13009	Not reportable CUIC §13009
• Disqualifying Disposition	Not subject CUIC §928	Not subject CUIC §928	Not subject CUIC §13003(b)(4) and 13009	Reportable when disposed CUIC §13009
B. Employee Stock Purchase Plan (ESPP): • Qualifying Disposition	Not subject CUIC §928	Not subject CUIC §928	Not subject CUIC §13003(b)(4) and 13009	Not reportable CUIC §13009
• Disqualifying Disposition	Not subject CUIC §928	Not subject CUIC §928	Not subject CUIC §13003(b)(4) and 13009	Reportable when disposed CUIC §13009
C. Nonstatutory Stock Option (NSO): • With Readily Ascertainable Fair Market Value when granted	Subject when granted CUIC §928	Subject when granted CUIC §928	Subject when granted CUIC §13003(b)(4) and 13009	Reportable when granted CUIC §13009
• Without Readily Ascertainable Fair Market Value when granted	Subject when exercised CUIC §928	Subject when exercised CUIC §928	Subject when exercised CUIC §13003(b)(4) and 13009	Reportable when exercised CUIC §13009

See page 35 for endnotes

Types of Payments	TREATMENT FOR TAX PURPOSES			
	Unemployment Insurance and Employment Training Tax[1]	State Disability Insurance	Personal Income Tax Withholding	Personal Income Tax Wages
Stock Options: (cont.) D. California Qualified Stock Option: • Defined by R&TC §17502	Not subject CUIC §928	Not subject CUIC §928	Not subject CUIC §13003(b)(4)	Not reportable CUIC §13009
• Not defined by R&TC §17502	Depends on type of option CUIC §928	Depends on type of option CUIC §928	Subject when disposed CUIC §13003(b)(4) and 13009	Reportable when disposed CUIC §13009
Supplemental Unemployment Compensation Plan Benefits paid under an employer's plan	Not subject CUIC §1265	Not subject CUIC §1265	Subject CCR, Title 22 §4309-1(b)(4)	Reportable CUIC §13009.5
Supplemental Wages	Subject CUIC §926	Subject CUIC §926	Subject CUIC §13009	Reportable - refer to page 14. CUIC §13009.5
Tips: Refer to *Information Sheet: Tips* (DE 231T) A. Cash tips that are received by the employee while performing services in employment **and** included in a written statement furnished to the employer.	Subject if $20 or more in a month. CUIC §927 and CCR, Title 22 §927-1	Subject if $20 or more in a month. CUIC §927 and CCR, Title 22 §927-1	Subject if $20 or more in a month. CUIC §13009 and 13009(n)(2)	Reportable if $20 or more in a month. CUIC §13009.5
B. Employer controlled tips, such as banquet tips, that are received by the employee from the employer while performing services in employment.	Subject CUIC §926	Subject CUIC §926	Subject CUIC §13009	Reportable CUIC §13009.5
C. Noncash tips.	Not subject IRC §3121(a)(12)(A)	Not subject IRC §3121(a)(12)(A)	Not subject CUIC §13009(n)(1)	Not reportable CUIC §13009.5
Tuition Programs Payments as defined in R&TC §17140, including Golden State Scholarshare Trust. A. Contribution to trust by participant.	Not subject CUIC §926	Not subject CUIC §926	Not subject CUIC §13009(q)	Not reportable CUIC §13009.5
B. Contribution to trust by participant's employer.	Subject CUIC §926 and R&TC §17140(c)(2)	Subject CUIC §926 and R&TC §17140(c)(2)	Subject CUIC §13009(q)	Reportable CUIC §13009.5
C. Distribution from trust to school or participant for educational expenses.	Not subject CUIC §926	Not subject CUIC §926	Not subject CUIC §13009(q)	Not reportable CUIC §13009.5

See page 35 for endnotes

Types of Payments	TREATMENT FOR TAX PURPOSES			
	Unemployment Insurance and Employment Training Tax[1]	State Disability Insurance	Personal Income Tax Withholding	Personal Income Tax Wages
Vacation Pay, Sick Pay, and Holiday Pay Only when earned, but not paid, prior to termination of employment due to a voluntary quit, discharge, or layoff due to lack of work with no specific date to return to work.	Not subject CUIC §1265.5, 1265.6, and 1265.7	Not subject CUIC §1265.5, 1265.6, and 1265.7	Subject CUIC §13009	Reportable CUIC §13009.5
Worker Adjustment and Retraining Notification (WARN) Payments received by an individual from an employer who has failed to provide the advance notice of a facility closure as required by federal and California WARN legislation.	Not subject CUIC §1265.1	Not subject CUIC §1265.1	Subject CUIC §13009(q)	Reportable CUIC §13009.5
Workers' Compensation	Not subject CUIC §931	Not subject CUIC §931	Not subject CUIC §13009(q)	Not reportable CUIC §13009.5

1 Employers who have elected the "cost of benefit reimbursable method" of financing Unemployment Insurance contributions or who have a negative reserve account balance are not required to contribute to the Employment Training Tax fund.

2 Subject if employer and employee voluntarily agree to withhold California PIT.

3 Pension, annuity, and other deferred income distributions reported on Form 1099R.

4 Employer should report the same amount as PIT wages that is reported for federal income tax wages.

Note: A registered domestic partner means an individual partner in a domestic relationship within the meaning of Section 297 of the Family Code.

CALIFORNIA WITHHOLDING SCHEDULES FOR 2005

Method A and Method B

To review these schedules, please refer to the following Web pages:

Method A – Wage Bracket Table Method: www.edd.ca.gov/taxrep/05metha.pdf

Method B – Exact Calculation Method: www.edd.ca.gov/taxrep/05methb.pdf

If you have any questions about the operation/programming of Method B for computer software, you may contact:

Franchise Tax Board
Statistical Research Section
MS B-26
P.O. Box 942840
Sacramento, CA 94240

Note: For married employees with employed spouses, we recommend that either: single filing status be used to compute withholding amounts for the spouse who earns more income; or additional flat amounts be withheld to avoid underwithholding of personal income tax.

Under California law, you are required to report specific information periodically or upon notification or request. Timely filing of the required forms will avoid penalty and interest charges. In addition, it will enable EDD to pay Unemployment Insurance, State Disability Insurance, and Paid Family Leave Insurance benefits and assist the California Department of Child Support Services and the Department of Justice in the collection of delinquent child support obligations.

The required reporting forms are:

- *Report of New Employee(s*) (DE 34)
- *Report of Independent Contractor(s)* (DE 542)
- *Payroll Tax Deposit* (DE 88)
- *Quarterly Wage and Withholding Report* (DE 6)
- *Annual Reconciliation Statement* (DE 7)

New employers will receive the required reporting forms by mail after they register with the Employment Development Department (EDD) for their eight-digit employer account number. Registered employers receive the forms by mail automatically. Please use the forms mailed to you. If you do not have a form, you can obtain blank forms and detailed instructions by accessing EDD's Web site at **www.edd.ca.gov/taxrep/taxform.htm**, or calling the Taxpayer Assistance Center at (888) 745-3886. If you are not able to obtain the forms by the delinquency date, you may file an informal report. Detailed instructions on completing informal reports are explained later in this chapter.

When sending payments to EDD, always include your EDD employer account number and make checks/money orders **payable to** the Employment Development Department.

***REMEMBER*:**

- Use black ink only.
- Print or type the information. If printing, stay within the boxes.
- Include the cents on your wage and tax reports. Do not round to the nearest dollar or use dashes.
- Remove all stubs and vouchers from your checks.
- Do not use staples, paper clips, or tape.
- Do not use highlighters.

Use the preprinted envelope provided by EDD. If you do not have a preprinted envelope, send your form and payment to:

Employment Development Department
P.O. Box 826276
Sacramento, CA 94230-6276

The information on the following pages explains the **purpose** of the required reporting forms, **how to obtain** the forms, and the **due dates**. If you need to make **adjustments** to a previous deposit, refer to "Correcting Payroll Tax Deposits Chart" in this chapter.

REPORT OF NEW EMPLOYEE(S) (DE 34)

Purpose: This information is used to locate parents who are delinquent in their child support payments. All employers are required to report new employees to the New Employee Registry (NER). The NER assists California's Department of Child Support Services and Department of Justice in the collection of delinquent child support obligations. Employers must also report the actual start-of-work date (not the date hired) for each newly hired employee so that the NER data can be cross-matched to the UI benefit payment file. This will result in the early detection and prevention of UI benefit overpayments.

How to Obtain: New employers receive a *Report of New Employee(s)* (DE 34) as part of their new employer package. To obtain DE 34 forms, access EDD's Web site at **www.edd.ca.gov/taxrep/taxform.htm#Forms**, or contact the Account Services Group at (916) 657-0529 or the Taxpayer Assistance Center at (888) 745-3886.

When Due: You must report all newly hired employees within 20 days of the start-of-work date. If an employee returns to work after a layoff or leave of absence and is required to complete a new IRS *Employee(s) Withholding Allowance Certificate* (Form W-4), you must report the employee as a new hire. If the returning employee was not formally terminated or removed from payroll records, you do not need to report the employee as a new hire.

The following information must be included when reporting new employees:

Employer Information	Employee Information
• Name • Address • EDD employer account number • Federal Employer Identification Number (FEIN) • Telephone number • Contact person	• First name, middle initial, and last name • Social security number • Home address • Start-of-work date

See sample DE 34 form on page 70.

Filing an Informal Report

If you are not able to obtain a DE 34 by the due date, file an informal report to avoid penalty and interest charges. Include the information in the table above on your informal report.

Mail or fax your new employee information to:

Employment Development Department
Document Management Group, MIC 96
P.O. Box 997016
West Sacramento, CA 95799

Fax: (916) 319-4400

If you are reporting a large number of new employees, we encourage you to send the information via magnetic media. Multistate employers who report new hires on magnetic media may select one state in which they have employees to report all of their new hires. If you report on magnetic media, you do not need to submit a paper DE 34 form. For further information refer to page 88, access the *Magnetic Media Reporting Requirements for New Employee Registry Program* (DE 340) booklet on EDD's Web site at **www.edd.ca.gov/taxrep/taxform.htm#Publications** or contact:

Employment Development Department
Magnetic Media Coordinator, MIC 15
P.O. Box 826880
Sacramento, CA 94280

(916) 651-6945

Employment Development Department
State of California

REPORT OF NEW EMPLOYEE(S)

See detailed instructions on page 2. Please type or print.
NOTE: Report new employees within 20 days of start of work.

00340600

DATE	CA EMPLOYER ACCOUNT NO.	BRANCH CODE	FEDERAL ID NO.	NO. OF FORMS NEEDED
031005	87654321		123456789	

BUSINESS NAME	CONTACT PERSON	TELEPHONE NO.
ABC Store	Jane Jones	(123)456-7890

ADDRESS	STREET	CITY	STATE	ZIP
123 Main Street		Anytown, CA		12345

EMPLOYEE FIRST NAME	MI	EMPLOYEE LAST NAME
Cindy	V	Smith

SOCIAL SECURITY NO.	STREET NO.	STREET NAME	UNIT/APT
456789012	1111	Maple Street	10

CITY	STATE	ZIP	START-OF-WORK DATE
Anytown	CA	12345	022505

EMPLOYEE FIRST NAME	MI	EMPLOYEE LAST NAME

SOCIAL SECURITY NO.	STREET NO.	STREET NAME	UNIT/APT

CITY	STATE	ZIP	START-OF-WORK DATE
			M M D D Y Y

EMPLOYEE FIRST NAME	MI	EMPLOYEE LAST NAME

SOCIAL SECURITY NO.	STREET NO.	STREET NAME	UNIT/APT

CITY	STATE	ZIP	START-OF-WORK DATE
			M M D D Y Y

EMPLOYEE FIRST NAME	MI	EMPLOYEE LAST NAME

SOCIAL SECURITY NO.	STREET NO.	STREET NAME	UNIT/APT

CITY	STATE	ZIP	START-OF-WORK DATE
			M M D D Y Y

EMPLOYEE FIRST NAME	MI	EMPLOYEE LAST NAME

SOCIAL SECURITY NO.	STREET NO.	STREET NAME	UNIT/APT

CITY	STATE	ZIP	START-OF-WORK DATE
			M M D D Y Y

REQUIRED FORMS

DE 34 Rev. 4 (6-00) **(INTERNET)**

MAIL TO: Employment Development Department / P.O. Box 997016, MIC 23 / West Sacramento, CA 95799-7016
or Fax to (916) 255-0951

Page 1 of 2

REPORT OF INDEPENDENT CONTRACTOR(S) (DE 542)

Purpose: This information is used to locate parents who are delinquent in their child support payments. Any business or government entity that is required to file a federal Form 1099-MISC for services performed must also report specific information to EDD regarding any independent contractor providing services to you or your business. An independent contractor is an individual who is not an employee of a business/government entity for California purposes and who receives compensation for or executes a contract for services performed for a business/government entity, either in or outside of California.

How to Obtain: New employers receive a *Report of Independent Contractor(s)* (DE 542) as part of their new employer package. To obtain DE 542 forms, visit our Web site at **www.edd.ca.gov/taxrep/taxform.htm#forms**, or contact the Account Services Group at (916) 657-0529 or the Taxpayer Assistance Center at (888) 745-3886.

When Due: Independent contractor information must be reported to EDD within 20 days of either making payments totaling $600 or more, or entering into a contract for $600 or more with an independent contractor in any calendar year, whichever occurs first. This is in addition to your requirement to report the total annual payments to the Internal Revenue Service and Franchise Tax Board on a Form 1099-MISC after the close of the calendar year.

You are required to provide the following information:

Business or Government Entity (Service Recipient) Information	Independent Contractor (Service Provider) Information
• Federal Employer Identification Number (FEIN) • EDD employer account number • Social security number (if no FEIN number or EDD employer account number) • Business or government entity name, address, and telephone number	• First name, middle initial, and last name *(Do not use company name)* • Social security number *(Do not use FEIN)* • Address • Start date of contract • Amount of contract (including cents) • Contract expiration date or ongoing contract (check box if the contract is ongoing)

See sample DE 542 on page 72.

Filing an Informal Report

If you are not able to obtain a DE 542 by the due date, file an informal report to avoid penalty and interest charges. Include the information in the table above on your informal report.

Mail or fax your independent contractor information to:

Employment Development Department
Document Management Group, MIC 96
P.O. Box 997350
Sacramento, CA 95899-7350

Fax: (916) 319-4410

If you are reporting a large number of independent contractors, we encourage you to send the information via magnetic media. If you report on magnetic media, you do not need to submit a paper DE 542. For additional information, refer to page 88, access the *Magnetic Media Reporting Requirements for Independent Contractor Reporting* (DE 542M) booklet on EDD's Web site at **www.edd.ca.gov/taxrep/taxform.htm#Publications,** or contact:

Employment Development Department
Magnetic Media Coordinator, MIC 15
P.O. Box 826880
Sacramento, CA 94280

(916) 651-6945

Employment Development Department
State of California

REPORT OF INDEPENDENT CONTRACTOR(S)

05420101

See detailed instructions on page 2. Please type or print.

SERVICE-RECIPIENT (BUSINESS OR GOVERNMENT ENTITY):

DATE	FEDERAL ID NO.	CA EMPLOYER ACCOUNT NO.	SOCIAL SECURITY NO.	NO. OF FORMS NEEDED
040905	123456789	87654321	567890123	2

SERVICE-RECIPIENT NAME / BUSINESS NAME: ABC STORE

CONTACT PERSON: JANE JONES

ADDRESS: 123 MAIN STREET

TELEPHONE NO.: 123 4567890

CITY: ANYTOWN

STATE: CA

ZIP: 12345

SERVICE-PROVIDER (INDEPENDENT CONTRACTOR):

FIRST NAME: FRED

MI: C

LAST NAME: HILL

SOCIAL SECURITY NO.: 098765432

STREET NO.: 421

STREET NAME: OAK AVE

UNIT/APT: 5

CITY: ANYTOWN

STATE: CA

ZIP: 12345

START DATE OF CONTRACT (M M D D Y Y): 040105

AMOUNT OF CONTRACT: 1000.00

CONTRACT EXPIRATION DATE (M M D D Y Y): 083005

CHECK HERE IF CONTRACT IS ONGOING

FIRST NAME

MI

LAST NAME

SOCIAL SECURITY NO.

STREET NO.

STREET NAME

UNIT/APT

CITY

STATE

ZIP

START DATE OF CONTRACT (M M D D Y Y)

AMOUNT OF CONTRACT

CONTRACT EXPIRATION DATE (M M D D Y Y)

CHECK HERE IF CONTRACT IS ONGOING

FIRST NAME

MI

LAST NAME

SOCIAL SECURITY NO.

STREET NO.

STREET NAME

UNIT/APT

CITY

STATE

ZIP

START DATE OF CONTRACT (M M D D Y Y)

AMOUNT OF CONTRACT

CONTRACT EXPIRATION DATE (M M D D Y Y)

CHECK HERE IF CONTRACT IS ONGOING

DE 542 Rev. 2 (2-04) **(INTERNET)** MAIL TO: Employment Development Department • P.O. Box 997350, MIC 96 • Sacramento, CA 95899-7350
or Fax to (916) 319-4410

Page 1 of 2

CU

REQUIRED FORMS

PAYROLL TAX DEPOSIT (DE 88)

Overview

Purpose: The DE 88 coupon is used to report and pay Unemployment Insurance (UI), Employment Training Tax (ETT), State Disability Insurance (SDI), and Personal Income Tax (PIT) to EDD.

How to Obtain: Each year (by March), a DE 88 coupon booklet with preprinted payroll tax rates is mailed to you. Preprinted envelopes are also sent with each DE 88 booklet. Newly registered employers are sent a DE 88 booklet containing preprinted coupons about six weeks after registering with EDD.

To obtain additional DE 88 booklets, use the tear-out reorder postcard at the back of your DE 88 booklet. Allow four to six weeks for delivery. If you do not have a reorder postcard, contact:

Employment Development Department
Document Management Group, MIC 96
ATTN: Forms Request Desk
P.O. Box 826880
Sacramento CA 94280-0001

(916) 654-7041

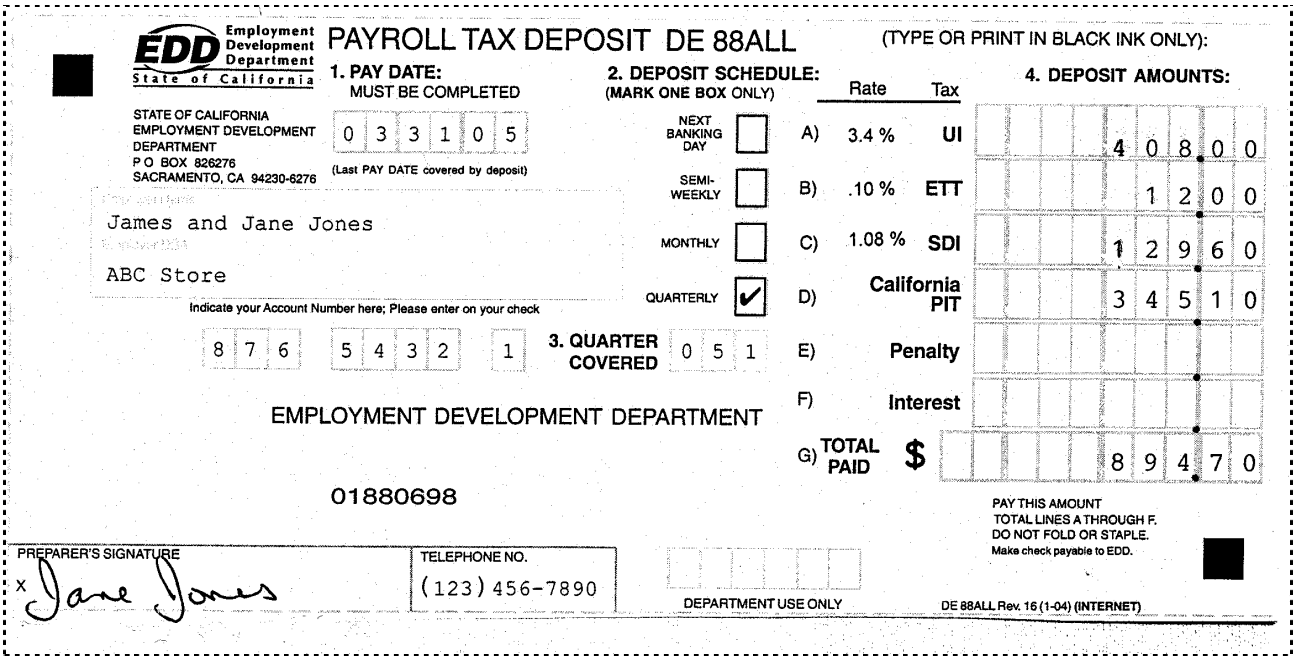
To obtain blank DE 88 coupons (DE 88ALL), access EDD's Web site at **www.edd.ca.gov/taxrep/taxform.htm**.

If you have questions about completing your DE 88 coupon, please contact the Taxpayer Assistance Center at (888) 745-3886.

Please **do not** use another employer's DE 88 coupon. The coupons we provide you are barcoded with your EDD employer account number. If you use another employer's coupon, our computers will read the EDD employer account number coded on the coupon and apply the payment accordingly.

When Due: If you do not withhold PIT or if accumulated PIT withholdings are less than $350, taxes (UI, ETT, SDI, and PIT) are due each quarter on January 1, April 1, July 1, and October 1. If your PIT withholdings are $350 or more, your SDI and PIT will need to be deposited more often. For additional information, refer to page 74.

Sample DE 88 Form


EDD Employment Development Department State of California

PAYROLL TAX DEPOSIT DE 88ALL

(TYPE OR PRINT IN BLACK INK ONLY):

STATE OF CALIFORNIA
EMPLOYMENT DEVELOPMENT DEPARTMENT
P O BOX 826276
SACRAMENTO, CA 94230-6276

1. PAY DATE: MUST BE COMPLETED 0 3 3 1 0 5 (Last PAY DATE covered by deposit)

2. DEPOSIT SCHEDULE: (MARK ONE BOX ONLY)
NEXT BANKING DAY ☐
SEMI-WEEKLY ☐
MONTHLY ☐
QUARTERLY ☑

James and Jane Jones
ABC Store

Indicate your Account Number here; Please enter on your check
8 7 6 5 4 3 2 1

3. QUARTER COVERED 0 5 1

EMPLOYMENT DEVELOPMENT DEPARTMENT

01880698

	Rate	Tax	4. DEPOSIT AMOUNTS:
A)	3.4 %	UI	4 0 8 0 0
B)	.10 %	ETT	1 2 0 0
C)	1.08 %	SDI	1 2 9 6 0
D)		California PIT	3 4 5 1 0
E)		Penalty	
F)		Interest	
G)		TOTAL PAID	$ 8 9 4 7 0

PAY THIS AMOUNT TOTAL LINES A THROUGH F. DO NOT FOLD OR STAPLE. Make check payable to EDD.

PREPARER'S SIGNATURE x Jane Jones

TELEPHONE NO. (123) 456-7890

DEPARTMENT USE ONLY

DE 88ALL Rev. 16 (1-04) (INTERNET)

PAYROLL TAX DEPOSIT (DE 88) (cont.)

Withholding Deposits

Although employer UI and ETT taxes are due quarterly, SDI and California PIT withheld from employees' wages may need to be deposited more often. California deposit due dates are generally the same as federal deposit due dates. For information on federal deposit schedules, download IRS' *Employer's Tax Guide* (Publication 15, Circular E) from IRS' Web site at **www.irs.gov** or contact IRS at (800) 829-3676. Penalty and interest are charged on late deposits.

California Deposit Requirements				
If Your Federal Deposit Schedule is[1]	**And You Have Accumulated State PIT Withholding of**	**SDI & PIT Deposit Required**	**If Payday Is**	**Deposit Due By[2]**
Next Banking Day	$500 or less	No[3]	Not applicable	Not applicable
	More than $500	Yes	Not applicable	Next Banking Day
Semiweekly	$500 or less	No[3]	Not applicable	Not applicable
	More than $500	Yes	Wed., Thurs., or Fri.	Following Wednesday
	More than $500	Yes	Sat., Sun., Mon., or Tues.	Following Friday
Monthly	$500 or less	No[3]	Not applicable	Not applicable
	More than $500	Yes	Not applicable	15th of the following month
Quarterly[4]	Less than $350	Yes	Not applicable	May 2, 2005 August 1, 2005 October 31, 2005 January 31, 2006
	$350 or more	Yes	Not applicable	15th of the following month

NOTE:

[1] Electronic Fund Transfer (EFT) transactions for Next Banking Day deposits must be settled in the State's bank account on or before the third banking day following the payroll date.

[2] If the due date falls on a Saturday, Sunday, or legal holiday, the due date is extended to the next business day. For example, if a deposit is due on Friday, but Friday is a holiday, the deposit due date is extended to the following Monday.

[3] If you have accumulated $500 or less of PIT and choose to make a deposit, designate the "Payment Type" as QUARTERLY on your DE 88 coupon.

[4] This is not a federal deposit requirement. If you do not meet one of the above federal deposit schedules, you are required to make California payroll tax deposits quarterly.

REMEMBER:

- Once you make a Next Banking Day deposit to IRS, your Federal Deposit Schedule automatically becomes semiweekly for the remainder of that calendar year and all of the following year.
- Semiweekly depositors always have three banking days after the end of the semiweekly period to make a deposit. If any of the three weekdays after the end of a semiweekly period is a holiday, you will have one additional banking day to deposit.
- The EFT transactions for quarterly deposits must settle into the State's bank account on or before the banking day following the last timely date. (Refer to page 75 for the timely settlement dates and page 86 for additional information regarding EFT.)

Due Dates for Quarterly Tax Deposits

Using a *Payroll Tax Deposit* (DE 88) Coupon

Mail your tax payments with a DE 88 to EDD or remit electronically by EFT. Complete all sections on your DE 88 so that your deposit can be applied correctly to your account. Please **use** the preprinted DE 88 coupons and envelopes mailed to you. When your payroll tax deposits are mailed to EDD, the postmark date is used to determine timeliness. Penalty and interest **are charged** on late deposits. If you mail your DE 88 coupon, the filing due dates and delinquency dates for 2005 quarterly payroll tax deposits are:

Reporting Period	Filing Due Date	Delinquent If Not Paid By
January, February, March	April 1, 2005	May 2, 2005
April, May, June	July 1, 2005	August 1, 2005
July, August, September	October 1, 2005	October 31, 2005
October, November, December	January 1, 2006	January 31, 2006

Using Electronic Funds Transfer (EFT)

The EFT transactions for quarterly UI and ETT payments and quarterly SDI and PIT payments must settle in the State's bank account on or before the timely settlement date. Please refer to the last column in the chart below for specific settlement dates.

2005 Quarterly EFT Payment Chart

Reporting Period	Taxes Due	Last Timely Date (initiate on or before)	Timely Settlement Date
January, February, March	April 1, 2005	May 2, 2005	May 3, 2005
April, May, June	July 1, 2005	August 1, 2005	August 2, 2005
July, August, September	October 1, 2005	October 31,2005	November 1, 2005
October, November, December	January 1, 2006	January 31, 2006	February 1, 2006

To ensure timely settlement of your EFT payments, please note:

- Automated Clearing House (ACH) **credit** transactions are processed based on individual bank requirements. Ask your bank what day you should report your payment to ensure a timely settlement date.
- ACH **debit** transactions must be reported by 3 p.m., Pacific Time, on or before the due date to ensure a timely settlement date.

Late Deposit, Penalty, and Interest

When your tax and wage reports are mailed to EDD, the postmark date is used to determine timeliness. If the last timely filing date falls on a Saturday, Sunday, or legal holiday, the next business day is considered to be the last timely date. Penalty and interest **will be** charged on late payroll tax payments. If you are late sending your payment, you can use the same DE 88 coupon to pay the penalty and interest. Please contact the Taxpayer Assistance Center at (888) 745-3886 for assistance in calculating the interest due (the interest rate is reestablished every six months).

To avoid erroneous penalty and interest on late deposits, be sure your DE 88 is properly completed. It must include your EDD employer account number, business name, address, telephone number, pay date, payment type, quarter to which the deposit applies, and the dollar amount to be applied to each payroll tax (UI, ETT, SDI, and PIT). Your check or money order should also include your business name and EDD employer account number. Please use the preprinted DE 88 envelope to mail your DE 88 and payment to EDD. If you do not have a DE 88 coupon, it is not "good cause" for filing or paying your taxes late.

NOTE: If you **do not** make timely payments, you will receive an *Employer Account Statement* (DE 2176) that provides details of the delinquent balance due. If the delinquency is not paid, a tax lien may be issued. If a tax lien is issued, it will be recorded at the county recorder's office. Tax lien information is available to the public after it is recorded.

Penalty for Failure to Deposit Payroll Taxes
Employers are required to withhold payroll taxes and send them to EDD. Any person or employer who fails to do this, even by mistake, can be charged with a misdemeanor. If convicted, the person or employer can be fined up to $1,000 or sentenced to jail for up to one year, or both, at the discretion of the court.

Filing an Informal Report
If you are not able to locate a *Payroll Tax Deposit* (DE 88) coupon by the due date, use the forms available on EDD's Web site at **www.edd.ca.gov/taxrep/taxform.htm** or request replacement coupons by contacting the Taxpayer Assistance Center at (888) 745-3886. **Do not use DE 88 coupons from another business** as the account information is embedded in the scanline at the bottom of the coupon, and their account may be credited with the deposit. This may result in penalty and interest being established on your account.

If a DE 88 coupon cannot be obtained prior to the delinquency date, file an informal report to avoid penalty and interest charges. An informal DE 88 should include the following:

- Owner name
- EDD employer account number
- Business name
- Business address
- Business phone number
- Payroll date
- UI tax (if end of quarter payment)
- ETT (if end of quarter payment)
- SDI withheld
- PIT withheld
- Payment quarter (year and quarter that wages were paid)
- Payment type (Next Banking Day, Semiweekly, Monthly, or Quarterly)

Sign and mail the informal report with any payment due to:

Employment Development Department
P.O. Box 826276
Sacramento, CA 94230

Correcting Payroll Tax Deposits

The EDD no longer reconciles employer accounts each quarter. Use the following chart to determine when you need to notify EDD of any deposit adjustment, how you should make the adjustment, and what form to use.

	Reason for Adjustment		How to Make an Adjustment	Form to Use
Correcting *Payroll Tax Deposits* (DE 88)	Overpaid	UI, ETT, SDI, or PIT on a *Payroll Tax Deposit* (DE 88) coupon **prior** to filing your *Annual Reconciliation Statement* (DE 7).	On the next DE 88 (for the same calendar year), reduce the same fund(s). **Do not** show credits on the deposit coupon.	DE 88
		UI, ETT, SDI, or PIT on a DE 88 **prior** to filing your DE 7, and it is **not** feasible to offset the overpayment against your next tax deposit.	File one *Tax and Wage Adjustment Form* (DE 678) for each tax deposit for which you are requesting a refund. This is for a refund **prior** to filing your year-end DE 7.	DE 678, complete sections I, II, III, and IV
		UI, ETT, or SDI only on a DE 88 **after** your DE 7 was filed.	File the DE 678 with correct information.	DE 678, complete sections I, II, III, and IV
	Over-withheld	PIT and you deposited the PIT withheld on a DE 88 **after** your DE 7 was filed, and the Form W-2 was issued to the employee.	**Do not**: • Refund PIT overwithholdings to the employee, • Change the California PIT withholding amount shown on the Form W-2, **or** • File a claim for refund with EDD. The employee will receive a credit for the PIT overwithholdings when filing his/her *California Income Tax Return* (Form 540) with the Franchise Tax Board.	None
	Underpaid	UI, ETT, SDI, or PIT on a DE 88 prior to filing your DE 7.	File a DE 88 and pay the amount due, including penalty and interest.	DE 88 (indicate the quarter to credit)
	Allocated the wrong amounts to specific funds on a DE 88.		**Do not** file a correction form. We will make the necessary adjustments at the end of the year when your DE 7 is filed.	None

When your employee gives you **written permission,** you are authorized to adjust any overwithholding or underwithholding of California PIT if the adjustment is made within the same calendar year and before the IRS Form W-2 is issued. You should obtain a receipt from the employee whenever a credit adjustment or repayment of overwithheld tax is made.

Overwithheld California PIT must be credited or refunded to your employee **before** you can take a credit or receive a refund from EDD. This overpayment can be adjusted in one of the following ways:

- If you have issued an IRS Form W-2 to the employee, you **cannot** adjust any overwithholding of PIT reported. The employee will receive credit for any overwithholding when he/she files his/her California State income tax return with the Franchise Tax Board (FTB).
- If you have issued IRS Form W-2 showing the wrong amount, you must issue an IRS *Corrected Wage and Tax Statement* (Form W-2c) to the employee. **Do not** send the State copy of the IRS Form W-2c to EDD or FTB.

NOTE: A claim for credit or refund must be filed within three years of the delinquent date for the quarter being adjusted. A separate DE 678 must be filed for each tax deposit that you are adjusting.

Correcting Payroll Tax Deposits (cont.)

	Reason for Adjustment		How to Make an Adjustment	Form to Use
Correcting Payroll Tax Deposits Made by Electronic Funds Transfer (EFT)	Overpaid	UI, ETT, SDI, or PIT via Electronic Funds Transfer (EFT) **prior** to filing your DE 7.	On your next EFT transaction, reduce the fund(s). **Do not** show the credit on the EFT transaction.	EFT transaction*
	Underpaid	UI, ETT, SDI, or PIT via EFT **prior** to filing your DE 7.	Initiate two separate EFT transactions–one for the delinquent fund(s) and another for the calculated penalty and interest amount. Indicate the delinquent quarter.	EFT transaction*

*Mandatory EFT filers are subject to noncompliance penalty if an SDI/PIT deposit is paid by check with a DE 88 coupon.

QUARTERLY WAGE AND WITHHOLDING REPORT (DE 6)

Overview

Purpose: Employers use the DE 6 to report employee wages subject to Unemployment Insurance (UI), Employment Training Tax (ETT), and State Disability Insurance (SDI), and to report Personal Income Tax (PIT) withheld and PIT wages.

How to Obtain: The DE 6 is mailed to you in March, June, September, and December each year. To obtain a DE 6, access EDD's Web site at **www.edd.ca.gov/taxrep/taxform.htm**, or call the Taxpayer Assistance Center at (888) 745-3886.

When Due: January 1, April 1, July 1, and October 1 each year (refer to the table below for last timely filing dates). You must file a DE 6 each quarter even if you paid no wages during the quarter.

See sample DE 6 form on page 80.

REQUIRED FORMS

2005 Due Dates for the *Quarterly Wage and Withholding Report* (DE 6)

Report Covering	Due Date	Delinquent If Not Filed By
January, February, March	April 1, 2005	May 2, 2005
April, May, June	July 1, 2005	August 1, 2005
July, August, September	October 1, 2005	October 31, 2005
October, November, December	January 1, 2006	January 31, 2006

NOTE:

- You must file a DE 6 **even** if you paid no wages during the quarter. If you have no payroll during a quarter, you are still considered an employer and are required to sign and file a DE 6. Please enter "0" (zero) in each box in Item A and in Items M, N, and O of the Grand Total line. Check Box "C," sign and date the report, and send it to EDD.
- Wages are reported when they are **paid** to the employee, not when the employee earns the wages. Because UI and SDI benefits are based on the highest quarter of wages, it is important that wages are reported for the correct quarter. If you have any questions on reporting your employees' wages, please contact the Taxpayer Assistance Center at (888) 745-3886.
- A wage item penalty of $10 per employee will be charged for late reporting or unreported employee wages.
- If your reports are filed late or you **do not** make timely payments, you will receive an *Employer Account Statement* (DE 2176) that provides details of the delinquent balance due. If the delinquency is not paid, a tax lien may be issued. If a tax lien is issued, it will be recorded at the county recorder's office. Tax lien information is available to the public after it is recorded.
- Employers with 250 or more employees must file via Magnetic Media. For more information, please refer to page 88.
- Only check Box B if you have been approved by EDD to report and pay DI as a Voluntary Plan employer (DI provided to employees through a private plan rather than the State's plan.
- To prevent data capture errors, please use black ink when you type or print. If printing, stay within the boxes provided on the form. Include cents – do not round to the nearest dollar or use dashes.
- Before submitting your DE 6, make sure the following are correct: the quarter you are reporting, your Employer Account Number, the names of your employees, and their Social Security Numbers.

Correcting a Prior DE 6
If you have made an error on a DE 6, obtain the *Instructions for Completing the Tax and Wage Adjustment Form* (DE 678I) and *Tax and Wage Adjustment Form* (DE 678) to correct the error. To obtain these forms, access EDD's Web site at **www.edd.ca.gov/taxrep/taxform.htm**, access our Fax-on-Demand at (877) 547-4503, or contact the Taxpayer Assistance Center at (888) 745-3886.

NOTE: DE 6 information continues on page 81.

Employment Development Department
State of California

QUARTERLY WAGE AND WITHHOLDING REPORT

PLEASE TYPE THIS FORM PER INSTRUCTIONS ON REVERSE
You must FILE this report even if you had no payroll. If you had no payroll, complete Items C or D and P.

Page number _____ of _____

00060198

YR 05 QTR 2

QUARTER ENDED 06/30/2005 DUE 07/01/2005 DELINQUENT IF NOT POSTMARKED OR RECEIVED BY 08/01/2005

EMPLOYER ACCOUNT NO. 87654321

ABC STORE
123 MAIN STREET
ANYTOWN, CA 12345

DO NOT ALTER THIS AREA
P1 C T S W A
EFFECTIVE DATE Mo. Day Yr. WIC

A. **EMPLOYEES** full-time and part-time who worked during or received pay subject to UI for the payroll period **which includes the 12th** of the month.

1st Mo.	2nd Mo.	3rd Mo.
2	2	2

B. ☐ Check this box if you are reporting ONLY Voluntary Plan DI wages on this page. Report PIT Wages and PIT Withheld, if appropriate. (See instructions for Item B.)

C. ☐ NO PAYROLL

D. ☐ OUT OF BUSINESS/FINAL REPORT
Date _____

E. SOCIAL SECURITY NUMBER	F. EMPLOYEE NAME (FIRST NAME)	(M.I.) (LAST NAME)	G. TOTAL SUBJECT WAGES	H. PIT WAGES	I. PIT WITHHELD
345678901	MARY	J RAYNE	25000.00	25000.00	345.10
456789012	CINDY	V SMITH	1000.00	1000.00	0.00

J. TOTAL SUBJECT WAGES THIS PAGE	K. TOTAL PIT WAGES THIS PAGE	L. TOTAL PIT WITHHELD THIS PAGE
26000.00	26000.00	345.10

M. GRAND TOTAL SUBJECT WAGES	N. GRAND TOTAL PIT WAGES	O. GRAND TOTAL PIT WITHHELD

P. I declare that the information herein is true and correct to the best of my knowledge and belief.

Preparer's Signature Jane Jones Title EMPLOYER (Owner, Accountant, Preparer, etc.) Phone (123) 456-7890 Date 07/15/2005

DE 6 Rev. 4 (2-04) **(INTERNET)** MAIL TO: State of California / Employment Development Department / P.O. Box 826288 / Sacramento, CA 94230-6288

Page 1 of 2 CU

REQUIRED FORMS

QUARTERLY WAGE AND WITHHOLDING REPORT (DE 6) (cont.)

Filing an Informal DE 6 Report
If you are not able to obtain a DE 6 prior to the delinquency date, file an informal report to avoid penalty and interest charges. Your informal DE 6 should include the following information:

- Owner name
- EDD employer account number
- Business name
- Business address
- Business phone number
- Payroll quarter
- Mid-month employment (the number of full-time and part-time employees who worked during, or received pay for the payroll period which includes the 12th day of the month.)
- Individual employee's:
  - Social security number
  - Full name (Jane D. Jones)
  - Total subject wages
  - PIT wages
  - PIT withheld
- Subtotals per page (should contain no more than 25 line items and use a 12 font or larger. Total report should not exceed 250 line items.)
- Grand totals

Sign and mail the informal report to:

Employment Development Department
P.O. Box 826288
Sacramento, CA 94230

ANNUAL RECONCILIATION STATEMENT (DE 7)

Overview

Purpose: Each year, you are required to complete an *Annual Reconciliation Statement* (DE 7). It is used to reconcile your payroll tax payments and the total subject wages you reported for the year.

How to Obtain: A DE 7 is mailed to you in December each year. To obtain a DE 7, access EDD's Web site at **www.edd.ca.gov/taxrep/taxform.htm**, or contact the Taxpayer Assistance Center at (888) 745-3886.

When Due: Your 2005 DE 7 must be postmarked by January 31, 2006, to be timely.

For assistance completing your DE 7, please contact the Taxpayer Assistance Center at (888) 745-3886.

Year-End Payment Due: If "Line J" on your DE 7 shows payroll taxes **due**, prepare a DE 88 and include the correct payment quarter. Please send the DE 88 with the amount due to EDD using the preprinted DE 88 envelope. Your DE 88 and payment **must** be mailed in a **separate** envelope from your DE 7.

NOTE: Mandatory EFT filers must remit all SDI and PIT deposits by EFT.

Correcting a Prior DE 7
If you have made an error on a DE 7, obtain the *Instructions for Completing the Tax and Wage Adjustment Form* (DE 678I) and *Tax and Wage Adjustment Form* (DE 678) to correct the error. To obtain these forms, access EDD's Web site at **www.edd.ca.gov/taxrep/taxform.htm**, access our Fax-on-Demand at (877) 547-4503, or contact the Taxpayer Assistance Center at (888) 745-3886.

See sample DE 7 on page 82.

NOTE: DE 7 information continues on page 83.

Employment Development Department
State of California

ANNUAL RECONCILIATION STATEMENT

PLEASE TYPE THIS FORM - DO NOT ALTER PREPRINTED INFORMATION

00070104

YEAR ENDED 12/31/2005 DUE 01/01/2006 DELINQUENT IF NOT POSTMARKED OR RECEIVED BY 01/31/2006 YEAR 2005

EMPLOYER ACCOUNT NO. 87654321

ABC STORE
123 MAIN STREET
ANYTOWN, CA 12345

DEPT. USE ONLY — DO NOT ALTER THIS AREA

P1 P2 C P U S A T

EFFECTIVE DATE Mo. Day Yr.

FEIN 12-3456789

ADDITIONAL FEINS

CHECK BOX IF:
A. NO WAGES PAID THIS YEAR ☐
B. OUT OF BUSINESS _____ Date ☐

C. TOTAL SUBJECT WAGES PAID THIS CALENDAR YEAR → 86,000.00

D. UNEMPLOYMENT INSURANCE (UI) (Total Employee Wages up to $ 7000 per employee per calendar year)

(D1) UI %		(D2) UI TAXABLE WAGES		(D3) UI CONTRIBUTIONS
3.4	TIMES	14,000.00	=	476.00

E EMPLOYMENT TRAINING TAX (ETT)

(E1) ETT %				(E2) ETT CONTRIBUTIONS
0.1	TIMES	UI Taxable Wages (D2)	=	14.00

F. STATE DISABILITY INSURANCE (SDI) (Total Employee Wages up to $ 79,418 per employee per calendar year)

(F1) SDI %		(F2) SDI TAXABLE WAGES		(F3) SDI EMPLOYEE CONTRIBUTIONS WITHHELD
1.08	TIMES	85,916.00	=	927.89

PIT WITHHELD PER FORMS W-2 AND/OR 1099R

G. CALIFORNIA PERSONAL INCOME TAX (PIT) WITHHELD → 1,263.24

H. **SUBTOTAL** (Add Items D3, E2, F3, and G) → 2,681.13

I. LESS: CONTRIBUTIONS AND WITHHOLDINGS PAID FOR THE YEAR (**DO NOT** INCLUDE PENALTY AND INTEREST PAYMENTS) →

J. TOTAL TAXES DUE OR OVERPAID (Item H minus Item I) → 2,681.13

If amount due, prepare a Payroll Tax Deposit, DE 88, and mail to P.O. Box 826276, Sacramento, CA 94230-6276. Mailing payments with DE 7 delays payment processing and may result in an erroneous penalty and interest charges. **Mandatory EFT filers must remit all SDI/PIT deposits by EFT to avoid Non-Compliance Penalty.**

K. Be sure to sign this declaration: *I declare that the information herein is true and correct to the best of my knowledge and belief.*

Signature Jane Jones Title EMPLOYER (Owner, Accountant, Preparer, etc.) Phone (123) 456-7890 Date 01/20/2006

SIGN AND MAIL TO: State of California / Employment Development Department / P.O. Box 826286 / Sacramento CA 94230-6286

DE 7 Rev. 4 (1-04) **(INTERNET)** Page 1 of 2 CU

REQUIRED FORMS

Filing an Informal DE 7 Statement

If you are not able to obtain a DE 7 prior to the delinquency date, file an informal report to avoid penalty and interest charges. Your informal DE 7 should include the following:

- Owner name
- EDD employer account number
- Business name
- Business address
- Business phone number
- Payroll year
- The following "totals" for 2005:
  - Subject wages
  - UI/ETT taxable wages
  - UI tax
  - ETT
  - SDI taxable wages
  - SDI withheld
  - PIT withheld
  - Tax liability
  - Less amounts paid
  - Balance due

Sign and mail the informal report to:

Employment Development Department
P.O. Box 826286
Sacramento, CA 94230

When you file your tax reports and pay on time, you will:

- Avoid penalty charges
- Ensure the payment of UI, SDI and PFL benefits
- Provide funds for employment training programs

NOTE: If an employer fails to send a completed DE 7 to EDD, a penalty of $1,000 or 5 percent of total annual taxes, whichever is less, may be assessed.

FEDERAL FORMS W-2 AND 1099

***Wage and Tax Statement* (Form W-2)**

As an employer, you are required to prepare a federal *Wage and Tax Statement* (Form W-2) for each of your employees. For 2005, you must provide your employees with Form W-2 by January 31, 2006. Prepare the Form W-2 on the federal/state four-part paper form.

If you need information on Form W-2 reporting requirements, refer to IRS publication *Employer's Tax Guide* (Publication 15, Circular E). For federal instructions on completing Form W-2, refer to IRS publication *2005 Instructions for Forms W-2 and W-3*. To obtain these publications, access IRS' Web site at **www.irs.gov** or call IRS at (800) 829-3676.

In addition to the federal information required, you must include California Personal Income Tax (PIT) wages and PIT and SDI withheld in the following Form W-2 boxes:

FORM W-2	
Box	**Enter**
Box 16 (State wages, tips, etc.)	California PIT wages
Box 17 (State income tax)	California PIT withheld
Box 19 (Local income tax)	The abbreviation "CASDI" and SDI withheld (For additional information, see "Note" below.)

NOTE:

- If Box 19 has local taxes, use "Box 14-Other." If **no** boxes are available, you are required to provide your employees with a separate written statement containing:
  - Your business or entity name, address, and federal and EDD employer numbers.
  - The employee's name, address, and social security number.
  - The amount of disability insurance actually withheld and/or paid directly by you under the State plan or the amount actually withheld under a voluntary plan.
- If the wages were **not** subject for SDI, show "CASDI 0" (zero).
- If you pay SDI taxes **without** withholding SDI from the employee's wages, you should show the SDI taxes as if withheld and increase the amount you report according to the formula as shown on the *Information Sheet: Social Security/Medicare/SDI Taxes Paid by an Employer* (DE 231Q). To obtain a DE 231Q, access EDD's Web site at **www.edd.ca.gov/taxrep/taxform.htm#Publications**, access our Fax-on-Demand at (877) 547-4503, or contact the Taxpayer Assistance Center at (888) 745-3886.
- If you are covered under an authorized Voluntary DI Plan for disability insurance, enter "VPDI" and the VPDI amount actually withheld.

Generally, the amount reported as California PIT wages on Form W-2 (Box 16, State wages) is the same as the federal wages (Box 1). However, the amounts may differ based on:

- Federal and California differences in definition of:
  - Employee (refer to page 16).
  - Taxable wages (refer to page 26).
- Residency of the employee (refer to page 15).
- If the employee performs services in more than one state.

For additional information on federal and California differences, please contact the Taxpayer Assistance Center at (888) 745-3886. If the employee performs services in more than one state, contact the other state(s) for guidance on how to complete the Form W-2 for that state.

If you discover an error on a previously issued Form W-2, refer to the IRS publication *Instructions for Forms W-2c and W-3c* for instructions on completing an IRS *Corrected Wage and Tax Statement* (Form W-2c).

Do not send the "State" copies of Form W-2 and Form W-2c to the State of California (EDD or FTB). However, you must continue to send Forms W-2 and W-2c to your employees and the Social Security Administration.

***Information Return* (Form 1099)**

Individuals, partnerships, corporations, or other organizations engaged in a trade or business in California may have a requirement to report independent contractor payments made in the course of their business. Federal Form 1099 is used to report these payments to IRS and FTB. For 2005, you must provide a Form 1099 to each independent contractor by January 31, 2006.

To obtain Form 1099 reporting requirements and instructions for completing the form, refer to IRS' publication *Employer's Tax Guide* (Publication 15, Circular E). To obtain a Publication 15, access IRS' Web site at **www.irs.gov** or call (800) 829-3676.

You may file Forms 1099 using one of the following methods:

- **Paper:** The FTB needs paper copies of your Forms 1099 unless you file paper copies of your Forms 1099 with IRS (Ogden, Utah). If you file paper copies with IRS, you have met your filing requirement for FTB.
- **Magnetic Media:** If you are filing 250 or more Forms 1099 (one type), you must file magnetically. You may file via IRS' Combined Federal/State Program or directly with FTB.

NOTE: California PIT withheld from pension, annuity, and other deferred income, should be reported on IRS' *Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.* (Form 1099-R). For instructions on completing Form 1099-R, refer to IRS publication *Instructions for Forms 1099-R and 5493*. To obtain this publication, access IRS' Web site at **www.irs.gov** or call IRS (800) 829-3676.

For more information on Federal Form 1099 requirements, access IRS' Web site at **www.irs.gov** or call IRS at (800) 829-1040. For more information on Form 1099 requirements for California, access "Information Return Reporting" on FTB's Web Site at **www.ftb.ca.gov** or call FTB at (916) 845-6304.

We offer various electronic methods of filing your payroll tax reports. The following sections describe your electronic filing options:

ELECTRONIC FUNDS TRANSFER

Electronic Funds Transfer (EFT) is an electronic method for remitting all of your Unemployment Insurance (UI), Employment Training Tax (ETT), State Disability Insurance (SDI), and Personal Income Tax (PIT) payments. Funds are transferred from your bank account, (with payment information) to the State's account, eliminating the need to send a *Payroll Tax Deposit* (DE 88) coupon and paper check. The following is a brief overview of the EFT program:

- **Mandatory EFT** - Each year, your account is reviewed to determine if you meet the requirements for mandatory EFT filing. If your average (per payment) deposit for SDI and PIT is $20,000 or more for the prior State Fiscal Year (July 1 to June 30), you are required to pay all SDI and PIT deposits by EFT during the next calendar year, regardless of the dollar amount. First–time, mandatory EFT filers are notified of their status by October 31, prior to the year of mandatory EFT participation. Employers who meet the requirement in the preceding year do not receive another notice. Mandatory EFT participants are subject to a 10 percent noncompliance penalty if an SDI and PIT deposit is paid by check with a DE 88 coupon. The UI and ETT payments are not subject to the noncompliance penalty.
- **Voluntary EFT Filing** - If you do not meet the mandatory EFT requirement, we still encourage you to file by EFT on a voluntary basis.
- **Payment Options** - There are two EFT payment methods–the Automated Clearing House (ACH) debit method and the ACH credit method. Employers who select the ACH debit method report their payment information to the State's data collector by telephone, Internet, or personal computer (PC) with modem. The ACH credit filers report their payment information to their bank, usually by PC, or through a program offered by their bank.
- **Timeliness** - The timeliness of your EFT payment is determined by the settlement date (the date funds are credited to the State's bank account). The settlement date is different than the due date for DE 88 coupons. For additional information on timely settlement dates, obtain an *Electronic Fund Transfer Program Information Guide* (DE 27).

For more information or to obtain a DE 27 or *Electronic Funds Transfer Authorization Agreement* (DE 26), access EDD's Web site at **www.edd.ca.gov/taxrep/taxfo.htm#EFT** or contact the EFT Unit at (916) 654-9130.

INTERNET FILING

File your most common EDD tax and wage forms through the Internet.

Internet Filing includes:
- iFILE – for filing *Quarterly Wage and Withholding Reports* (DE 6)
- iNER – for filing *Report of New Employees(s)* (DE 34)
- iICR – for filing *Report of Independent Contractors(s)* (DE 542)
- EFT – *Payroll Tax Deposit* (DE 88) – refer to Electronic Funds Transfer information above

Internet Filing features:
- Simple online registration requires only your EDD account number, UI tax rate and zip code
- Ability to view and verify your reports prior to submission
- Immediate confirmation of successful filing
- Ability to view prior Payroll Tax Deposits (DE 88) if made by EFT (ACH) debit method

For more information on this filing method, access EDD's Web site at **http://eddservices.edd.ca.gov**

TELEFILE

Telefile is designed especially for employers with six or fewer employees and employers of household workers. Employers and/or their payroll agents may use the Telefile system to report and pay payroll taxes by telephone. Rotary dial telephone users, or customers who choose not to use the touch-tone method, can Telefile by selecting the voice recognition option from the Telefile main menu.

Employers or their agents call a toll-free number and then enter both a Personal Identification Number and their EDD employer account number to file reports and/or payments over the telephone. The Telefile system prompts the caller to enter and verify the appropriate information. You may elect to Telefile just wage and withholding reports, or you may elect to pay your taxes through the EFT (ACH debit method).

Reports that can be Telefiled:
- *Payroll Tax Deposit* (DE 88) coupon (EFT customers only).
- *Quarterly Wage and Withholding Report* (DE 6).
- *Quarterly Report of Wages and Withholdings for Employers of Household Workers* (DE 3BHW).
- *Annual Payroll Tax Return for Employers of Household Workers* (DE 3HW) (EFT customers only).

Telefile system advantages:

- Available 24 hours a day, 7 days a week (excluding scheduled maintenance).
- Toll-free numbers for Telefile access and customer service.
- Quick updates to your account.
- Eliminates the need to mail reports or checks (Please note: paper reports will still be mailed to you).
- Wage and withholding reports may be filed for the current and five previous quarters.
- Annual returns may be filed for the current and prior year.
- No cost to you.

To find out if Telefile is right for you, or to request a Telefile registration package, contact our Telefile Customer Service at (800) 796-3524, Monday through Friday, 8 a.m. to 5 p.m., PT. You may also e-mail our Telefile Customer Service at **ecom@edd.ca.gov**.

ELECTRONIC DATA INTERCHANGE (EDI)

Electronic Data Interchange (EDI) is a method you can choose to electronically file your *Quarterly Wage and Withholding Report* (DE 6). The EDI is the computer-to-computer exchange of information between you or your agents and EDD. If you are required to file your DE 6 via magnetic media, EDI satisfies this requirement.

Employers who choose to use EDI must:

- Use a PC with a modem.
- Send data in the American National Standards Institute (ANSI) X12 standard format.

To sign up for EDI, you must sign an *Electronic Data Interchange Filing Agreement* (DE 813A) and return it to EDD. To print or view a copy of the *EDI Trading Partner Implementation Guide* (DE 813), *EDI Filing Agreement* (DE 813A), or an *EDI Brochure* (DE 813B), access the EDD Web site at **www.edd.ca.gov/taxrep/taxform.htm**. To request a copy of the DE 813, DE 813A, or DE 813B, or to obtain additional information, contact:

Employment Development Department
EDI Unit, MIC 15A
P.O. Box 826880
Sacramento, CA 94280

(800) 796-3524
E-mail: ecom@edd.ca.gov

MAGNETIC MEDIA REPORTING

Employers who are required to file their federal wage reports using magnetic media (employers with 250 or more employees) must also file their California *Quarterly Wage and Withholding Report* (DE 6) on magnetic media. Any employer who fails to file their report of wages on magnetic media after being notified by EDD that they are required to use magnetic media will be assessed a penalty of $10 for each wage item not reported on magnetic media.

If you have fewer than 250 employees, we encourage you to file by magnetic media because it significantly reduces the processing costs and time needed to record wage and tax information. Magnetic media virtually eliminates the possibility of errors resulting from manual processing. Tax preparers and payroll services may use magnetic media to file their clients' DE 6 reports.

Employers unable to comply with this requirement may request a waiver on a *Waiver Request Form Filing Quarterly Wage and Withholding Report(s) on Magnetic Media* (DE 3086M) by accessing EDD's Web site at **www.edd.ca.gov/taxrep/taxform.htm**. The waiver must be filed **each** year, postmarked by March 31. Employers will be notified when the waiver has been approved or denied. Approved waivers are valid for six months, or longer at EDD's discretion. Employers who receive a waiver are required to file paper DE 6 reports.

The *Magnetic Media Quarterly Wage and Withholding Reporting Program* (DE 8300) booklet is available on EDD's Web site at **www.edd.ca.gov/taxrep/taxform.htm#Publications**. The following magnetic media reporting methods are acceptable:

- IBM-compatible 3480/3490 tape cartridge
- 3½ inch diskette
- CD-R (compact disc-recordable)*

(We are phasing out the 9-track magnetic media standard ½ inch reel and are **only** accepting this type of media from current filers.)

* CD-RW (compact disc-read write) is **not** acceptable.

The EDD accepts the following DE 6 magnetic media formats:

- Interstate Conference of Employment Security Agencies (ICESA)
- Federal Magnetic Media Reporting and Electronic Filing (MMREF)

The EDD also allows tax preparers and payroll services to file their clients' *Payroll Tax Deposit* (DE 88) and *Annual Reconciliation Statement* (DE 7) on magnetic media. Magnetic Media reporting is an alternative to filing on paper, but, like paper forms, it must be filed timely. Before a Service Bureau can begin reporting its clients' Payroll Tax Deposits or Annual Statement on magnetic media to EDD, a test file must be submitted and evaluated prior to submitting live data.

For further information, or to sign up for magnetic media, contact:

Employment Development Department
Magnetic Media Coordinator, MIC 15
P.O. Box 826880
Sacramento, CA 94280

(916) 654-6845
Fax: (916) 654-0302

Magnetic Media Programs - Type of Report	Contact
Employers and tax preparers: • *Report of New Employee(s)* (DE 34) • *Report of Independent Contractor* (DE 542) • *Quarterly Wage and Withholding Report* (DE 6) • *Waiver Request From Filing Quarterly Wage and Withholding Report(s)* (DE 6) *on Magnetic Media* (DE 3086M)	Employment Development Department Magnetic Media Coordinator, MIC 15 P.O. Box 826880 Sacramento, CA 94280 <u>Telephone</u> DE 34: (916) 651-6945 DE 542: (916) 651-6945 DE 6: (916) 654-6845 DE 3086M: (916) 654-6845
Tax preparers only: • *Payroll Tax Deposit* (DE 88) • *Annual Reconciliation Statement* (DE 7)	Telephone: (916) 654-6845
Businesses and tax preparers: • Federal Forms 1099 (various information returns)	Franchise Tax Board Magnetic Media Coordinator P.O. Box 942840 Sacramento, CA 94240 Telephone: (916) 845-3778

***REMEMBER*:** There are several electronic filing options available to you:

- Electronic Funds Transfer
- Telefile
- Electronic Data Interchange
- Magnetic Media

What does "change of status" mean?
A change of status occurs when you:

- Purchase or sell your business.
- Change business ownership.
- Change your mailing address.
- No longer have employees.
- Close your business.

❑ ***ACTION REQUIRED*:** Notify EDD of any change to your business status by completing a *Notification of Change of Employer Account Information* (DE 24)

PURCHASE, SELL, TRANSFER, OR CHANGE OWNERSHIP

Registered employers must report **any** change in business status (for example: any change in business name or legal entity, such as a change from partnership or limited liability company to corporation). Report changes in writing or complete an updated *Registration Form* (DE 1) and mail or fax it to:

Employment Development Department
Document Management Group MIC 96
ATTN: Forms Request Desk
P.O. Box 826880
Sacramento, CA 94280

Fax: (916) 654-9211

Please be sure to include your EDD employer account number, your name, and your telephone number on **all** correspondence you send to EDD.

Unlike IRS, EDD does not normally issue a new employer account number when there is a change in business ownership. Although a new EDD employer account number is not issued for most ownership changes, you still need to notify EDD of any change to your business. When there is a change in the type of ownership, but one or more owners of the business remain, the new entity normally keeps the same EDD employer account number and continues to make payroll tax deposits and file reports as though it was the same ownership for the entire year. For additional information, contact our Taxpayer Assistance Center at the above address or call (888) 745-3886.

Purchase a Business

If you purchase a business with employees (or a business that previously had employees), you may be held liable for the previous owner's EDD liability if a *Certificate of Release of Buyer* (DE 2220) is not obtained. To request a DE 2220, contact the Taxpayer Assistance Center at (888) 745-3886.

Until a DE 2220 is issued, you (buyer) must hold in escrow an amount sufficient to cover all amounts the seller owes to EDD, up to the purchase price of the business. The DE 2220 is issued after the seller pays all amounts owed to EDD. Payment must be made by cash, cashier's check, certified check, escrow check, or money order payable to EDD.

For your protection, escrow funds should not be disbursed until the DE 2220 has been issued. For additional information, obtain the *Information Sheet*: *Requirements for Obtaining Certificate of Release of Buyer When a Business Is Sold* (DE 3409A) by accessing EDD's Web site at **www.edd.ca.gov/taxrep/taxform.htm#Publications,** accessing our Fax-on-Demand at (877) 547-4503, or contacting the Taxpayer Assistance Center at (888) 745-3886.

NOTE:

- If immediately after the acquisition of the business you employ any of the former owner's workers, the wages paid to these employees during the same calendar year are considered as having been paid by you. Therefore, wages paid by the former owner in the current calendar year are applied to the taxable wage limits for Unemployment Insurance, Employment Training Tax, and State Disability Insurance.
- You are required to publish a *Notice of the Intended Sale of Business* in compliance with Section 3440, Code of Civil Procedure. However, publishing this notice does not fulfill the requirement to obtain a DE 2220 and will not relieve you of the liability if the former owner owes EDD.

***REMEMBER*:** Notify EDD in writing of any change of status to your business.

WHAT IS A SUCCESSOR EMPLOYER?

A successor employer is an employer who has acquired all or part of another employer's (predecessor) business. The successor employer may receive all or part of the predecessor's UI reserve account balance by applying for a reserve account transfer. The transfer may qualify the successor for a lower UI tax rate. The successor employer must still file a DE 1 to register with EDD if they do not already have an existing EDD employer account number.

For more information on reserve account transfers, refer to page 99 or contact our Contribution Rate Group at (916) 653-7795.

NOTE: Acquiring all or part of the stock in a corporation does not constitute a new employing unit. The corporation retains the same EDD employer account number.

MAILING ADDRESS CHANGE

To change your mailing address, please complete the change of address form provided in the *Payroll Tax Deposit* (DE 88) coupon booklet or the *Instructions for Preparing Payroll Tax Deposit* (DE 88All-I). You may also use a *Notification of Change of Employer Account Information* (DE 24). To obtain a DE 24, access EDD's Web site at **www.edd.ca.gov/taxrep/taxform.htm#Forms**, access our Fax-on-Demand at (877) 547-4503, or contact the Taxpayer Assistance Center at (888) 745-3886.

Do not make any changes to the preprinted data on the front of the DE 88, *Quarterly Wage and Withholding Report* (DE 6), or *Annual Reconciliation Statement* (DE 7).

NO LONGER HAVE EMPLOYEES

If you no longer have employees and will not be reporting wages in any future quarter, you must send a final DE 88 with payment, DE 6, and DE 7. For EDD to close your employer account, you must complete Box "D" on the DE 6 and Box "B" on the DE 7.

If you currently do not have employees but may have employees in future quarters, you are still required to file your DE 6 showing "0" (zero) payroll or EDD may presume you have employees and assess your account.

CLOSE YOUR BUSINESS

If you close your business, you **are required** to file a DE 88 with payment, DE 6, and DE 7 within 10 days of quitting business, **regardless** of the normal due dates. For EDD to close your employer account, you must complete Box "D" on the DE 6 and Box "B" on the DE 7.

NOTE: Please mail each form (DE 88 with payment, DE 6, and DE 7) separately to the preprinted address shown on the form.

ADDITIONAL INFORMATION

Changing your business ownership solely for the purpose of obtaining an employer account with a lower UI contribution rate is not allowed. CUIC Section 1052 provides that a reserve account transfer will not apply to any acquisition which is determined to have been made solely or primarily for the purpose of obtaining a more favorable UI contribution rate. EDD is aggressively pursuing businesses practicing UI Rate Manipulation. To read more about UI Rate Manipulation please refer to page 101.

REQUIRED NOTICES AND PAMPHLETS

Posting Requirements

Once you are registered with EDD, you will receive a notice to post which informs your employees of their rights under the Unemployment Insurance (UI) and State Disability Insurance (SDI) programs. This notice must be posted in a prominent location that is easily seen by your employees. You will receive the following notice if you are subject to:

- UI, SDI, and PFL - *Notice To Employees* (DE 1857A)
- UI only - *Notice To All Employees of Public Entities* (DE 1857D)
- SDI only - *Notice To Employees - Disability Insurance* (DE 1858)

Notices and Pamphlets

Provide a copy of the following notice and pamphlets to each of your employees:

- *Notice to Employees* (DE 35) informs employees that their employer is required to send copies of *Employee's Withholding Allowance Certificate* (Form W-4) to the Internal Revenue Service if the certificate meets certain conditions. Please refer to "Marital Status, Withholding Allowances, and Exemptions (Form W-4 and DE 4)" on page 12 for further information.
- The following pamphlets explain your employees' benefit rights:
  - *For Your Benefit* (DE 2320) – This booklet summarizes UI claim information.
  - *State Disability Insurance Provisions* (DE 2515) – This pamphlet outlines the SDI program.
  - *Paid Family Leave Insurance benefits* (DE 2511) – This pamphlet outlines the Paid Family Leave insurance benefits.

NOTE: To obtain the DE 2511, access EDD's Web site at **www.edd.ca.gov/direp/pflpub.asp**. To obtain the other publications listed above, access EDD's Web site at **www.edd.ca.gov/taxrep/taxform.htm#Publication**. For additional information on your posting requirements, visit the California Tax Information Center Web site at **www.taxes.ca.gov/postingreqbus.html**. Voluntary Disability Insurance (DI) Plan insurers have similar literature. Voluntary DI Plan employers must also supply claim forms to their employees. For further information on Voluntary DI Plans, refer to page 110.

- Notice to Employee as to Change in Relationship - Written notice must be given immediately to an employee of his/her discharge, layoff, leave of absence, or a change in employment status.

  The following sample meets the minimum requirements:

NOTICE TO EMPLOYEE AS TO CHANGE IN RELATIONSHIP
(Issued pursuant to provisions of Section 1089
of the California Unemployment Insurance Code.)

Name_____ SSN#_____

1. You were laid off/discharged on_____ 20_____
   (date)
2. You were on leave of absence starting_____ 20_____
   (date)
3. Your employment status changed on_____ 20_____
   (date)

_____
(Name of Employer)

_____
(By)

You may wish to prepare the employee notice in duplicate and keep a copy for your files. Notices prepared by the employer **must** include the information on the Notice to Employee as to Change in Relationship (above).

No written notice is required if it is a voluntary quit, promotion or demotion, change in work assignment or location, or if work stopped due to a trade dispute.

***ACTION REQUIRED*:** Post the DE 1857 and provide a DE 35, DE 2320, DE 2511, and DE 2515 to each of your employees.

PLANT CLOSURE OR MASS LAYOFF (WARN)

Federal and California Worker Adjustment and Retraining Notification (WARN) legislation requires covered employers to provide 60 days advance notice of plant closings and mass layoffs. Advance notice provides employees and their families some transition time to adjust to the prospective loss of employment, to seek and obtain alternative jobs and, if necessary, to enter skill training or retraining that will allow these employees to successfully compete in the job market.

For the complete notification requirements of the California WARN legislation, carefully review the Labor Code provisions on the Department of Industrial Relations' (DIR) Web site at **www.dir.ca.gov** (click on "California Labor Code," Part 4, Chapter 4, Sections 1400-1408).

The table below provides the general provisions of the federal and California WARN legislation.

Subject	Federal	California (Assembly Bill 2957, Koretz)
Covered Employers	Applicable only to employers with 100 or more full-time employees who must have been employed for at least 6 months of the 12 months preceding the date of required notice in order to be counted. (29 USC 2101 and 29 CFR 639.3)	Applicable to a "covered establishment" with 75 or more employees full- or part-time. As under the federal WARN Act, employees must have been employed for at least 6 months of the 12 months preceding the date of required notice in order to be counted. (California Labor Code, Section 1400[a] and [h])
Plant Closings or Layoffs Requiring Notice	Plant closings involving 50 or more employees during a 30-day period. Layoffs within a 30-day period involving 50 to 499 full-time employees constituting at least 33 percent of the full-time workforce at a single site of employment. Layoffs of 500 or more are covered regardless of percentage of workforce. (29 USC, et seq., 2101 and 29 CFR 639.3)	Plant closings, layoffs, or relocations of 50 or more employees within a 30-day period regardless of percentage of work force. Relocation is defined as a move to a different location more than 100 miles away. (California Labor Code, Section 1400[c] and [d])
Legal Jurisdiction	Enforcement of WARN requirements through U.S. District Courts. The court, in its discretion, may allow the prevailing party a reasonable attorney's fee as part of the costs. (29 USC 2101, et seq.)	Suit may be brought in "any court of competent jurisdiction." The court may award reasonable attorney's fees as part of costs to any prevailing plaintiff. The California WARN law is in the Labor Code, and the authority to investigate through the examination of books and records is delegated to the Labor Commissioner. (California Labor Code, Sections 1404 and 1406)
Employer Liability	An employer who violates the WARN provisions is liable to each employee for an amount equal to back pay and benefits for the period of the violation, up to 60 days, but no more than one-half the number of days the employee was employed by the employer. (29 USC; 2104[a])	A possible civil penalty of $500 a day for each day of violation. Employees may receive back pay to be paid at employee's final rate or three-year average rate of compensation, whichever is higher. In addition, employer is liable for cost of any medical expenses incurred by employees that would have been covered under an employee benefit plan. The employer is liable for period of violation up to 60 days or one-half the number of days the employee was employed whichever period is smaller. (California Labor Code, Section 1403)

PLANT CLOSURE OR MASS LAYOFF (WARN) (cont.)

Subject	Federal	California (Assembly Bill 2957, Koretz)
Notice Requirements	An employer must provide written notice 60 days prior to a plant closing or mass layoff to all of the following: • Employees or their representative • Employment Development Department State Dislocated Worker Unit WARN Act Coordinator, MIC 69 P.O. Box 826880 Sacramento, CA 94280 • The chief elected official of local government within which such closing or layoff is to occur (29 USC, 2102; 29 CFR 639.5)	An employer must give notice 60 days prior to a plant closing, layoff, or relocation. In addition to the notifications required under the federal WARN Act, notice must also be given to both of the following: • The Local Workforce Investment Board • The chief elected official of **each** city and county government within which the termination, relocation, or mass layoff occurs (California Labor Code, Section 1401)
Exceptions and Exemptions	Regular federal, State, local, and federally recognized Indian tribal governments are not covered. (29 USC, 2102[a]; 29 CFR 639.3) The following situations are exempt from notice: • There is an offer to transfer employee to a different site within a reasonable commuting distance. (29 USC, 2101[b][2]; 29 CFR 639.5) • The closure is due to unforeseeable business circumstances or a natural disaster. (29 USC, 2103; 29 CFR 639.9) • The closing or layoff constitutes a strike or constitutes a lockout not intended to evade the requirement of this chapter. (29 USC, 2103[2])	California WARN does not apply when the closing or layoff is the result of the completion of a particular project or undertaking of an employer subject to Wage Orders 11, 12, or 16, regulating the Motion Picture Industry, or Construction, Drilling, Logging, and Mining Industries, and the employees were hired with the understanding that their employment was limited to the duration of that project or undertaking. (California Labor Code, Section 1400[g]) The notice requirements do not apply to employees involved in seasonal employment where the employees were hired with the understanding that their employment was seasonal and temporary. (California Labor Code, Section 1400[g][2]) Notice is not required if a mass layoff, relocation, or plant closure is necessitated by a physical calamity or act of war. (California Labor Code, Section 1401[c]) Notice of a relocation or termination is not required where, under multiple and specific conditions, the employer submits documents to DIR, and DIR determines that the employer was actively seeking capital or business, and a WARN notice would have precluded the employer from obtaining the capital or business. (California Labor Code, Section 1402.5). This exception does not apply to notice of a mass layoff as defined in California Labor Code Section 1400(d). (California Labor Code, Section 1402.5[d])

The EDD has established Rapid Response Teams to assist employers and workers during a mass layoff or plant closure. These teams, facilitated through the One-Stop Career Center System, are a cooperative effort between the Local Workforce Investment Area (LWIA) and EDD. This team disseminates information on the adult and dislocated worker services available under Title I of the workforce Investment Act and through EDD's Job Service and UI programs. If the dislocation is the result of foreign competition or foreign relocation, the dislocated worker may be eligible for assistance, income support, job search assistance/relocation, and/or training under the Trade Adjustment Assistance (TAA). For information on TAA, refer to page 112.

For more information about California's WARN requirements or services, contact EDD's WARN Act coordinator at (916) 654-8008, or the LWIA in your area. The LWIA location information is available on EDD's Web site at **www.edd.ca.gov/wiarep/wialoc.htm.**

For additional information on the federal WARN Act access DOL's Web site at **www.dol.gov/dol/compliance**.

U.S. GOVERNMENT CONTRACTOR JOB LISTING REQUIREMENTS

Employers with U.S. Government contracts or subcontracts of $25,000 or more are required to list job openings with the state employment service system or with America's Job Bank's Web site at **http://web.ajb.dni.us**. In California, employers must list job openings with EDD's CalJOBS[SM] Labor Exchange System at **www.caljobs.ca.gov**. Furthermore, employers are required to take affirmative action to employ, and advance in employment, qualified disabled veterans of the Vietnam era.

All Government contractors who hold a contract or subcontract for $50,000 or more and have at least 50 employees are further required to prepare and maintain an affirmative action program at each establishment that sets forth the policies and practices in hiring and promoting qualified disabled and Vietnam era veterans. The plan (VETS-100 Format on the Internet at **http://vets100.cudenver.edu** must be updated each year.

RECORDKEEPING

Employers are required to keep payroll records for at least four years. If you believe that you are **not** a subject employer or that your employees are exempt, State law requires that you maintain records of payments made to people who provide services to your business for at least eight years in case of an employment tax audit. Your records must provide a true and accurate account of **all** workers (employed, laid off, on a leave of absence, and independent contractors) and all payments made. Records must include the following information for each worker:

- Name and social security number.
- Date hired, rehired, or returned to work after temporary layoff.
- Last date services were performed.
- Place of work.
- Money paid:
  - Dates and amounts of payment
  - Pay period covered
- Cash or cash value of in-kind wages (such as bonuses, gifts, prizes, meals, and lodging) showing the nature of the payment, the period that the services were performed, and the type of special payment made.
- The amounts withheld from employee wages. (**NOTE:** You may be required to make withholding deposits. Please refer to "Withholding Deposits" on page 74.)
- Disbursement records showing payments to workers.
- Other information necessary to determine payments to workers.

For information on employment tax audits, obtain *Information Sheet: Employment Tax Audit Process* (DE 231TA) by accessing EDD's Web site at **www.edd.ca.gov/taxrep/taxform.htm#Publications**, accessing our Fax-on-Demand at (877) 547-4503, or contacting the Taxpayer Assistance Center at (888) 745-3886.

COMMITMENT

The EDD is committed to applying the payroll tax laws of the State of California in an equitable and impartial manner. Toward that goal, we have developed the following information to inform you of your rights during the employment taxation process.

EMPLOYER RIGHTS

As an employer, you have the right to:

- Courteous and timely service from EDD employees.
- Expect that information maintained by EDD be kept confidential and not published or made available for public inspection. However, in certain instances, the law requires that this information be shared with other governmental agencies. When those instances occur, EDD closely follows the law to protect your rights to confidentiality.
- Call upon EDD for accurate information and assistance and to have all your questions answered.
- Receive a clear and accurate account statement if EDD believes you owe taxes.
- Request a filing extension for up to 60 days. The law provides that EDD may grant a filing extension where "good cause" is shown for a delay. (Refer to the "Glossary" on page 122 for the definition of "good cause.")
- Request a waiver of penalty showing "good cause" for filing a report or making a payment late.
- An impartial audit and a full explanation of our audit findings if your business is selected for an audit.
- Discuss the issue(s) with an EDD representative, supervisor, and office manager if you disagree with an action taken by EDD.
- Appeal certain actions to the California Unemployment Insurance Appeals Board.

The *Employers' Bill of Rights* (DE 195) brochure has been developed to inform you of your rights during the employment taxation process. To obtain a copy of the brochure, access EDD's Web site at **www.edd.ca.gov/taxrep/taxform.htm#Publications**, or contact the Taxpayer Assistance Center at (888) 745-3886.

OFFICE OF THE TAXPAYER RIGHTS ADVOCATE

The EDD has established the Office of the Taxpayer Rights Advocate (OTRA), which is responsible for providing a clear, consistent focus on protecting the rights of the taxpayer. Incorporated within OTRA is the Taxpayer Advocate Office.

Taxpayer Advocate Office

The Taxpayer Advocate Office (TAO) is responsible for protecting the rights of taxpayers during all phases of the payroll tax assessment and collection process, while also protecting the interests of the State.

If you are unable to resolve a payroll tax problem with an EDD representative, supervisor, **and** office manager, you may contact the Taxpayer Advocate Office for assistance. We will review the issues and facts of your case to ensure that your rights have been protected. We will also work to facilitate a resolution to your problem.

If it can be substantiated that incorrect instructions were given to an employer by EDD staff, the Department's policy is to not penalize the employer for failure to comply with the law. If management in the office you have been working with cannot resolve your questions, please contact the Taxpayer Advocate Office at (916) 654-8957 for further assistance.

OFFICE OF THE TAXPAYER RIGHTS ADVOCATE (cont.)

Settlements Office

The Settlements Program provides employers and the State an opportunity to avoid the cost of prolonged litigation associated with resolving disputed payroll tax issues (i.e., protests, appeals, or refund claims).

When reviewing a settlement offer, EDD considers the risks and costs for the State associated with litigating the issues, balanced against the benefit of reaching a settlement agreement. Final tax liabilities, cases still in process, cases involving fraud or criminal violations, and issues solely involving fairness or financial hardship are generally not eligible. Depending on the reduction of tax and penalties and the petition status of the case, settlement agreements are subject to approval by an Administrative Law Judge, the California Unemployment Insurance Appeals Board, or the Attorney General before they can be finalized.

If you have questions, please contact the Settlements Office at (916) 654-7922 or (916) 654-7162. To obtain the *Information Sheet*: *Settlements Program* (DE 231SP), please access EDD's Web site at **www.edd.ca.gov/taxrep/taxform.htm#Publications**, access our Fax-on-Demand at (877) 547-4503, or contact the Taxpayer Assistance Center at (888) 745-3886.

Settlement offers may be submitted to:

Employment Development Department
Settlements Office, MIC 93
P.O. Box 826880
Sacramento, CA 94280

(916) 654-7922 or (916) 654-7162
FAX: (916) 653-7986

OFFERS IN COMPROMISE (OIC)

An Offers in Compromise (OIC) enables a qualified applicant to eliminate an employment tax liability at less than full value. To qualify for an OIC, **all** of the following are required:

- The liability must be final and undisputed.
- The employer's account must be inactive and out-of-business, or the applicant must no longer have a controlling interest or any association with the business that incurred the liability.
- The applicant must meet all financial requirements.
- Full financial disclosure is required before an offer can be analyzed.

If you have questions or wish to request the *Information Sheet*: *Offers In Compromise* (DE 631C), please access EDD's Web site at **www.edd.ca.gov/taxrep/taxform.htm#Publications**, access our Fax-on-Demand at (877) 547-4503, or contact OIC at (916) 464-2726.

PROTECTING YOUR PRIVACY

The payroll tax and benefit information collected by EDD is confidential. Employers and employees may access their own personal information by mailing a letter to the Tax Disclosure Office specifying the information being requested. You may also authorize your agent or representative to access your personal information through a written authorization or *Power of Attorney Declaration* (DE 48).

You may contact the Tax Disclosure Office at:

Employment Development Department
Tax Disclosure Office, MIC 93
P.O. Box 826880
Sacramento, CA 94280

(916) 654-5981

Purpose: The Unemployment Insurance (UI) program provides financial assistance to people who are temporarily out of work through no fault of their own. In California, this program is financed entirely by employers.

METHODS OF PAYING FOR UI BENEFITS

Experience Rating Method

The **experience rating method** is used by the majority of employers. For a detailed explanation of the experience rating method, see "How Your UI Tax Rate is Determined" below or obtain the *Information Sheet: California System of Experience Rating* (DE 231Z) by accessing EDD's Web site at **www.edd.ca.gov/taxrep/taxform.htm#Publications**, accessing our Fax-on-Demand at (877) 547-4503, or contacting the Taxpayer Assistance Center at (888) 745-3886.

Reimbursable Method

Public employers and most nonprofit organizations have the option of becoming "reimbursable" employers. Employers electing the **reimbursable method** (also known as the cost-of-benefits method) are required to reimburse the UI Fund on a dollar-for-dollar basis for all benefits paid to their former employees and charged to their account. Reimbursable employers are billed quarterly, and payment is due within 30 days from the statement date.

For public employers, financing under the reimbursable method **must** remain in effect for **two** complete calendar years. For nonprofit employers, financing under the reimbursable method **must** remain in effect for **five** complete calendar years. Employers who terminate their reimbursable coverage remain liable for UI benefits paid to their former employees covered under this program for a period of **three** calendar years.

For a detailed explanation of the reimbursable method, request *Information Sheet: Nonprofit and/or Public Entities* (DE 231NP) and *Potential Liability Under the Reimbursable Method* (DE 1378F). To obtain these publications, access EDD's Web site at **www.edd.ca.gov/taxrep/taxform.htm#Publications**, access our Fax-on-Demand at (877) 547-4503, or contact the Taxpayer Assistance Center at (888) 745-3886. For additional information, please contact:

Employment Development Department
Reimbursable Accounting Group, MIC 19
P.O. Box 826880
Sacramento, CA 94280

(916) 653-5846

School Employees Fund (SEF)

Public school districts (kindergarten through 12th grade) and community colleges may elect to participate in the School Employees Fund (SEF), which is a special reimbursable financing method available for school districts. For further information, access EDD's Web site at **www.edd.ca.gov/taxrep/txsefind.htm** or contact the SEF Unit at (916) 653-5380.

HOW YOUR UI TAX RATE IS DETERMINED

Tax Rate Schedules

The UI tax rates are based on one of seven tax rate schedules (AA through F) established by law. The first step in the annual process of establishing the UI tax rates for the calendar year is for EDD to determine which of the seven tax rate schedules will be in effect. Employers are assigned their UI tax rates from the same rate schedule.

New Employer - UI Tax Rate and Reserve Account

A UI reserve account is a nonmonetary account that is set up when an employer registers with EDD. The new employer tax rate is 3.4 percent (.034) for up to three years. Following that time period, the UI tax rate is calculated annually based on each employer's previous experience as reflected by UI contributions, taxable wages, benefit charges and prorated charges and credits to their reserve account.

NOTICE OF TAX RATES

Each December, EDD notifies employers of their UI, ETT, and SDI tax rates and taxable wage limits for the upcoming year by sending a *Notice of Contribution Rates and Statement of UI Reserve Account* (DE 2088). Rate information can also be obtained by accessing EDD's Web site at **www.edd.ca.gov/taxrep/taxrte9x.htm** or calling the Contribution Rate Group's 24-hour automated call system at (916) 653-7795.

Data Exchange Alternative - Magnetic Media
Employer representatives may obtain their clients' UI tax rates on magnetic tape or diskettes. In addition, employers and their representatives may obtain benefit charges on magnetic media.

For information on receiving UI tax rates or benefit charges via magnetic media, contact:

Employment Development Department
Contribution Rate Group, MIC 4
P.O. Box 826880
Sacramento, CA 94280

(916) 653-7795

FEDERAL UNEMPLOYMENT TAX ACT (FUTA) CERTIFICATION

The Internal Revenue Service (IRS) uses the Federal Unemployment Tax Act (FUTA) certification process to verify that the total taxable wages claimed on the *Employer's Annual Federal Unemployment (FUTA) Tax Return* (Form 940) or the federal *Household Employment Taxes* (Form 1040, Schedule H) was actually paid to the State. Under this "dual" system, you are subject to both the State and federal payroll tax requirements.

You are required to file reports and pay Unemployment Insurance (UI) taxes with EDD. You are also required to file a Form 940 with IRS to report total taxable UI wages and pay any Federal Unemployment Tax due. Generally, you can take a federal credit against your FUTA tax for the UI taxes you paid to California.

On an annual basis, IRS and EDD compare amounts reported on your IRS Form 940 to the Total Subject Wages (Line C) and UI Taxable Wages (Line D2) reported on your EDD *Annual Reconciliation Statement* (DE 7). When an "out-of-balance" condition exists, a reconciliation must be made or an assessment may be issued by either IRS or EDD.

If you have questions regarding the FUTA certification process, please contact EDD's FUTA Certification Unit at (916) 654-8545.

RESERVE ACCOUNT TRANSFERS

When an employer acquires all or part of an ongoing business, the employer may request the previous owner's UI reserve account balance be transferred to the new ownership by completing an *Application for Transfer of Reserve Account* (DE 4453) form. If EDD approves the transfer, the UI tax rate will be redetermined and may result in an immediate rate reduction. For further information regarding reserve account transfers, please contact the Contribution Rate Group at (916) 653-7795.

NOTE:

- When a UI reserve account transfer has been approved, the employer requesting the transfer will receive a revised DE 2088 stating the UI tax rate for the remainder of the year.
- Employers who receive a reserve account transfer accept responsibility for the UI benefit charges for the previous owner's former employees. This may **increase** your UI tax rate in future years.
- A reserve account transfer cannot be reversed once it has been completed.
- There are time limits to qualify for a reserve account transfer. Apply for a reserve account transfer immediately after purchasing an ongoing business.

INTERSTATE RECIPROCAL COVERAGE ELECTIONS FOR MULTISTATE WORKERS

When an individual performs services in two or more states, and the services are not localized in any one state, under the provisions of California Unemployment Insurance Code (Sections 602 and 603), the employer may request to report the individual's services to one state.

Upon approval for unemployment and disability insurance purposes, the employer may report to any state in which (a) services are performed, (b) the employee has residence, or (c) the employer maintains a place of business. Please note that special reporting may be required for California Personal Income Tax withholding purposes.

For additional information, please obtain *Information Sheet: Multistate Employment* (DE 231D) by accessing EDD's Web site at **www.edd.ca.gov/taxrep/taxform.htm#Publications**, accessing our Fax-on-Demand at (877) 547-4503, or contacting the Taxpayer Assistance Center at (888) 745-3886.

TIPS FOR REDUCING YOUR UI TAX RATE

The UI tax works like any other insurance premium. An employer may pay a lower rate when former employees make fewer claims on the employer's account. The following steps may help reduce your UI tax rate:

- Maintain a stable workforce. High employee turnover increases the potential for benefits to be charged to your reserve account. This could also save UI taxes since you pay on the first $7,000 of wages for each employee.
- Submit your UI payments within the required time limits, along with accurately completed *Payroll Tax Deposit* (DE 88) coupons to ensure your payments are included in calculating your UI tax rate for the following year.
- Respond timely to the *Benefit Audit* (DE 1296B). It may lead to the reversal of related charges to your reserve or reimbursable account. For additional information, refer to "Benefit Audits to Determine Fraud" on page 107.
- Respond timely to the *Notice of Wages Used for Unemployment Insurance (UI) Claim* (DE 1545), if you believe the wages used to establish a claim are incorrect, or if you believe a former employee does not meet the UI eligibility criteria. A timely response to a DE 1545 may reduce charges to your reserve account.
- Conduct and document an exit interview to help you to understand why the employee is leaving. This may result in changes to your policies or procedures that will assist you in retaining your employees.
- Permit leaves of absence because they may help keep fully trained personnel.
- Keep good personnel records to justify any action(s) taken. Give written warnings prior to discharging an employee and keep a copy of these written notices and other supporting information.
- Protest UI benefit claims for former employees who you believe are not eligible for benefits (i.e., employee voluntarily quit or was discharged for misconduct, etc.). Written documentation of the exit interview may be important in establishing your protest.
- Answer UI claim notices promptly, accurately, and in detail.
- Rehire former employees who are currently receiving UI benefits that may be charged against your reserve account.
- Report refusals of work to EDD.
- Provide clear, specific answers to telephone interview questions from EDD personnel.
- Audit your *Statement of Charges to Reserve Account* (DE 428T) and report inaccuracies within the protest time limits.
- Bring witnesses with firsthand knowledge of pertinent facts when attending a hearing.

For additional information on the UI program or assistance in reducing UI costs, download the *Managing Unemployment Insurance Costs* (DE 4527) booklet on EDD's Web site at **www.edd.ca.gov/uirep/de4527.pdf.**

FRAUD PREVENTION AND DETECTION

We recognize your concerns about imposter fraud and the threat of identity theft. Imposter fraud and identity theft occurs when someone steals your employees' employment or personal information and uses that information. We actively investigate cases of imposter fraud and are committed to taking the steps necessary to protect the integrity of the UI Fund. To assist in these efforts, you may receive a *Request for Additional Information* (DE 1326ER) requesting you to validate information provided to us by an individual when we suspect a UI claim may have identity or imposter issues. Completing and returning the DE 1326ER with the requested information will assist us in resolving these issues promptly. For more information on our fraud detection and prevention activities, access EDD's Web site at **www.edd.ca.gov/uirep/uifp.htm**.

We also encourage you to take all necessary steps to protect your employees' social security numbers (SSNs) and other identifying information. A key way to protect yourself and your employees is by properly disposing of your old payroll records. California law requires you to properly destroy (i.e., shred, erase, etc.) the personal information on all records under your control. Your employees may sue for civil damages if you fail to protect their confidential information. For more information on protecting yourself and your employees from identity theft and California privacy legislation, visit the California Department of Consumer Affairs' Web site at **www.privacyprotection.ca.gov**.

To minimize potential fraud and protect your UI reserve account, we urge you to carefully review each statement and EDD notice and respond in a timely manner to any items for which you have questions. If you suspect your payroll or personnel data has been compromised, please report the incident immediately to our toll-free Fraud Hotline at (800) 229-6297.

Additionally, the Social Security Administration (SSA) offers employers and authorized agents services for verifying employees' SSNs. For information on how to access SSA's SSN verification service, access SSA's Web site at **www.ssa.gov/employer/ssnv.htm** or contact your local SSA office.

To learn about what steps you can take to fight imposter fraud, protect your employees, and control your UI costs, download the *How You Can Prevent UI Imposter Fraud* (DE 2360ER) brochure from EDD's Web site at **www.edd.ca.gov/uirep/uipub.htm**.

UI RATE MANIPULATION

There are several types of schemes businesses use to unlawfully lower their UI contribution rates. UI rate manipulation schemes typically involve a business with a high UI tax obtaining a lower UI rate through creation of a new corporate entity or purchase of a small business with a low UI rate. The practice of UI rate manipulation threatens the stability of California's UI Fund and creates an unfair advantage for those businesses that use these schemes to lower their rates.

Beginning January 1, 2005, California has new laws to stop UI rate manipulation schemes. The new laws provides for employers who are caught illegally lowering their UI rates to be required to pay at the highest rate provided by law plus an additional 2 percent. The new law also provides for the greater of a $5,000 penalty or 10% of underreported contributions, penalty and interest for anyone knowingly advising another person or business to violate California's UI rate and reporting laws. It also makes changes in the law regarding the transfer of UI reserve account balances. It specifies that whenever a business tranfers all or part of its business or payroll to another employer the reserve account attributable to the transferred business will also be transferred if they are under common ownership, management or control. It also provides, if the acquisition was for the purpose of getting a lower UI rate the transfer will be denied.

For more information about UI rate manipulation, please contact the Taxpayer Assistance Center at (888) 745-3886.

For the specific California Unemployment Insurance Code sections changes please visit the California Legislative Information Web site on AB664 at:
http://www.leginfo.ca.gov/pub/bill/asm/ab_0651-0700/ab_664_bill_20040928_chaptered.html

HOW BENEFITS ARE PAID

The California UI program is funded through taxes paid by employers. These taxes are placed in the UI Fund, from which benefits are paid to qualified claimants. The individual reserve account established for each employer has no monetary value. The reserve account is an accounting device used to keep track of payments and charges made against the employer's account to determine their annual UI tax rate. For additional information, please refer to "Unemployment Insurance - Taxes" on page 98.

BENEFIT AWARD

The maximum amount of UI benefits payable to a claimant during a regular benefit year is 26 times his/her weekly benefit amount, or one-half of the total base period earnings, whichever is less. The benefit year is a 52-week period starting on the effective date of a new UI claim. After establishing a benefit year, a claimant who interrupts his/her claim (by returning to work, being unavailable for work, etc.) may again claim benefits by filing an additional or reopened claim during the benefit year. The base period on which the level of benefits is determined is a 12-month period that is determined by the effective date of a UI claim. The quarter in which the claimant earned the highest wages determines the weekly benefit amount received.

Year	Weekly UI Benefit Award Minimum	Weekly UI Benefit Award Maximum	Maximum Charged to Reserve Account for Each Employee for a Regular Claim
2004	$40	$410	$10,660
2005	$40	$450	$11,700

BENEFIT QUALIFICATIONS

To be eligible for UI benefits, claimants must:

- Be unemployed through no fault of their own.
- Be totally or partially unemployed and registered for work with EDD, as required.
- Be physically **able to work** in their usual occupation, or in other work for which they are reasonably qualified.
- Be **available for work**, which means ready and willing to immediately accept suitable work in their usual occupation, or in an occupation for which they are reasonably qualified.
- Be actively **seeking work** on their own behalf.
- Have received a minimum amount of wages during the base period. (For additional information, please refer to "Qualifying UI Wages" on page 103.)
- Comply with regulations in regard to filing claims.

Once a claim is filed, EDD staff will determine if there are eligibility issues. Department staff may call employers as well as claimants to resolve eligibility issues.

A claimant may be ineligible for UI benefits if he/she:

- Was discharged for misconduct connected to his/her work. (Proof of misconduct rests with the employer.)
- Voluntarily quit without "good cause" (includes quitting for personal reasons, to go to school, or to move).
- Files a UI claim during a recess period, if he/she worked for a school and has reasonable assurance of returning to work for a school.
- Refused suitable work without "good cause."
- Failed to take part in reemployment services.
- Failed to apply for a job when referred by a public employment office.
- Failed to make reasonable efforts to get work.
- Failed to comply with regulations.
- Made false statements or withheld information for the purpose of receiving UI benefits.
- Is not legally entitled to work in the U.S.
- Is not able to work or is not available for work.
- Is working full-time or earns wages totaling more than 25 percent of their weekly UI benefit amount.

An individual is not eligible for UI benefits if he/she voluntarily left work because of a trade dispute. Because EDD must decide whether a claimant is disqualified from receiving benefits in a trade dispute situation, certain facts are needed. During a trade dispute, regulations require employers to respond to notices from EDD.

Certain types of employees are not covered for UI benefits. For additional information, please refer to the "Types of Employment" table on page 16 and "Types of Payments" table on page 26.

QUALIFYING UI WAGES

To have a valid UI claim, individuals must have earned:

- $1,300 or more in **covered employment** in one quarter of the base period, or
- $900 or more in **covered employment** in the base-period quarter with the highest earnings, and earned at least 1.25 times the high quarter earnings during the entire base period.

Certain types of payments made to employees are not considered covered employment (wages) for UI purposes. For additional information, refer to the "Types of Payment" tables on page 26. The table shows if certain types of jobs and types of income are taxable for UI. If the table shows that a job or type of income is "not subject" to UI tax, then that income is excluded towards establishing a UI claim.

UI ELIGIBILITY DETERMINATION

The EDD schedules fact-finding interviews when there are eligibility questions regarding a claim. Our staff will talk to the claimant, employer, and anyone else necessary to make a decision. Based on the decision, benefits will either be paid or denied. If benefits are denied, a notice will be issued to the claimant. If the employer responds timely and addresses the issue, a notice will also be sent to him/her.

NOTE: The maximum amount an employer can be charged on a regular claim is $11,700. (See "Benefit Award" on page 102.) In addition, an employer's reserve account may be subject to charges for benefits paid on a Training Extension (TE) claim. Claimants who have been approved for California Training Benefits may be eligible for a TE claim. A claimant with a TE claim is eligible to receive a maximum of 52 times his/her weekly benefit amount on the regular claim, which includes the maximum benefit award of the regular claim.

UI CLAIMS PROCESS

A *Notice of Unemployment Insurance Claim Filed* (DE 1101C/Z or DE 1101ER) is mailed to the last employer when a former employee files a new UI claim or an existing claim is reopened.

Public entity employers and their agents may elect to have the notice of new or additional claim filed sent to a designated single address. Requests for designation of a single address should be sent to:

Employment Development Department
Unemployment Insurance Division, MIC 40
P.O. Box 862880
Sacramento, CA 94280

Fax: (916) 654-8117

A *Notice of Wages Used for Unemployment Insurance (UI) Claim* (DE 1545) is mailed to all base-period employers after a claimant receives the first UI payment. This notice informs each employer of the wages used to establish the claim and the amount of potential charges to their UI reserve account for the claim because all or part of the benefits paid may be charged to the employer's UI reserve account.

Data Exchange Alternative: Electronic Data Interchange (EDI)
Employers and their agents may obtain the DE 1545 electronically. To obtain information about EDI, contact:

Employment Development Department
Contribution Rate Group, MIC 4
P.O. Box 826880
Sacramento, CA 94280

(916) 654-8690

Responding to Notices

Employers need to respond to the DE 1101C/Z, DE 1101ER, or DE 1545 if:

- The claimant was terminated or voluntarily quit.
- You have knowledge of information that might affect the claimant's eligibility for UI benefits.
- The claimant's name and social security number are not correct.
- You want a written decision of eligibility that provides you appeal rights to the Department's decision.

If you believe the claimant is not entitled to benefits, it is important to protest **in writing** when you receive the first notice. Your response must include any facts that may affect the claimant's eligibility for UI benefits or the potential liability of your UI reserve account for benefits paid to the claimant.

Protests may be written on the notice or included in a separate letter and should contain the following information:

- Employer's EDD account number, name, and address.
- Claimant's name and social security number.
- Beginning date of the claim.
- Date of separation from employment.
- Dates of separation(s) and rehire(s) during and following the quarters shown on the DE 1545.
- Information supporting your belief of the claimant's ineligibility. (See page 102 for a list of disqualifying events.) Protests should include specific facts and circumstances, not general statements (e.g., "employee was fired for misconduct" should be supported with specific events and documentation). This will result in better eligibility decisions based on the facts.
- A protest to the DE 1101C/Z or DE 1101ER should be written and mailed to:

  Employment Development Department
  SoCal Auth. Center
  P.O. Box 19010
  San Bernardino, CA 92374

- A protest to the DE 1545 should also include separation information relevant to why the claimant left your employment. If the wage information listed on the DE 1545 is incorrect, please inform EDD in writing at:

  Employment Development Department
  Employers Assistance Unit, MIC 16
  P.O. Box 826880
  Sacramento, CA 94280

  Include the following information with your correction of wage information:

  - Employer's EDD account number, name, and address.
  - Claimant's name and social security number.
  - Beginning date of the claim.
  - Correction to the wage information. Please provide supporting documentation to the correction, such as a copy of the *Quarterly Wage and Withholding Report* (DE 6) or *Tax and Wage Adjustment Form* (DE 678).
  - Name, signature, and telephone number of the employer or employer representative preparing the wage correction.
  - Date of the wage correction.

- The protest should be signed by the person having personal knowledge of the facts or access to records containing the facts.

***REMEMBER*:** If a written protest is not submitted, you waive your right to protest your UI reserve account's potential liability for benefits paid to the claimant and your right to appeal.

Subsequent Benefit Year

If you receive a notice that a subsequent benefit year has been established, you must resubmit any facts you furnished on the initial DE 1101C/Z to be entitled to a determination and/or ruling based on such facts for the later benefit year.

PROTEST TIME LIMITS	
Protest to	**Postmarked within**
DE 1101C/Z or DE 1101ER	10 calendar days of the date mailed to you (the date is printed on the top-right side of the DE 1101C/Z and the DE 1101ER).
DE 1545	(The deadline to submit a ruling request is located on the top-right side of the DE 1545.)
• For **separation** information:	15 calendar days of the mailing date.
• For **wage** information:	20 calendar days of the mailing date.

NOTE: If you respond late to an EDD notice, explain the reason for the delay because the above time limits may be extended for "good cause." If the reason is determined not to be for "good cause," a *Response To Employer Communication* (DE 4614) will be issued. This form can be appealed if you do not agree with the determination.

FALSE STATEMENT PENALTY

The California Unemployment Code (CUIC) Section 1142(a) provides an employer may be assessed a cash penalty from 2 to 10 times the claimant's weekly benefit amount if it is determined that the employer, employer representative, employer officer, or employer agent willfully made a false statement or representation or failed to report a material fact concerning the claimant's termination of employment.

CUIC Section 1142(b) provides an employer may be assessed a cash penalty from 2 to 10 times the claimant's weekly benefit amount if it is determined that the employer, employer representative, employer officer or employer agent willfully made a false statement or representation or willfully fails to report a material fact concerning the claimant's reasonable assurance of reemployment as defined in CUIC Section 1253.3."

If you are not in agreement with the *Notice of Assessment* (DE 241), you may file a *Petition Rights from Notice of Assessment* (DE 2350) to an Administrative Law Judge (ALJ) of the California Unemployment Insurance Appeals Board (CUIAB). The CUIAB, established separate and apart from EDD, reviews, hears, and renders impartial and independent decisions in tax and benefit matters related to the CUIC.

Prepare an original and a copy of the petition. The petition may be informal, but must be in writing and should:

- Show your EDD employer account number and the date of the assessment. (For faster processing, enclose a copy of the DE 241 with your petition.)
- Provide the claimant's name and social security number.
- Clearly indicate that it is a "Petition for Reassessment."
- Describe the reason for the petition and specify the facts or grounds for requesting a reassessment.
- Be signed by you or your authorized agent.
- State your address or that of your agent, if any.

To be timely, the petition must be mailed or delivered to the office shown below **within 30 days** from the date of assessment. The time to protest can be extended by an ALJ for not more than 30 days, but **only** if "good cause" for the delay is shown. Mail or deliver the original and a copy of your petition for reassessment to:

Office of the Chief Administrative Law Judge
California Unemployment Insurance Appeals Board
2400 Venture Oaks Way, 1st Floor, Suite 100
Sacramento, CA 95833

NOTICES OF DETERMINATION, RULING, OR MODIFICATION

You will receive one of the following DE 1080 notices in reply to eligibility issues you reported on the DE 1101C/Z, DE 1101ER, or DE 1545:

Notice	Purpose
DE 1080CT:	
• *Notice of Determination*	Sent to an employer who responds timely to a DE 1101C/Z, DE 1101ER, DE 1545, or submits timely correspondence with eligibility information other than a separation (voluntary quit or discharge). The notice informs the employer whether or not the claimant is eligible to receive benefits and may advise whether an employer's reserve account will be charged for the claimant's benefits. See page 102 for a list of disqualifying events.
• *Notice of Determination/Ruling*	Sent to a tax-rated employer who responds timely to a DE 1101C/Z or DE 7101ER with eligibility information regarding a voluntary quit or discharge. The ruling portion of this notice informs the employer whether or not the reserve account will be charged for UI benefits paid.
• *Notice of Ruling*	Sent to a tax-rated employer who responds timely to a DE 1545 with separation information. The separation must have occurred during or after the base period of the claim. This notice informs the employer whether or not the reserve account will be charged for UI benefits paid.
Notice of Modification (DE 1080M)	Sent to the employer who previously received a DE 1080CT stating that the claimant was disqualified. This form informs the employer that the claimant's disqualification period is over.

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NOTE: An *Employment Development Department Appeal Form* (DE 1000M) is enclosed with all DE 1080s and is used to appeal an EDD decision. To download a DE 1000M form, access EDD's Web site at **www.edd.ca.gov/uirep/de1000m.pdf.**

***REMEMBER*:** Employers who finance UI coverage under one of the reimbursable financing methods receive *Notices of Determination,* but do not receive *Notices of Ruling* because they do not have a UI reserve account.

UI BENEFITS - APPEAL PROCESS

The appeal process is administered by a separate, independent agency–the CUIAB. The CUIAB consists of seven members appointed by the State Legislature and the Governor. There are two levels of appeal: the first step is an appeal to an ALJ; the second is to the CUIAB.

If an employer disagrees with the final decision made by EDD, he/she has the right to appeal the decision to an ALJ. The appeal must be made within **20 calendar days** of the mailing date of EDD's DE 1080CT or DE 1080M. Request an appeal by completing the DE 1000M or by writing a letter to EDD and returning it to the address on the DE 1080CT or DE 1080M. The letter should include the employer's address, telephone number, EDD employer account number (if applicable), and the reason for the appeal. The letter should also include the claimant's name and social security number.

The parties will be notified of the time and place of the hearing at least 10 days in advance. The ALJ will conduct an informal hearing, giving both sides the opportunity to present their evidence. The CUIAB provides the following publications to help you prepare for a UI appeal hearing:

- *Unemployment Appeals - A Guide for Claimants, Employers, and Their Representatives* (DE 1434)
- *Appeals Procedure* (DE 1433)

For copies of these publications, write to the address on page 105.

UI BENEFITS - APPEAL PROCESS (cont.)

The ALJ's written decision is mailed to all the parties. It states the facts presented, the reasons for the ALJ's decision, and information on filing an appeal to unfavorable decisions. Information describing your rights to appeal an adverse decision to the CUIAB will also be included.

Appeals of an EDD determination and/or ruling or an ALJ's decision must be made within 20 calendar days of the mailing date of the decision.

BENEFIT AUDITS TO DETERMINE FRAUD

Each quarter, as part of EDD's fraud detection efforts, *Benefit Audit* (DE 1296B) forms are mailed to employers to request wage information for specific weeks that their employees may have worked. In addition, once a year EDD identifies all outstanding *Benefit Audit* forms for which a reply was not received. A replacement audit form is sent to those employers for **each** outstanding quarter identified.

The benefit audit identifies individuals who may have improperly received UI benefits for weeks in which they actually worked and had earnings. The audit process leads to the recovery of unauthorized benefit payments and the reversal of related charges to the employer's reserve or reimbursable account.

NOTE: Employers are required by law to respond to the *Benefit Audit* form. Your cooperation is essential to detect fraud and to protect the integrity of the UI program.

Questions or comments about the benefit audit process should be sent to:

EDD, Overpayment Program
Group Manager, MIC 16A
P.O. Box 2228
Rancho Cordova, CA 95741

(916) 464-2350
Fax: (916) 464-2550

BACK PAY AWARD

Employees who receive UI benefits and later receive back pay awards or settlements for the same period must repay EDD an amount equal to the UI benefits received. Since back pay is considered wages and should be reported in the period the employees were discharged, a determination must be made regarding who is responsible to repay EDD for the overpaid benefit amounts. If the back pay award agreement states that the employer will withhold overpayment amounts from the back pay award or settlement, the employer is responsible for submitting the amounts withheld to EDD to clear the overpayment.

At the employer's request, EDD will determine the amount of UI benefits to be repaid, establish an overpayment, and notify the claimant and employer ("Employer" refers to both tax-rated and reimbursable employers.) Reimbursable employers will receive credits against their future charges only after the liability has been paid. For further information, contact:

Employment Development Department
Backpay Awards Coordinator, MIC 8, OARG
P.O. Box 826806
Sacramento, CA 94280

(916) 464-2333

STATEMENT OF CHARGES

The annual *Statement of Charges to Reserve Account* (DE 428T) is an itemized list of charges to your reserve account resulting from UI benefits paid to former employees. The statement is sent in October each year and covers a one-year period from July 1 through June 30. The charges are one of the factors that determines your UI tax rate for the following year; therefore, it is important that you review the statement and submit a timely protest to any charges that you do not agree with. If you have questions about your DE 428T, please call our Contribution Rate Group at (916) 653-7795.

LAYOFF ALTERNATIVES

Partial UI Claims

The Partial UI Claim program enables employers to keep trained employees who are partially employed during slow business periods. Employers may use the Partial UI Claim program if employees are temporarily working reduced hours or have been placed on layoff status for no more than two consecutive weeks. If the employee has no wages (does not work) for two consecutive weeks, the claim changes to a regular UI claim. Participation in this program may increase the employer's UI tax rate.

For more information about partial UI claims, please call one of the toll-free UI telephone numbers on page 120 or access EDD's Web site at **www.edd.ca.gov/uirep/uifaq11.htm.**

Work Sharing Program

The Work Sharing program is available to employers who reduce employee wages and hours as an alternative to a temporary layoff. The affected work force or work unit(s) must consist of two or more employees. At least 10 percent of the total work force or 10 percent of the specified work unit(s) must participate in the program. The employer must sign a six-month Work Sharing plan with EDD. If, during the period of the plan, the employer does not meet the Work Sharing requirements, the business will be taken off the program. Participation in this program may increase the employer's UI tax rate. If you are interested in participating in the program or would like additional information, access EDD's Web Site at **www.edd.ca.gov/eddws.htm** or contact:

Employment Development Department
Special Claims Office
P.O. Box 269058
Sacramento, CA 95826

(916) 464-3300
Fax: (916) 464-3333

NOTICE OF LAYOFF

Employers with at least 100 employees who plan plant closures or mass layoffs of 50 or more full-time employees during any 30-day period at a single site of employment must give affected employees at least 60 days written notice. Please refer to "Plant Closure and Mass Layoff (WARN)" on page 93 for additional information.

WAGE NOTICES

In the event of a layoff or business closure involving 10 or more employees, EDD's Wage Notice Group will investigate and post Electronic Wage Notices (EWNs) for staff in EDD offices to use. The EWNs contain wage findings (e.g., findings on in lieu of notice pay, and bonuses) to ensure consistent determinations when several employees may be affected by the same set of facts. For additional information, access EDD's Web site at **www.edd.ca.gov/uirep/uiml.htm**.

The State Disability Insurance (SDI) program provides benefits to eligible workers experiencing a loss of wages when they are unable to perform their regular or customary work due to an illness or injury, or disability resulting from pregnancy or childbirth.

Paid Family Leave (PFL) is a component of SDI and extends benefits to individuals unable to work because they need to care for a seriously ill family member or bond with a new child.

TAXES - WHO PAYS FOR SDI AND PFL COVERAGE?

State Disability Insurance and PFL are funded entirely through employee payroll withholdings. Except for public agency employers disability coverage is mandatory. Employers may choose either the State plan or a Voluntary Plan to cover their employees (refer to "Voluntary Disability Insurance Plan" on page 110 for more information). Those employees not choosing a Voluntary Plan are covered under the State plan. For more information, please access EDD's Web site at **www.edd.ca.gov/taxrep/taxrte9x.htm** or call EDD's 24-hour Automated Call System at (916) 653-7795.

NOTE: When a worker has more than one employer during a calendar year, it is possible that excess SDI taxes may be withheld from the worker's wages. Workers should request a refund of excess SDI withholdings on their *California Income Tax Return* (Form 540).

The SDI tax rate may be adjusted annually to not more than 1.5 percent (.015) nor less than 0.1 percent (.001) depending on the balance in the SDI Fund. Employee contributions withheld are paid by the employer to either the SDI Fund or a Disability Insurance Voluntary Plan (see page 110).

EMPLOYEE BENEFITS

Eligible claimants may file for PFL benefits for each occurrence of disability or period of family care leave.

The *State Disability Insurance Provisions* (DE 2515) pamphlet contains general information on SDI eligibility. The *Paid Family Leave insurance program* pamphlet (DE 2511) contains general information on PFL eligibilty.The *Claim for State Disability Insurance (SDI) Benefits* (DE 2501) and *Claim for Paid Family Leave Benefits* (DE 2501F) are application forms that contain additional information.

All California employers who have employees subject to SDI taxes are required to provide the DE 2515 (SDI) and the DE 2511 (PFL) pamphlet to each new employee. The California Unemployment Insurance Code (CUIC) requires employers to provide general SDI information to each employee leaving work due to illness or injury, or pregnancy. Employers are also required to provide PFL information to each employee leaving work due to the need to care for a seriously ill family member, or to bond with a new child. The pamphlets and applications are provided to employers at no cost. Additional copies may be ordered by accessing EDD's Web site at **www.edd.ca.gov/taxrep/taxordn2.htm,** or contacting the Taxpayer Assistance Center at (888) 745-3886.

CLAIM NOTICES

When an SDI claim is filed, the employer(s) shown on the SDI claim form will receive a *Notice to Employer of State Disability Claim Filed* (DE 2503). For PFL claims, employers receive a *Notice to Employer of Paid Family Leave Claim Filed* (DE 2503F). Complete and return the DE 2503 or DE 2503F **within two working days** when you have information affecting the claimant's eligibility.

To deter disability fraud, please respond immediately if you are not the employer shown on the DE 2503 or DE 2503F, or if the claimant:

- Is not your employee
- Has quit his/her job
- Is receiving wages
- Has not stopped working
- Is known to be working for another employer

NOTE: Because SDI and PFL is a separate program from UI, the filing of a SDI claim will not affect the employer's UI reserve account. Therefore, the DE 2503 or DE 2503F is not the basis for a ruling, and the employer will not be notified of any determination as a result of the response on the DE 2503 or DE 2503F.

DISABILITY INSURANCE VOLUNTARY PLAN

California law allows employers to apply to EDD for approval to establish a Disability Insurance Voluntary Plan (VP) (which must include Paid Family Leave benefits) for their employees in lieu of the State coverage. To be approved for a Voluntary Plan (VP), the employer must pay a security deposit to the State Treasurer in an amount determined by EDD. The coverage, rights, and benefits under a VP must be as great as the State plan in all respects and better in at least one provision.

Once a VP is approved, the employer is no longer required to send SDI withholdings to EDD. Instead, the employer holds the contributions in a trust to pay disability benefit claims and approved expenses. The VP employer pays a quarterly assessment to EDD based on the number of employees participating in the plan and other factors.

A VP can provide better coverage without additional cost to the employees. Based on claims experience, excess funds may be used to increase benefit levels or lower contributions. Please note that any money collected for VP purposes must be used only for the benefit of employees who contribute to the plan.

An employer considering a VP commitment should be aware that the employer takes ultimate responsibility for the plan benefits and expenses. If the accumulated VP trust fund is insufficient to cover benefits or expenses, the employer must loan or contribute funds as necessary. If a plan terminates and there are insufficient trust funds, the employer must assume the financial obligation until all plan liabilities have been met.

For additional information on the DI/PFL Voluntary Plan option, please access EDD's Web site at **www.edd.ca.gov/direp/diind.htm**, call (800) 480-3287 (TTY access is available at (800) 563-2441), or contact:

Employment Development Department
Disability Insurance Branch, MIC 29
P.O. Box 826880
Sacramento, CA 94280

SELF-EMPLOYED BENEFITS

Self-employed individuals may elect to cover themselves for SDI and PFL benefits under provisions of the CUIC.

Self-employed individuals who elect coverage pay at a rate determined by the prior annual combined usage of all participants. For further information on elective coverage, download the *Information Sheet: Elective Coverage* (DE 231EC) at **www.edd.ca.gov/taxrep/de231ec.pdf.** The Disability Insurance Elective Coverage fact sheet (DE 8714CC) can be obtained from EDD's Web site at **www.edd.ca.gov/direp/de8714cc.pdf.** All forms can also be obtained by contacting the Disability Insurance Elective Coverage Unit at 1 (800) 480-3287.

WORKERS' COMPENSATION INSURANCE

Workers' compensation insurance is an employer paid indemnity that provides benefits to eligible workers experiencing a loss of wages when they are unable to perform their regular or customary work due to an occupational illness or injury. Generally, employees are not eligible for SDI or PFL when receiving workers' compensation benefits unless the SDI or PFL rate is greater than the workers' compensation rate. For additional information, contact the Department of Industrial Relations by phone, (refer to the government listings in your local telephone book) or access their Web site at **www.dir.ca.gov**.

If you have **any** employees, you are required by law to have workers' compensation insurance. Failure to do so is a crime and may result in penalties and closure of your business.

If you have questions about workers' compensation insurance or how to obtain coverage, contact your insurance agent or the Division of Workers Compensation at 1 (800) 736-7401.

ADDITIONAL INFORMATION

For information regarding SDI or PFL, access EDD's Web site at **www.edd.ca.gov/direp/diind.htm** or contact our State Disability Insurance Program at (800) 480-3287 or Paid Family Leave Insurance at (877) BE THERE.

NOTE: To provide affordable benefits to eligible workers, the SDI program has systems in place to detect and deter fraud. Please report suspected fraudulent activity to EDD's Fraud Hotline at (800) 229-6297.

EDD JOB SERVICE

The EDD's Job Service, one of the world's largest public employment service operations, provides a variety of services to bring California employers together with qualified job seekers. To provide employers with a self-service labor exchange, EDD's Job Service offers an Internet-based system called CalJOBS℠, which provides quick access to a large pool of job-ready applicants. Employers with Internet access can enter their own job listings and update or close orders.

Employers without Internet access or who have special requirements can be served by Customer Service representatives, who take job-opening information by telephone or fax and assist employers in finding qualified applicants. There are no fees to use CalJOBS℠.

To register in CalJOBS℠, you will need to use your EDD employer account number. To access CalJOBS℠, visit our Web site at **www.caljobs.ca.gov** or call the Customer Service Help Desk at (800) 758-0398 for assistance. If you do not have an EDD employer account number, please refer to page 6 for information on obtaining one.

Job Service also can assist you with:

- Bilingual services
- Fidelity bonding
- Department of Motor Vehicle's record verification
- Foreign labor certification
- Interviewing facilities
- Job fairs
- Labor market information
- Recall letters
- Recruitment
- Reemployment assistance in lay-off situations

For more information on these and other services, visit EDD's Web site at **www.edd.ca.gov/employer.htm** or contact your nearest Job Service Office.

EMPLOYMENT TRAINING PANEL

The Employment Training Panel (ETP) provides funding to employers to assist in upgrading the skills of their workers and provides workers with good, long-term jobs. The ETP was created in 1982 by the California State Legislature and has invested over $800 million to train more than 500,000 California workers since inception. The ETP is a funding agency, not a training agency. Businesses determine their own training needs and how best to provide training.

Purpose: The ETP funds training that results in long-term, full-time employment in targeted industries to improve California's competitiveness in the world economy and the skills of the State's workforce. Approximately $70 to $80 million in job training funds are provided annually to California employers. The ETP primarily funds retraining of currently employed workers in high-wage jobs in companies threatened by out-of-state competition, and has placed special emphasis on training for small businesses with fewer than 100 employees.

Funding

In 1982, the Legislature established the Employment Training Tax (ETT). All tax-rated employers, including new employers, are subject to ETT. Employers with positive reserve accounts are assessed 0.1 percent (.001) of the first $7,000 of each employee's wages. Employers do not pay ETT while their accounts have a negative reserve balance, but they must pay a higher rate of Unemployment Insurance (UI) tax. The maximum ETT collected is $7 per employee, per year.

How Is ETP Different?

The employer selects the courses, trainers, and types of training that best meet their business needs. The ETP's performance-based standards ensure that training results in jobs. For a contractor to earn reimbursement, trainees must receive at least 40 hours of training, complete a minimum of 90-days full-time employment following the completion of training, receive at least the required ETP minimum wage, and use the skills learned during the training on the job.

For additional information access ETP's Web site at **www.etp.ca.gov** or contact one of the following ETP offices:

North Hollywood	(818) 755-1313	San Diego	(619) 686-1920
Sacramento	(916) 327-5640	San Mateo	(650) 655-6930

EMPLOYMENT TRAINING PANEL (cont.)

General Information

The ETP contracts directly with tax-rated employers, groups of employers (including associations and chambers of commerce), training agencies, vocational schools, and Workforce Investment Boards. The ETP funds the following types of training programs to promote a healthy labor market in a growing, competitive economy:

- **Retraining** - Helps companies facing out-of-state competition by upgrading the skills of current employees. These training programs are usually administered by the employers.
- **New-Hire** - Funds training of unemployed workers eligible to receive California UI benefits or who have exhausted UI benefits within 24 months of the training. These programs are usually administered by training agencies and approved vocational schools.
- **Special Employment Training (SET)** - Provides limited funding for the following categories:
  - **Frontline Workers** - Supports the retraining of frontline workers in occupations that pay the State average hourly wage in businesses that do not meet the ETP's standard project criteria.
  - **Workers in High Unemployment Areas** - Provides training funds for workers in areas with unemployment rates significantly higher than the rate for California or containing a large number of unemployed workers.
  - **Small Business Skills** - Funds training for small business owners to enhance the competitive position of their business. Owners must have at least one but fewer than ten full-time employees.
  - **Workers With Barriers To Employment** - Funds are provided for individuals with barriers (physical disabilities, lack of work history, lack of communication or literacy skills) who do not have the means to readily enter the labor force.

TRADE ADJUSTMENT ASSISTANCE

The Trade Adjustment Assistance (TAA) program was established under the Trade Act of 1974 to help American workers who lost their jobs or had their hours and wages reduced as a result of increased imports from other countries or as a result of a shift in production to a country that has entered into a free trade agreement with the U.S.

This program provides training, job search assistance, relocation assistance, and weekly income support to trade impacted workers. To obtain a *Petition for Trade Adjustment Assistance* (ETA 9042A) workers may access the Department of Labor's Web site at **www.doleta.gov/tradeact**, contact any local EDD Job Service office, or call the U.S. toll-free telephone number listed on page 120. Workers file the application directly with the U.S. Department of Labor's Office of Trade Adjustment Assistance.

For additional information on TAA, access EDD's Web site at **www.edd.ca.gov/uirep/uinafta.htm** or call the Department of Labor at (202) 693-3560.

WORK OPPORTUNITY TAX CREDIT

The Work Opportunity Tax Credit (WOTC) Program, which includes the Welfare to Work (WtW) Tax Credit, promotes the hiring of individuals who qualify as a member of a target group and provides federal income tax credits to employers who hire these individuals.

A new-hire must meet the requirements in one of the following nine target groups:

- Recipient who received Temporary Assistance for Needy Families (TANF).
- Food stamp recipient ages 18 through 24.
- Veteran (or family member) receiving food stamps.
- Long-term recipient who has received assistance for at least 18 consecutive months.
- High-risk youth, ages 18-24, residing in an Empowerment Zone or Enterprise Community or Renewal Community.
- Summer-youth employee, ages 16-17, residing in an Empowerment Zone or Enterprise Community or Renewal Community.
- A disabled person who completed or is completing State or Veteran rehabilitative services.
- Economically disadvantaged ex-felon hired no later than one year after conviction or release from prison.
- Recipient of Supplemental Security Income (SSI) benefits.

Employers must apply for and receive certification from EDD that their new hire is a member of one of the WOTC target groups before they can claim WtW or WOTC on their federal tax return. For detailed information on WtW/WOTC, access EDD's Web site at **www.edd.ca.gov/wotcind.htm** or call (866) 593-0173 (toll-free).

WORKFORCE INVESTMENT ACT

The federal Workforce Investment Act (WIA) of 1998 provides the framework for a national workforce preparation and employment system. Title I of WIA authorizes and funds a number of employment and training programs in California. Workforce investment activities authorized by WIA are provided at the local level to individuals in need of those services, including job seekers, dislocated workers, youth, incumbent workers, new entrants to the workforce, veterans, persons with disabilities, and employers. The WIA's primary purpose is to provide workforce investment activities that increase the employment, job retention, earnings, and occupational skill attainment of participants.

These programs help prepare Californians to participate in the State's workforce, increase their employment and earnings potential, improve their educational and occupational skills, and reduce their dependency on welfare. In turn, this improves the quality of the workforce and enhances the productivity and competitiveness of California's economy.

The WIA authorizes a variety of services to employers. Services are designed and administered by Local Workforce Investment Boards (LWIB). Local services are provided by One-Stop Centers and may include:

- Applicant screening/referral
- Business closure assistance
- Customized training
- Enterprise zone tax credits
- Entrepreneurial training
- Job placement assistance
- Labor market information
- On-the-job training
- Training subsidies

The WIA is administered by LWIBs in partnership with local elected officials comprised of representatives from private sector business, organized labor, community-based organizations, local government agencies, and local education agencies. The LWIBs designate one-stop operators, provide policy guidance, and oversee the job training activities within local areas. One-Stop Centers provide a full range of services, including finding qualified employees, providing labor market information, and obtaining tax credits for hiring certain workers.

For more information, access EDD's Web site at **www.edd.ca.gov/wiarep/wiaind.htm** or contact the Workforce Investment Division at (916) 654-7111.

Purpose: The EDD's Labor Market Information Division (LMID) collects, analyzes, and publishes information about California's labor market that helps employers, policy makers, and researchers with important business decisions.

What Labor Market Information Is Available On The Web?

Access our Web sites at **www.calmis.ca.gov** or **www.labormarketinfo.edd.ca.gov** for information that will assist you in making important business decisions. You can compare wages, skills, and educational requirements for selected occupations and areas throughout the State or make strategic plans using industry, occupational, and regional trend information. You can also obtain labor market information on:

- **Agriculture** - Statewide and county employment and earnings data for selected crops and industries.
- **Selected population characteristics** - Statewide census data, population tables, data for Affirmative Action and Equal Employment Opportunity programs, and income statistics.
- **Industry** - Current, historical, and projections of employment by industry; hours and earnings data; and size of business data by county, metropolitan statistical area, and the State.
- **Economic development** - Local industry trends, labor force, and occupational employment projections and wages.
- **Labor force** - Current and historical labor force data (civilian labor force, employment, unemployment, and unemployment rate) by sub-county area, county, metropolitan statistical area, and the State; labor market conditions in California; and characteristics of the labor force.
- **Occupations** - Some of the information and forms available include:
  - WorkSmart at **www.worksmart.ca.gov**
  - Projections of employment by occupation
  - Information on Occupational Licenses
  - California Occupational Guides
  - Occupational wages by local area
  - Occupational Outlook Reports
  - *Prevailing Wage Request Form* (Temporary H-1B Visas)

To request a complete list of publications and their cost, please contact LMID at (916) 262-2162.

Multiple Location and/or Function Employers

When an employer maintains a business at more than one physical location and/or conducts more than one business activity/function at the same location, and the secondary locations have a total of ten or more employees, the employer is considered to be a multiple establishment employer. If your firm fits the multiple location criteria and you are not currently completing a *Multiple Worksite Report* (BLS 3020), please contact LMID's Employment and Payroll Group at (916) 262-1856. For additional information, access LMID's Web site at **www.calmis.ca.gov**.

❑ ***ACTION REQUIRED***: Multiple establishment employers are required to file, on a quarterly basis, the *Multiple Worksite Report* (BLS 3020). The LMID mails the BLS 3020 to multiple establishment employers at the close of each quarter. The BLS 3020 is due by the end of the following month.

How Your Industry Code Is Determined

All businesses and government organizations are assigned an industry classification code from the North American Industry Classification System (NAICS), which allows the U.S. Bureau of Labor Statistics to tabulate national and state economic data by industry. Most new employers are assigned an industry code based on their response on Section L (industry activity) of the *Registration Form for Commercial, Pacific Maritime, Fishing Boat Employers* (DE 1). Each year, selected employers are sent an *Industry Verification Form* (BLS 3023 VS) to verify the accuracy of their industry code. Other employers, who have not yet been assigned an industry code, will receive an *Industry Classification Form* (BLS 3023CA). For additional information, access LMID's Web site at **www.calmis.ca.gov**.

REMEMBER: To accurately determine your firm's industry code, it is imperative that you fully complete questions pertaining to your business industry on Section I of the DE 1 and the BLS 3023 VS, or the BLS 3023 CA.

If you have any questions regarding the following topics, please contact the designated agency or office:

TOPIC	DESCRIPTION	CONTACT
California Personal Income Tax (PIT) withholding	To request the California PIT withholding tables or for information on whether payments are subject to California PIT withholding.	EDD Taxpayer Assistance Center Telephone: (888) 745-3886 **www.edd.ca.gov**
	Information on programming your computer or acceptable computer software programs to calculate California PIT withholding. **NOTE:** When you call FTB's assistance number, please request to speak to their Statistical Research Bureau so they can provide the appropriate assistance.	Franchise Tax Board Statistical Research Bureau MS B26 P.O. Box 1468 Sacramento, CA 95812 Fast Answers about State Taxes (F.A.S.T.): (800) 338-0505 (recordings) Assistance: (800) 852-5711 (operator) Hearing-impaired: (800) 822-6268 (TTY) **www.ftb.ca.gov**
CalJOBS℠	An Internet-based job opening and resume listing system that increases public access to employment services. Employers may call their local EDD Job Service site for assistance in entering job openings or selecting job seekers.	EDD Job Service Division, MIC 37 P.O. Box 826880 Sacramento, CA 94280 CalJOBS℠ assistance: (800) 758-0398 8 a.m. to 5 p.m., Pacific Time (PT) Monday through Friday **www.caljobs.ca.gov**
Electronic tax filing options **- Electronic Data Interchange (EDI)**	Through EDI, you can file your *Quarterly Wage and Withholding Report* (DE 6) electronically. See Page 87 for additional information.	EDD EDI Unit, MIC 15-A P.O. Box 826880 Sacramento, CA 94280 Telephone: (800) 796-3524 E-mail: **ecom@edd.ca.gov**
- Electronic Funds Transfer (EFT)	A convenient method to electronically transfer tax deposits to EDD. See page 86 for additional information.	EDD EFT Unit, MIC 15A P.O. Box 826880 Sacramento, CA 94280 Telephone: (916) 654-9130 Fax: (916) 654-7441

TOPIC	DESCRIPTION	CONTACT
Electronic tax filing options (cont.)		
- Magnetic media	A convenient method for employers to report quarterly wage, withholding, independent contractor (IC), and/or New Employee Registry (NER) information. See page 88 for additional information.	EDD Magnetic Media Coordinator, MIC 15 P.O. Box 826880 Sacramento, CA 94280 <u>Telephone</u> Quarterly wage report: (916) 654-6845 IC/NER: (916) 651-6945
- Telefile	A voluntary program for household employers and other employers with a small number of employees to report and pay payroll taxes by telephone. Employers can file reports 24 hours a day, 7 days a week. See page 86 for additional information.	EDD Telefile Unit, MIC 15A P.O. Box 826880 Sacramento, CA 94280 Telefile Customer Service: (800) 796-3524 Telefile System Access Number: (800) 796-9330 E-mail: **ecom@edd.ca.gov**
Economic development	The EDD's Labor Market Information Division offers data on occupational wages and outlook, employment by industry, and State and local labor market.	EDD Labor Market Information Division Telephone: (916) 262-2162 **www.calmis.ca.gov**
Employee eligibility to work	Under federal law, employers are required to verify that every individual (citizen, national, or alien) whom they hire has the right to work in the U.S. The U.S. Immigration and Naturalization Service (INS) requires you to complete an *Employment Eligibility Verification* (Form I-9) for each person hired to verify employment eligibility.	U.S. Immigration and Naturalization Service (refer to the U.S. government listings in your local telephone book under "Immigration and Naturalization Service") Request a copy of the *Handbook for Employers: Instructions for Completing Form I-9* (M-274). **www.uscis.gov**
Employer requirements	The Taxpayer Assistance Center can answer your payroll tax questions (e.g., employee and independent contractor status, employer registration, independent contractor reporting, and new employee reporting).	EDD Taxpayer Assistance Center Telephone: (888) 745-3886 **www.edd.ca.gov/taxind.htm**

TOPIC	DESCRIPTION	CONTACT
Employer rights during the employment tax audit and collection process	Employer rights are protected by the Taxpayer Advocate Office during the employment tax audit and collection process. You may request assistance from this office after first attempting to resolve an issue with an EDD representative, supervisor, **and** office manager.	EDD PRO, MIC 93 P.O. Box 826880 Sacramento, CA 94280 Telephone: (916) 654-8957 Fax: (916) 654-6969 **www.edd.ca.gov/taxrep/taxetpro.htm**
Employment Development Department (EDD) Web site	Provides a variety of information on EDD's programs and services, forms and publications, and links to other government sites.	EDD **www.edd.ca.gov**
Employment tax rates and UI benefit charges	A *Notice of Contribution Rates and Statement of UI Reserve Account* (DE 2088) is mailed annually by December 31 to notify employers of their UI, ETT, and SDI tax rates. For additional information, refer to page 99. A *Statement of Charges to Reserve Account* (DE 428T) is mailed annually in October. This statement is an itemized list of UI charges to your reserve account. For additional information, refer to page 107. Protests to the DE 2088 and DE 428T must be submitted within 60 days of the "mail date" on the notice.	EDD Contribution Rate Group, MIC 4 P.O. Box 826880 Sacramento, CA 94280 Telephone: (916) 653-7795 (24-hour automated telephone system)
Employment Training Panel	Provides funds to train and retain workers in targeted industries. Includes retraining current employees, training new hires, and four Special Employment Training programs. For additional information, refer to pages 112 & 113.	Employment Training Panel North Hollywood ..... (818) 755-1313 Sacramento ..... (916) 327-5640 San Diego ..... (619) 686-1920 San Mateo ..... (650) 655-6930 **www.etp.ca.gov**
Federal tax requirements	For federal employment tax and personal income tax requirements, contact the Internal Revenue Service (IRS) nearest you. Federal *Employer's Tax Guide* (Publication 15, Circular E) and *Employer's Supplemental Tax Guide* (Publication 15-A) are available from IRS.	Internal Revenue Service Telephone: (800) 829-4933 **www.irs.gov**
Federal Unemployment Tax Act (FUTA) certification	The method IRS uses to verify with the states that the credit claimed on the Form 940 or Form 1040, Schedule H, was actually paid to the state. See page 99 for additional information.	EDD FUTA Certification Unit Telephone: (916) 654-8545

TOPIC	DESCRIPTION	CONTACT
Forms **- Alternate tax forms**	The requirements and approval for using alternate forms to file your payroll tax reports can be obtained by contacting the Alternate Forms Coordinator.	EDD Alternate Forms Coordinator Telephone: (916) 255-0649
- Tax forms and publications	Tax forms and publications are available through the Internet, our Fax-on-Demand, and Employment Tax Offices.	EDD Less than 25 copies: (888) 745-3886 25 copies or more: (916) 322-2835 Fax-on-Demand: (877) 547-4503 **www.edd.ca.gov/taxrep/taxform.htm**
Job referral and recruitment services	All questions regarding EDD Job Services for Workforce Investment Act (WIA) services.	EDD or local One-Stop Career Center Telephone: (877) 872-5627 **www.servicelocator.org** Employers: **www.edd.ca.gov/employer.htm** WIA: **www.edd.ca.gov/wiarep/wiaind.htm** Job Seekers: **www.edd.ca.gov/wiarep/wiainfo.htm**
Job Service	The EDD's Job Service offers a variety of services that bring employers with job openings together with qualified job seekers.	EDD Job Service site nearest you (refer to the government listing in your local telephone book) **www.edd.ca.gov/jsrep/jsloc.htm**
Labor law requirements	All questions regarding labor law requirements, such as minimum wage, hours, overtime, and workers' compensation requirements.	Department of Industrial Relations (refer to the government listing in your local telephone book) **www.dir.ca.gov**
Labor market information	California's labor market information can help you with your important business decisions. Includes occupational employment and wage data, industry employment, labor force, and selected population characteristics.	EDD Labor Market Information Division Telephone: (916) 262-2162 **www.calmis.ca.gov** **www.labormarketinfo.edd.ca.gov**
Paid Family Leave (PFL)	PFL is a component of the State Disability Insurance (SDI) program. Its benefits provide income to individuals unable to work due to the need to care for a seriously ill family member or to bond with a new child.	EDD State Disability Insurance Office <u>Telephone</u> English: (877) 238-4373 Spanish: (877) 379-3819 TTY: (800) 563-2441 Employers may press "0" at the menu to speak with a representative **www.edd.ca.gov/direp/pflind.asp**

TOPIC	DESCRIPTION	CONTACT
Payroll tax seminars	Seminar topics include reporting requirements, how to complete payroll tax forms, and independent contractor and employee issues.	EDD Taxpayer Assistance Center Telephone: (888) 745-3886 Register on-line at **www.edd.ca.gov/taxsem**
Reimbursable method of paying UI benefits	Public employers and certain nonprofit organizations have the option of becoming "reimbursable" employers. Employers using this method to pay UI benefits are required to reimburse the UI Fund on a dollar-for-dollar basis for all UI benefits paid to their former employees.	EDD Reimbursable Accounting Group, MIC 19 P.O. Box 826880 Sacramento, CA 94280 Telephone: (916) 653-5846
School Employees Fund (SEF)	School employers may elect to participate in the SEF (UI program) to finance UI benefits.	EDD School Employees Fund, MIC 13 P.O. Box 826880 Sacramento, CA 94280 Telephone: (916) 653-5380 **www.edd.ca.gov/taxrep/txsefind.htm**
State Disability Insurance (SDI) benefits	The SDI benefits provide temporary income to California workers who are unable to work because of pregnancy or an illness or injury.	EDD State Disability Insurance Office <u>Telephone</u> English: (800) 480-3287 Spanish: (866) 658-8846 TTY: (800) 563-2441 Employers may press "0" at the menu to speak with a representative **www.edd.ca.gov/direp/diind.htm**
Tax debt – California payroll taxes		
- Offers in Compromise	Enables a qualified tax debtor to eliminate an employment tax liability at less than full value.	EDD Offers in Compromise Telephone: (916) 464-2726
- Settlements Program	Provides employers and the State an opportunity to avoid the cost of prolonged litigation associated with resolving disputed employment tax issues.	EDD Settlements Office, MIC 93 P.O. Box 826880 Sacramento, CA 94280 Telephone: (916) 654-7922 or (916) 654-7162 Fax: (916) 653-7986

TOPIC	DESCRIPTION	CONTACT
Tax information **- Call Center**	For general tax information, call our toll-free number. Call center staff are available 7 a.m. to 6 p.m., PT, Monday through Friday. The call center is closed on State holidays.	EDD Taxpayer Assistance Center Telephone: (888) 745-3886
- E-Z Access Information Topics and Fax-on-Demand	Prerecorded messages covering more than 50 topics and tax forms and publications by fax are available 24 hours a day by calling our toll-free telephone number.	EDD Telephone: (877) 547-4503
Taxpayer Advocate Office (TAX)	If you are unable to resolve an employment tax problem with an EDD representative, supervisor, **and** office manager, you can contact the Taxpayer Advocate Office for assistance.	EDD PRO, MIC 93 P.O. Box 826880 Sacramento, CA 94280 Telephone: (916) 654-8957 Fax: (916) 654-6969 **www.edd.ca.gov/taxrep/taxetpro.htm**
Tele-Reg	Register by telephone and receive your EDD employer account number over the phone.	EDD Account Services Group, MIC 28 P.O. Box 826880 Sacramento, CA 94280 Telephone: (916) 654-8706 Fax: (916) 654-9211
Underground economy	Investigates businesses that are paying workers undocumented cash payments or not complying with labor and licensing laws.	EDD Underground Economy Operations Hotline: (800) 528-1783 Email: **ueo@edd.ca.gov**
Unemployment Insurance (UI) benefits	Provides temporary income to unemployed workers who meet the UI eligibility requirements.	EDD Unemployment Insurance Office Telephone English (800) 300-5616 Spanish (800) 326-8937 Cantonese (800) 547-3506 Vietnamese (800) 547-2058 Mandarin (866) 303-0706 TTY (nonverbal) (800) 815-9387 Outside of California (800) 250-3913 Employers should press “3” for the employer menu that provides UI and Job Service information. **www.edd.ca.gov/uirep/uiloc.htm**
Workers’ Compensation Insurance	If you have employees, you are required by law to have workers’ compensation insurance coverage. Failure to do so is a crime and may result in penalties and closure of your business.	Your insurance agent, or Division of Workers Compensation Telephone: (800) 736-7401 **www.dir.ca.gov**

Account Number — The eight-digit EDD employer account number assigned to each registered employer (e.g., 111-1111-1). Always refer to your EDD employer account number when communicating with EDD. Omission of your employer account number may result in delays in processing payments and reports.

ACH — Automated Clearing House

Automated Clearing House (ACH) — Any entity that operates as a clearing house for electronic debit or credit transactions pursuant to an EFT agreement with an association that is a member of the National ACH Association.

Base Period — A 12-month period beginning 4 quarters prior to the filing of an Unemployment Insurance (UI) claim, a State Disability Insurance (SDI), or Paid Family Leave (PFL) claim.

CCR — California Code of Regulations. The CCR is available on the Internet at **www.calregs.com**.

CUIAB — California Unemployment Insurance Appeals Board

CUIC — California Unemployment Insurance Code

California Unemployment Insurance Code (CUIC) — The laws administering California's UI, ETT, SDI, and PIT programs. The CUIC is available on the Internet at **www.leginfo.ca.gov/calaw.html**.

Charges — Amounts deducted from an employer's reserve account or amounts reimbursable for State UI benefits paid to former employees.

Claim — An application for UI, SDI, or PFL benefits.

- UI - The process that establishes a UI benefit year is called a new claim. Weekly certifications for benefits during the benefit year are called continued claims. When payment of continued claims is interrupted during the benefit year (because a claimant returned to work or withdrew from the labor market for a time), the renewal is called an additional claim or reopened claim.
- SDI - The application that establishes an SDI benefit period is called a first claim. Subsequent certifications on that claim are called continued claims. For each separate period of disability, a new (first) claim must be filed.
- PFL - The application that establishes a PFL benefit period is called a Claim for PFL Benefits. Subsequent certifications on an active PFL claim in payment status are called continued claims. For each separate period of family leave care, a new claim must be filed.

Claimant — A wage-earner who files a claim for UI, SDI, or PFL benefits.

Contributions — The CUIC refers to taxes under its provision as "contributions." In this guide, "contributions" are generally referred to as "taxes."

Department — Employment Development Department (EDD)

Deposit — An amount of money sent to EDD with a *Payroll Tax Deposit* (DE 88) coupon or through EFT. For more information, please refer to page 73.

Determination — A decision whether or not a claimant is eligible to receive UI, SDI, or PFL benefits.

Disability Insurance — Benefits paid to eligible California workers experiencing a loss of wages when they are unable to perform their regular or customary work due to pregnancy or an injury or illness. Disability insurance, generally referred to as State Disability Insurance or SDI, is funded by taxes withheld from the employee's wages.

EDD — Employment Development Department

EDI — Electronic Data Interchange

EFT	Electronic Funds Transfer
Electronic Data Interchange (EDI)	A computer-to-computer exchange of information that allows employers to file their *Quarterly Wage and Withholding Report (*DE 6) electronically.
Electronic Funds Transfer (EFT)	Any transfer of funds (other than a transaction originated by check, draft, or similar paper instrument) that is initiated through an electronic terminal, telephone, or other type of telephonic instrument, computer, or magnetic tape. The initiation orders, instructs, or authorizes a financial institution to debit or credit an account.
Employee	A wage-earner in employment covered by the CUIC.
Employer Notices	Forms mailed to notify the employer of matters affecting the employer's account.
Employment Taxes	California PIT and SDI withholdings, and UI and ETT.
Employment Training Fund	A special fund in the State Treasury for depositing into or transferring all ETT contributions collected from employers.
Employment Training Panel (ETP)	Administers the employment training funds that are provided by ETT to train, place, and retain workers with skills needed by employers. Funds may be used to train and place unemployed individuals or to train and retain current workers who need to strengthen their skills for today's workplace.
Employment Training Tax (ETT)	An employer-paid tax that provides funds to train employees in targeted industries to improve the competitiveness of California businesses. Employers subject to ETT pay one-tenth of one percent (.001) on the first $7,000 in wages paid to each employee in a calendar year.
ETO	Employment Tax Office
ETT	Employment Training Tax
Exempt Employment	Employment specifically excluded from coverage under the CUIC.
Experience Rating	The system by which an employer's UI contribution rate is determined each calendar year based on previous employment experience.
Good Cause	Circumstances that occur, usually outside the employer's control (e.g., floods, earthquake). When good cause exists for not reporting on time, the Department may extend the filing date for forms.
Household Employment	Describes "employment of a household nature."
Independent Contractor	An independent contractor (service-provider) is any individual who is not an employee of the service-recipient for California purposes and who receives compensation or executes a contract for services performed for that business or government entity in or outside of California. For independent contractor reporting requirements, see page 71.
Initiation Date	The date an EFT filer instructs either a financial institution or the State's data collector to process the transfer of funds via telephone or personal computer (PC).
Magnetic Media	Mandatory and voluntary opportunity to magnetically report wages, withholdings, independent contractors, and/or new employees.
Mid-month Employment	The number of full-time and part-time employees who worked during or received pay for the payroll period which includes the 12th day of the month.
Multiple Establishment Employer	An employer that maintains a business at more than one physical location and/or conducts more than one business activity/function at the same location and the secondary locations have a total of 10 or more employees.

NAICS	North American Industry Classification System
NER	New Employee Registry
New Employee Registry (NER)	A report of new employees that employers are required to report within 20 days of the start-of-work date (refer to "Report of New Employees" (DE 34) on page 69).
New Employer	California employers may be considered new employers for up to three years after registering with EDD. During this period, these employers pay UI tax at a rate of 3.4 percent (.034). New employers also pay ETT and withhold SDI and PIT.
North American Industry Classification System (NAICS)	The six-digit industry classification code that identifies the primary business functions of an employer's business. The NAICS has replaced the Standard Industrial Classification (SIC) system.
Paid Family Leave (PFL)	Benefits extended to California workers unable to work due to the need to care for a seriously ill family member or to bond with a new child. PFL is a component of SDI and funded through SDI employee payroll withholdings.
Payroll Period	How often you pay wages (daily, weekly, bi-weekly [every two weeks], semi-monthly [twice a month], etc.).
Personal Income Tax (PIT) Wages	All wages paid during the period that are subject to PIT, even if they are not subject to PIT withholding. The PIT wages consist of all compensation for service by an employee for his/her employer and include, but are not limited to, salaries, fees, bonuses, commissions, and payments in forms other than cash or checks. Wages in any form other than cash or checks are measured by the fair market value of the goods, lodging, meals, or other compensation given in payment for the employee's services. The calendar year total for PIT wages should agree with the amount reported on the individual's *Wage and Tax Statement* (Form W-2), in Box 16 (State Wages, Tips, etc.).
Personal Income Tax (PIT) Withholding	California PIT is withheld from employees' pay based on the *Employee's Withholding Allowance Certificate* (Form W-4 or DE 4) on file with the employer.
PIT	California Personal Income Tax
Predecessor	A previous owner registered with EDD as an employer.
Prepayments (UI and ETT)	The UI and ETT taxes that an employer voluntarily sends to EDD during a quarter even though they are not due until the end of the quarter.
Registered Domestic Partner	A registered domestic partner means an individual partner in a domestic relationship within the meaning of Section 297 of the Family Code.
Reimbursable Employer	A nonprofit or public entity employer who is permitted by law to be billed for UI benefits after they are paid to former employees.
Reserve Account	A book account kept for each tax-rated employer to measure employment experience and set the employer's UI tax rate.
Ruling on Benefit Claim	For tax-rated employers, a ruling is the Department's decision as to whether an employer's reserve account will be charged for UI benefits. The ruling is based on the reason for separation.
Ruling on Tax Question	A decision, in writing, as to an employer's subject status or tax liability in the stated circumstances.
SDI	State Disability Insurance (Same as Disability Insurance)
Service-Provider	A service-provider (independent contractor) is any individual who is not an employee of the service-recipient for California purposes and who receives compensation or executes a contract for services performed for that business or government entity in or outside of California.
Service-Recipient	Any business or government entity that, for California purposes, pays compensation to an independent contractor (service-provider) or executes a contract for services to be performed by an independent contractor in or outside of California.

Settlement Date	The date an EFT transaction is completed and posted on the books of the Federal Reserve Bank and the State's bank account.
SIC	Standard Industrial Classification system which has been replaced by the North American Industry Classification System (NAICS).
SSN	Also known as social security number. All employee wage records and claim actions are filed under this number, rather than by name.
State	State of California
State Disability Insurance (SDI)	Wage loss benefits paid to California workers who are unable to perform their regular or customary work due to pregnancy or an injury or illness. The SDI program is funded by taxes withheld from employees' wages.
Subject Employer	An employer who is liable under the rules and regulations of the CUIC.
Subject Quarter	Calendar quarter when an employer first meets the requirements for reporting their payroll taxes.
Subject Wages	Subject wages are used to determine UI and SDI benefits. Generally, all wages are considered subject wages regardless of the $7,000 UI and $79,418 SDI taxable wage limits. For special classes of employment and payments that may not be considered subject wages, refer to the "Types of Employment" table on page 16 and "Types of Payments" table on page 26.
Successor	A change in ownership or a new ownership of a business already registered with EDD as an employer.
Tax-Rated Employer	An employer who is required to register with EDD and pay UI taxes each year on the first $7,000 of wages paid to each of their employees.
Taxable Wage Limits	The taxable wage limit for UI and ETT is $7,000 per employee, per year. The taxable wage limit for SDI is $79,418 per employee, per year.
Taxable Wages	Compensation paid for "covered employment" up to the taxable wage limits for the year. Compensation includes wages and allowances such as meals, lodging, and other payments in lieu of money for services rendered in employment.
Telefile	An interactive voice recognition system designed especially for household employers and other employers with a small number of employees. Employers or their agents can use telefile to report and pay payroll taxes electronically by telephone.
UI	Unemployment Insurance
Unemployment Insurance (UI)	Benefits paid to California workers who are unemployed. Recipients must meet specific qualifications to receive benefits.
UI and ETT Prepayment	The UI and ETT taxes that an employer voluntarily sends to EDD during a quarter even though they are not due until the end of the quarter.
Voluntary DI Plan	California law allows employers to apply to EDD for approval to establish a Voluntary Plan (VP) for payment of SDI and PFL benefits to their employees in lieu of State coverage. Once a VP is approved, the employer is no longer required to send SDI withholdings to EDD. Instead, the employer holds the contributions in a trust to pay disability benefit claims and approved expenses.
Wage Detail	*Quarterly Wage and Withholding Report* (DE 6) must be filed each quarter listing employee(s) full name, SSN, total subject wages, PIT wages, and PIT withholding.
WARN	Worker Adjustment and Retraining Notification (WARN)
Work Opportunity Tax Credit (WOTC)	Federal tax credits for employers who hire and retain job seekers from target groups.
Worker Adjustment and Retraining Notification	Requires certain employers to give advance notice in the event of a plant closure or mass layoff.
WOTC	Work Opportunity Tax Credit

Topic	PAGE

Address Change 91
Adjustments 77
Alternate Filing Options 86
Annual Reconciliation Statement (DE 7):
  Correcting Errors 81
  Due Dates 81
  Ordering Forms 81
Appeal Rights - Unemployment Insurance (UI) Claims 106

Back Pay Award 107
Benefit Audits 107
Benefits:
  Paid Family Leave (PFL) 109
  State Disability Insurance (SDI) 109
  Unemployment Insurance (UI) 102
Billings - Reimbursable UI Method 98
Bonuses 14

Claim Notices:
  Notice of Claim Filed (DE 1101C/Z) 103
  Notice of Wages Used for Unemployment Insurance (UI) Claim (DE 1545) 103
  Notice to Employer of Paid Family Leave Claim Filed (DE 2503F) 109
  Notice to Employer of State Disability Claim Filed (DE 2503) 109
Closing Business 91
Commission 14
Cost-of-Benefits (Reimbursable) Method 98

Deposit:
  Delinquent 75
  Due Dates 74
  Electronic Funds Transfer (EFT) 75
  Requirements 73
Disability Insurance:
  Self-Employed Disability Insurance 110
  State Disability Insurance (SDI) 109
  Voluntary Plan (for employees) 110
Discharge 102
Domestic Employment (See Household Employment) 19

Elective Coverage (Disability Insurance) 110
Electronic Data Interchange (EDI) 87
Electronic Funds Transfer (EFT) 86
Employee - Definition 7
Employee Rights Notices 92
Employee or Independent Contractor 7
Employer:
  Definition 6
  How to Register 6
  When Do You Become Subject 6
Employer Notices:
  Notice of Claim Filed (DE 1101C/Z) 103
  Notice of Determination/Ruling (DE 1080CT) 106
  Notice of Modification (DE 1080M) 106
  Notice of Wages Used for Unemployment Insurance (UI) Claim (DE 1545) 103
  Notice to Employers of State Disability Claim Filed (DE 2503) 109
Employer Obligations for the Form W-4 or DE 4 13
Employer UI Contributions Rates 98
Employment Services 111

Topic	PAGE
Employment Training:	
Fund	111
Panel (ETP)	111
Tax (ETT)	8
Employment Types (table)	16
Entity Change	90
Escrow Clearance	90
Estimated Payments	14
Experience Rating	98
False Statement Penalty	105
Firing an Employee	102
Notice	92
Forms:	
Alternate Filing Options	86
DE 6	79
DE 7	81
DE 34	69
DE 88	73
DE 542	71
Due Dates	5
Fraud Prevention and Detection	101
Gifts	28
Household (Domestic) Employment	19
Income:	
Deferred Compensation (Retirement and Pension Plan)	30
Income Tax:	
California Personal Income Tax (PIT) Withholding Tables	36
Independent Contractor or Employee	7
Independent Contractor Reporting Requirements	71
Internet Filing	86
Labor Market Information	114
Layoff:	
Rapid Response Team	94
Worker Adjustment and Retraining Notification (WARN)	93
Written Notice Requirements	92
Leasing Agency Employers	25
Leave of Absence	92
Lodging	11
Magnetic Media	88
Marital Status for Personal Income Tax (PIT) Reporting	12
Meals	11
Multiple Location and/or Function Employers	114
Multiple Worksite Report (BLS 3020)	114
New Employee Registry (NER)	69
New Employer:	
ETT Rate	8
UI Tax Rate	8
No longer have Employees	91
Nonresident Employees	15
Notice of Claim Filed (DE 1101C/Z)	103
Notice of Wages Used For Unemployment Insurance (UI) Claim (DE 1545)	103
Notice to Employer of State Disability Claim Filed (DE 2503)	109
Notices For Employees	92

Topic	PAGE

Obtaining an EDD Employer Account Number 6
Office of the Taxpayer Rights Advocate 96
Overpayments:
- Correcting Prior DE 7 81
- Correcting Prior DE 88 77

Paid Family Leave 109
Partial UI Claims 108
Payments Types (table) 26
Personal Income Tax (PIT):
- Marital Status 12
- Schedules 36
- Supplemental Wages 14
- Wages 10
- Withholding 12

Plant Closures 93
Protests:
- *Notice of Claim Filed* (DE 1101C/Z) 103
- *Notice of Wages Used for Unemployment Insurance (UI) Claim* (DE 1545) 103

Purchase a Business 90

Quarterly Wage and Withholding Report (DE 6):
- Correcting Errors 79
- Due Dates 79

Quarterly Estimated Payments 14
Quitting Business 91

Recordkeeping 95
Registration for EDD Employer Account Number:
- When Do You Become an Employer 6
- How to Register 6

Reimbursable Method of Paying for UI Benefits 98
Reserve Account:
- Charges 107
- Experience Rating 98
- *Notice of Contribution Rates and Statement of UI Reserve Account* (DE 2088) 99
- Reserve Account Transfers (Successor Employers) 99

Retirement and Pension Plans 30
Rulings:
- *Notice of Claim Filed* (DE 1101C/Z) 103
- *Notice of Wages Used for Unemployment Insurance (UI) Claim* (DE 1545) 103

Sale of Business 90
School Employees Fund Method of Paying for UI Benefits 98
Sick Pay (Third-Party) 32
Sole Shareholder - Corporate Officer 21
State Disability Insurance (SDI):
- Benefits 109
- Elective Coverage 110
- Employer Responsibilities 109
- Voluntary Plan 110
- Who Pays 9

Subject Wages 10
Successor Employer 91
Supplemental Wage Payments 14

Topic	PAGE
Tax Credits	77
Tax Deposits:	
Delinquent Deposits	75
Deposit Requirements	74
Electronic Funds Transfer (EFT)	75
Tax Offices (Listing)	2
Tax Rate:	
Experience Rating	98
How the UI Tax Rate is determined	98
Notice of Contribution Rates and Statement of UI Reserve Account (DE 2088)	99
Tips for Reducing Your UI Rate	100
Taxes:	
Who is an Employee	7
Withholding Allowances and Exemptions	12
Taxpayer Rights Advocate	96
Telefile	86
Termination	102
Third-Party Sick Pay	32
Tips for Reducing Your UI Tax Rate	100
Trade Adjustment Assistance	112
Trade Disputes	102
Transfer of Business, Successor Employer	90
Underground Economy	9
Unemployment Insurance (UI):	
Benefits	102
Employer Responsibilities	104
Rate	98
Vacation Pay	35
Voluntary Plan	110
Wages Subject to:	
Personal Income Tax (PIT)	10
State Disability Insurance (SDI) Tax	8
Unemployment Insurance (UI) Tax	8
WARN	93
Withholding Deposit:	
Delinquent	75
Electronic Funds Transfer (EFT)	86
Marital Status	12
Personal Income Tax (PIT) Withholding Schedules	36
Requirements	74
Types of Employment (table)	16
Types of Payments (table)	26
Withholding Statements:	
Employee's Withholding Allowance Certificate:	
Federal (Form W-4)	12
California (DE 4)	12
Information Return (Form 1099)	85
Wage and Tax Statement (Form W-2)	84
Work Opportunity Tax Credit	113
Work Sharing Program	108
Worker Adjustment and Retraining Notification (WARN)	93
Workers' Compensation Insurance	110
Workforce Investment Act	113

Employment Development Department
State of California

EDD Forms and Publications

Forms			
____ DE 1	Registration Form for Commercial/Pacific Maritime/Fishing Boat Employers	____ DE 542	Report of Independent Contractor(s)
____ DE 1AG	Registration Form for Agricultural Employers	____ DE 678	Tax and Wage Adjustments Form
____ DE 1GS	Registration Form for Governmental Organizations & Public Schools	____ DE 678-I	Instructions for Completing the Tax and Wage Adjustments Form
____ DE 1HW	Registration Form for Employers of Household Workers	____ DE 938	Quarterly Adjustment Form
____ DE 1NP	Registration Form for Nonprofit Employers	____ DE 1000M	Employment Development Department Appeal Form
____ DE 1P	Registration Form for Employers Depositing Only Personal Income Tax Withholding	____ DE 1870	Determination of Employment Work Status for Purposes of State of California Employment Taxes and Personal Income Tax Withholding
____ DE 3D	Quarterly Contribution Return (Voluntary Plan)	____ DE 2063	Notice of Reduced Earnings
____ DE 4	Employee's Withholding Allowance Certificate	____ DE 2063F	Notice of Reduced Earnings (Fisherperson)
____ DE 4P	Withholding Certificate for Pension or Annuity Payments	___ DE 2063PMA	Notice of Reduced Earnings (Pacific Maritime Association)
____ DE 6	Quarterly Wage and Withholding Report	____ DE 2501	Claim for State Disability Insurance (SDI) Benefits
____ DE 6	Quarterly Wage and Withholding Report (continuous feed)	____ DE 2501F	Claim for Paid Family Leave (PFL) Benefits
____ DE 7	Annual Reconciliation Statement	___ DE 2501/S/	Spanish Instructions for DE 2501F
____ DE 7	Annual Reconciliation Statement (cont. feed)	____ DE 2523F	Report of Voluntary Plan Family Leave (VPFL) Claim
____ DE 24	Notification of Change	____ DE 2548F	The Medical Provider's Guide to Paid Family Leave
____ DE 34	Report of New Employee(s)	____ DE 2588	State Disability Insurance (SDI) and Paid Family Leave (PFL) Weekly Benefit Amounts
____ DE 34	Report of New Employee(s) (cont feed)		
____ DE 88All	Payroll Tax Deposit (Coupon)		
____ DE 88All-I	Instructions for Preparing Payroll Tax Deposit (DE 88All)		

Guides and Brochures			
____ DE 44	California Employer's Guide	____ DE 2323A	File Unemployment Claim By Telephone
____ DE 45	Sample Forms Guide	___ DE 2323A/S/	File Unemployment Claim by Telephone (Spanish)
____ DE 159	Magnetic Media Brochure	___ DE 2323TTY	TCF/TTY Brochure (File Unemployment Claim by TTY)
____ DE 195	Employers' Bill of Rights	____ DE 2511	Paid Family Leave Brochure (English)
____ DE 195/S/	Employers' Bill of Rights (Spanish)	____ DE 2511C	Paid Family Leave Brochure (Chinese)
____ DE 542B	Report of New Hires and Independent Contractors Brochure	____ DE 2511L	Paid Family Leave Brochure (Laotian)
____ DE 573	Avoid Unplanned Tax Liabilities	____ DE 2511S	Paid Family Leave Brochure (Spanish)
____ DE 573/S/	Avoid Unplanned Tax Liabilities (Spanish)	____ DE 2511V	Paid Family Leave Brochure (Vietnamese)
____ DE 573CA	Cash Under the Table Brochure	____ DE 2515	State Disability Insurance
____ DE 1378F	Potential Liability (Reimbursable Employers)	____ DE 2515/S/	State Disability Insurance (Spanish)
____ DE 2320	For Your Benefit, UI	____ DE 2565	DI Elective Coverage
____ DE 2320/S	For Your Benefit, UI (Spanish)	____ DE 4527	Managing UI Costs
		____ DE 8684	Guide for Work Sharing Employers
		____ DE 8723	WOTC Employer Brochure
		____ DE 8829	Household Employer's Guide

Notices			
____ DE 35	Notice to Employees Regarding DE 4/W-4	____ DE 1857A	Notice to Employees (English)
		___ DE 1857A/S/	Notice to Employees (Spanish)
		___ DE 1857A/C/	Notice to Employees (Chinese)
		___ DE 1857A/V/	Notice to Employees (Vietnamese)
		___ DE 1858	Notice to Employees (English)
		___ DE 1858/S/	Notice to Employees (Spanish)

Employment Development Department
State of California

EDD Forms and Publications

Information Sheets

____ DE 231	Employment
____ DE 231V	Employment (Vietnamese)
____ DE 231A	Wages
____ DE 231A/V/	Wages (Vietnamese)
____ DE 231AA	Amateur Athletic Officials
____ DE 231B	Automotive Repair Industry
____ DE 231C	Barbering and Cosmetology Industry
____ DE 231CF	Commercial Fishing
____ DE 231D	Multistate Employment
____ DE 231E	Restaurant and Hotel Industries
____ DE 231EB	Taxability of Employee Benefits
____ DE 231EC	Elective Coverage for Employers and Self-Employed Individuals
____ DE 231EE	Exempt Employment
____ DE 231EES	Exempt Employment (Spanish)
____ DE 231EE/V/	Exempt Employment (Vietnamese)
____ DE 231ES	Employment Work Status Determination
____ DE 231ETC	Employment Tax Consulting
____ DE 231F	Temporary Services and Employee Leasing Industries
____ DE 231FAM	Family Employment
____ DE 231FAMS	Family Employment (Spanish)
____ DE 231FAM/V/	Family Employment (Vietnamese)
____ DE 231FE	Foreign Employment and Employment on American Vessels or Aircraft
____ DE 231G	Construction Industry
____ DE 231H	Manufacturing Industry
____ DE 231I	Service Industries
____ DE 231J	Waiver of Penalty Policy
____ DE 231K	Casual Labor
____ DE 231L	Household Employment
____ DE 231M	Residential Care Facilities
____ DE 231MW	Reporting and Payment Following an Assessment for Misclassified Workers
____ DE 231N	Salespersons
____ DE 231NP	Nonprofit and/or Public Entities
____ DE 231P	Withholding from Pensions, Annuities, and Certain Other Deferred Income
____ DE 231PC	Payments to Corporate Officers
____ DE 231PCS	Payments to Corporate Officers (Spanish)
____ DE 231PD	Product Demonstrators
____ DE 231PH	PIT Wages Reported on the Quarterly Report of Wages and Withholdings for Employers of Household Workers (DE 3BHW)
____ DE 231PIT	Personal Income Tax Wages Reported on the Quarterly Wage and Withholding Report (DE 6)
____ DE 231PITS	Personal Income Tax Wages Reported on the Quarterly Wage and Withholding Report (DE 6) (Spanish)
____ DE 231PS	Personal Income Tax Withholding - Supplemental Wage Payments, Moving Expense Reimbursement – WARN Act Payments
____ DE 231PT	Physical Therapist
____ DE 231Q	Social Security/Medicare/SDI Taxes Paid by an Employer
____ DE 231R	Third-Party Sick Pay
____ DE 231S	Employment (Spanish)
____ DE 231SC	Specialized Coverage (Elective Coverage for Exempt Workers)
____ DE 231SE	Statutory Employees (Agent/Commission Drivers, Traveling/City Salespersons, Construction Workers, Homeworkers, Artists, and Authors)
____ DE 231SE/V/	Statutory Employees (Vietnamese)
____ DE 231SES	Statutory Employees (Agent/Commission Drivers, Traveling/City Salespersons, Construction Workers, Homeworkers, Artists, and Authors) (Spanish)
____ DE 231SEF	Employment for the School Employees Fund
____ DE 231SK	Stock Options
____ DE 231SP	Settlements Program
____ DE 231T	Tips
____ DE 231TS	Tips (Spanish)
____ DE 231TA	Employment Tax Audit Process
____ DE 231TC	Taxicab Industry
____ DE 231TM	Telemarketers (Telephone Solicitors)
____ DE 231TR	Tour Operator Industry
____ DE 231UE	Unity of Enterprise
____ DE 231V	Election Campaign Workers
____ DE 231W	Personal Income Tax Adjustment Process
____ DE 231Y	Reporting New Employees and Independent Contractors
____ DE 231Y/V/	Reporting New Employees and Independent Contractors (Vietnamese)
____ DE 231YS	Reporting New Employees and Independent Contractors (Spanish)
____ DE 231Z	California System of Experience Rating
____ DE 631	Employment Enforcement Task Force
____ DE 631S	Employment Enforcement Task Force (Spanish)
____ DE 631C	Offers in Compromise
____ DE 631P	Payment Proposal
____ DE 631R	Interest on Refunds
____ DE 631TL	State Tax Lien
____ DE 631UEO	Underground Economy Operations

Fact Sheets	
____ DE 8714B Unemployment Insurance Program ____ DE 8714BS Unemployment Insurance Program (Spanish) ____ DE 8714C Disability Insurance Program ____ DE 8714CCS Disability Elective Coverage Program (Spanish) ____ DE 8714E Payroll Taxes ____ DE 8714U California Training Benefits Program ____ DE 8714X Trade Adjustment Assistance	____ DE 8714BB Work Sharing Program ____ DE 8714CC Disability Insurance Elective Coverage ____ DE 8714CF Paid Family Leave Program ____ DE 8714CS Paid Family Leave (Spanish) ____ DE 8714FF EDD Bonding ____ DE 8714XX Trade Act

Instructions for Ordering Forms and Publications

You may obtain EDD forms by any of the methods listed below. We suggest that you order no more than a six-month supply since overstocking may result in using obsolete forms.

Telephone: Ordering 25 forms or more - (**916) 322-2835** (24-hour automated system)
Ordering less than 25 forms - Please contact the Taxpayer Assistance Center at **(888) 745-3886**.

Mail: **Employment Development Department**
1733W Sports Drive, Suite B
Sacramento, CA 95834

Fax: **(916) 928-5910**

Internet address: **www.edd.ca.gov/taxrep/taxform.htm**
Most frequently used forms are available on the EDD Web site.

The *Payroll Tax Deposit* (DE 88) must be reordered using the form enclosed in your DE 88 booklet. If you have not received a DE 88 booklet, contact the Taxpayer Assistance Center at (888) 745-3886.

The *Claim for State Disability Insurance Benefits* (DE 2501) must be ordered from your nearest State Disability Insurance Office by calling (800) 480-3287. For information regarding Paid Family Leave (PFL), call 1-877-238-4373.

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