

## TYPES OF PAYMENTS

The following 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, the Employment Development Department (EDD) has prepared the *Information Sheet: Types of Employment (DE 231TE)* and information sheets for specific industries, types of services, or types of payments. To obtain the information sheets, access the EDD website at [www.edd.ca.gov/Payroll\\_Taxes/Forms\\_and\\_Publications.htm](http://www.edd.ca.gov/Payroll_Taxes/Forms_and_Publications.htm) or contact the Taxpayer Assistance Center at 888-745-3886. If outside the United States or Canada, call 916-464-3502.

Code references: California Code of Regulations ([CCR](#)), California Unemployment Insurance Code ([CUIC](#)), Internal Revenue Code ([IRC](#)), and the Revenue and Taxation Code ([RTC](#)).

Types of Payments	TREATMENT FOR TAX PURPOSES			
	Unemployment Insurance and Employment Training Tax <sup>1</sup>	State Disability Insurance	Personal Income Tax Withholding	Personal Income Tax Wages
<b>Adoption Assistance:</b> Payments as defined in Section 137 of the IRC.  A. If the adoption assistance program is <b>not</b> under an IRC Section 125 cafeteria plan.  B. If the adoption assistance program <b>is</b> under an IRC Section 125 cafeteria plan: <ul style="list-style-type: none"> <li>• Employer contributions (into the plan).</li> <li>• Employee contributions (into the plan).</li> <li>• Payments from the plan.</li> </ul>	Subject Section 926 of the CUIC	Subject Section 926 of the CUIC	Not subject Section 13009(q) of the CUIC	Not reportable Section 13009.5 of the CUIC
	Subject Section 926 of the CUIC	Subject Section 926 of the CUIC	Not subject Section 13009(i)(5) of the CUIC	Not reportable Section 13009.5 of the CUIC
	Subject Section 926 of the CUIC	Subject Section 926 of the CUIC	Not subject Section 13009(i)(5) of the CUIC	Not reportable Section 13009.5 of the CUIC
	Not subject Section 926 of the CUIC	Not subject Section 926 of the CUIC	Not subject Section 13009(i)(5) of the CUIC	Not reportable Section 13009.5 of the CUIC

<sup>1</sup>Refer to page 16 for endnotes.

Types of Payments	TREATMENT FOR TAX PURPOSES			
	Unemployment Insurance and Employment Training Tax <sup>1*</sup>	State Disability Insurance	Personal Income Tax Withholding	Personal Income Tax Wages
<b>Back Pay Awards:</b>				
A. Paid by an employer or jointly by the employer and a labor union to an employee pursuant to an order of the National Labor Relations Board, the Agricultural Labor Relations Board, the Equal Employment Opportunity Commission, the Fair Employment and Housing, or an employer's own grievance procedure.	Subject Section 926 of the CUIIC and Section 926-7(i) of Title 22, CCR	Section 926 of the CUIIC and Section 926-7(i) of Title 22, CCR	Subject Section 13009 of the CUIIC	Reportable Section 13009.5 of the CUIIC
B. Paid by employer as additional wages or additional overtime compensation to an employee pursuant to the Fair Labor Standards Act or Walsh-Healey Public Contract Act, the Davis-Bacon Act, or the California Labor Code.	Subject Section 926 of the CUIIC and Section 926-7(j) of Title 22, CCR	Subject Section 926 of the CUIIC and Section 926-7(j) of Title 22, CCR	Subject Section 13009 of the CUIIC	Reportable Section 13009.5 of the CUIIC
C. Paid to an employee by employer who has failed to provide advance notice of facility closure as required by the Worker Adjustment and Retraining Notification (WARN) Act.	Not subject Section 1265.1 of the CUIIC	Not subject Section 1265.1 of the CUIIC	Subject Section 13009 of the CUIIC	Reportable Section 13009.5 of the CUIIC
<b>Board of Director Fees</b> A director of a corporation or association performing services in the capacity of a director. Refer to <i>Information Sheet: Employment (DE 231)</i> .	Not subject Section 622 of the CUIIC	Not subject Section 622 of the CUIIC	Subject if a common law employee. Section 13009 of the CUIIC.  Not subject if payments made to a nonresident corporate director for director services performed in California. Section 13020(c) of the CUIIC	Reportable if a common law employee. Section 13009 of the CUIIC.  Not reportable if payments made to a nonresident corporate director for director services performed in California. Section 13009.5(c) of the CUIIC
<b>Bonuses</b> Refer to <i>Information Sheet: Wages (DE 231A)</i> and <i>Information Sheet: Personal Income Tax Withholding – Supplemental Wage Payments, Moving Expense Reimbursement – WARN Act Payments (DE 231PS)</i> .	Subject Section 926 of the CUIIC	Subject Section 926 of the CUIIC	Subject Section 13009 of the CUIIC	Reportable Section 13009.5 of the CUIIC

\*Refer to page 16 for endnotes.

Types of Payments	TREATMENT FOR TAX PURPOSES			
	Unemployment Insurance and Employment Training Tax <sup>1*</sup>	State Disability Insurance	Personal Income Tax Withholding	Personal Income Tax Wages
<b>Business Expenses:</b> A. Employer reimbursement of required or necessary business expenses incurred by the employee while performing services for the employer. B. Long-term travel expenses allowed pursuant to Section 162 of the IRC.	Not subject Section 929 of the CUIIC	Not subject Section 929 of the CUIIC	Not subject Section 13009(q) of the CUIIC	Not reportable Section 13009.5 of the CUIIC
	Not subject Section 929 of the CUIIC	Not subject Section 929 of the CUIIC	Subject Section 13009 of the CUIIC	Reportable Section 13009.5 of the CUIIC
<b>Cafeteria Plan</b> Payments as defined in Section 125 of the IRC. (For purposes such as medical insurance, dental insurance, vision insurance, life insurance, dependent care assistance, and reimbursement of medical or hospital expenses). Refer to <i>Information Sheet: Taxability of Employee Benefits (DE 231EB)</i> .	Not subject generally Section 938.3(d) of the CUIIC	Not subject generally Section 938.3(d) of the CUIIC	Not subject Section 13009(i)(5) of the CUIIC	Not reportable if excluded from taxable income. Section 13009.5 of the CUIIC
<b>Commissions</b> Refer to <i>Information Sheet: Wages (DE 231A)</i> and <i>Information Sheet: Personal Income Tax Withholding – Supplemental Wage Payments, Moving Expense Reimbursement – WARN Act Payments (DE 231PS)</i> .	Subject Section 926 of the CUIIC	Subject Section 926 of the CUIIC	Subject Section 13009 of the CUIIC	Reportable Section 13009.5 of the CUIIC
<b>Compensation to any Member of a Limited Liability Company (LLC) Treated as a Corporation for Federal Income Tax Purposes.</b> Refer to <i>Information Sheet: Limited Liability Entities (DE 231LLC)</i> .	Subject if deductible pursuant to Section 162 of the IRC. Section 928.7 of the CUIIC	Subject if deductible pursuant to Section 162 of the IRC. Section 928.7 of the CUIIC	Subject if deductible pursuant to Section 162 of the IRC. Section 13009 of the CUIIC	Reportable if deductible pursuant to Section 162 of the IRC. Section 13009.5 of the CUIIC
<b>Debts Paid by Employer:</b> Amounts in lieu of cash wages offset by the employer. A. Amounts paid against a debt due from employee. B. Amounts applied to a debt owed to a third party by the employee.	Subject Section 926 of the CUIIC	Subject Section 926 of the CUIIC	Subject Section 13009 of the CUIIC	Reportable Section 13009.5 of the CUIIC
	Subject Section 926 of the CUIIC	Subject Section 926 of the CUIIC	Subject Section 13009 of the CUIIC	Reportable Section 13009.5 of the CUIIC
<b>Deceased Employee Wages</b> Wages paid to survivor or estate after the date of the employee's death.	Subject in the calendar year in which the employee died. Section 938.7 of the CUIIC	Subject in the calendar year in which the employee died. Section 938.7 of the CUIIC	Not subject Section 13009(q) of the CUIIC	Not reportable Section 13009.5 of the CUIIC

\*Refer to page 16 for endnotes.

Types of Payments	TREATMENT FOR TAX PURPOSES			
	Unemployment Insurance and Employment Training Tax <sup>1*</sup>	State Disability Insurance	Personal Income Tax Withholding	Personal Income Tax Wages
<p><b>Dependent Care Assistance Programs</b></p> <p>Limited to \$5,000 or \$2,500 if married, filing separately.</p>	Not subject if at the time paid or furnished, it is reasonable to believe the amounts are excludable from gross income pursuant to Section 129 of the IRC. Section 938.3(b) of the CUIC	Not subject if at the time paid or furnished, it is reasonable to believe the amounts are excludable from gross income pursuant to Section 129 of the IRC. Section 938.3(b) of the CUIC	Not subject if at the time paid or furnished, it is reasonable to believe the amounts are excludable from gross income pursuant to Section 129 of the IRC. Section 13009(q) of the CUIC	Not reportable if at the time paid or furnished, it is reasonable to believe the amounts are excludable from gross income pursuant to Section 129 of the IRC. Section 13009.5 of the CUIC
<p><b>Dismissal or Severance Pay</b></p>	Subject Section 926 of the CUIC unless conditions pursuant to Section 1265 of the CUIC are met.	Subject Section 926 of the CUIC unless conditions pursuant to Section 1265 of the CUIC are met.	Subject Section 13009(q) of the CUIC	Reportable Section 13009.5 of the CUIC
<p><b>Educational Assistance</b></p> <p>Payments as defined in Section 127 of the IRC.</p> <p>Undergraduate and graduate level courses excluded up to \$5,250 (maximum), per employee, per calendar year.</p>	Not subject if at the time paid or furnished, it is reasonable to believe the amounts are excludable from gross income pursuant to Section 127 of the IRC. Section 938.3(a) of the CUIC	Not subject if at the time paid or furnished, it is reasonable to believe the amounts are excludable from gross income pursuant to Section 127 of the IRC. Section 938.3(a) of the CUIC	Not subject if the amounts are excludable from gross income pursuant to Section 127 of the IRC. Section 13009(q) of the CUIC	Not reportable if the amounts are excludable from gross income pursuant to Section 127 of the IRC. Section 13009.5 of the CUIC
<p><b>Employee Achievement Awards</b></p> <p>Payments as defined in Section 74(c) of the IRC.</p> <p>Qualified plan awards not to exceed \$1,600.</p> <p>Nonqualified plan awards not to exceed \$400.</p>	Not subject if at the time awarded, it is reasonable to believe the amount is excludable from gross income pursuant to Section 74(c) of the IRC. Section 938.3(c) of the CUIC	Not subject if at the time awarded, it is reasonable to believe the amount is excludable from gross income pursuant to Section 74(c) of the IRC. Section 938.3(c) of the CUIC	Not subject if at the time awarded, it is reasonable to believe the amount is excludable from gross income pursuant to Section 74(c) of the IRC. Section 13009(q) of the CUIC	Not reportable if at the time awarded, it is reasonable to believe the amount is excludable from gross income pursuant to Section 74(c) of the IRC. Section 13009.5 of the CUIC

\*Refer to page 16 for endnotes.

Types of Payments	TREATMENT FOR TAX PURPOSES			
	Unemployment Insurance and Employment Training Tax <sup>1*</sup>	State Disability Insurance	Personal Income Tax Withholding	Personal Income Tax Wages
<b>Family Payments:</b> Refer to <i>Information Sheet: Family Employment</i> (DE 231FAM). <p>A. Payments to a son or daughter under age of 18 years in the employ of own father or mother (or by a partnership consisting of the parents only).</p> <p>B. Payments to a spouse in the employ of own spouse.</p> <p>C. Payments to an individual in the employ of own registered domestic partner (effective January 1, 2005, as defined in Section 297 of the <a href="#">California Family Code</a>).</p> <p>D. Payments to a parent in the employ of own son or daughter.</p>	Not subject Section 631 of the CUIC	Not subject Section 631 of the CUIC	Subject Section 13009 of the CUIC	Reportable Section 13009.5 of the CUIC
	Not subject Section 631 of the CUIC	Not subject Section 631 of the CUIC	Subject Section 13009 of the CUIC	Reportable Section 13009.5 of the CUIC
	Not subject Section 631 of the CUIC	Not subject Section 631 of the CUIC	Subject Section 13009 of the CUIC	Reportable Section 13009.5 of the CUIC
	Not subject Section 631 of the CUIC	Not subject Section 631 of the CUIC	Subject Section 13009 of the CUIC	Reportable Section 13009.5 of the CUIC
<b>Fringe Benefits:</b> Refer to <i>Information Sheet: Taxability of Employee Benefits</i> (DE 231EB). <p>A. Employee use of employer's vehicle for personal use.</p> <p>B. Employer-paid transportation costs that have no business connection and are not excluded pursuant to Section 132 of the IRC.</p> <p>C. Employer-paid FICA, SDI, and/or Medicare. Refer to <i>Information Sheet: Social Security/Medicare/State Disability Insurance/Federal Income Taxes Paid by an Employer</i> (DE 231Q).</p> <p>D. Employer-paid FICA and/or Medicare for domestic service in private home or agricultural labor. Refer to <i>Information Sheet: Social Security/Medicare/State Disability Insurance/Federal Income Taxes Paid by an Employer</i> (DE 231Q).</p>	Subject Section 926 of the CUIC	Subject Section 926 of the CUIC	Subject Section 13009 of the CUIC	Reportable Section 13009.5 of the CUIC
	Subject Section 926 of the CUIC	Subject Section 926 of the CUIC	Subject Section 13009 of the CUIC	Reportable Section 13009.5 of the CUIC
	Subject Section 926 of the CUIC	Subject Section 926 of the CUIC	Subject Section 13009 of the CUIC	Reportable Section 13009.5 of the CUIC
	Not subject Section 935 of the CUIC	Not subject Section 935 of the CUIC	Not subject Sections 13009(a) and 13009(b) of the CUIC	Reportable Section 13009.5 of the CUIC

\*Refer to page 16 for endnotes.

Types of Payments	TREATMENT FOR TAX PURPOSES			
	Unemployment Insurance and Employment Training Tax <sup>1*</sup>	State Disability Insurance	Personal Income Tax Withholding	Personal Income Tax Wages
<b>Fringe Benefits:</b> (cont.)				
E. Benefits excluded from gross income pursuant to Section 132 of the IRC (e.g., 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 Section 938.3(c) of the CUIC	Not subject Section 938.3(c) of the CUIC	Not subject Section 13009(q) of the CUIC	Not reportable Section 13009.5 of the CUIC
F. Rideshare subsidies defined in Section 17149 of the RTC. Subsidies include vanpool, commuter bus, bus pool, etc.	Not subject unless subsidies exceed the federal limits of Section 132 of the IRC. Section 926 of the CUIC	Not subject unless subsidies exceed the federal limits of Section 132 of the IRC. Section 926 of the CUIC	Not subject Section 13009(q) of the CUIC	Not reportable Section 13009.5 of the CUIC
G. Employer-paid federal income taxes, paid by the employer on behalf of the employee as result of federal taxes due on nonexcludable benefits to a domestic partner. (Exclusion effective October 1, 2013, until January 1, 2019, pursuant to Section 17141 of the RTC.)	Subject Section 926 of the CUIC	Subject Section 926 of the CUIC	Not subject Section 13009(q) of the CUIC	Not reportable Section 13009.5 of the CUIC
<b>Gifts</b> 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 the union agreement or contract of hire.	Not subject Section 926 of the CUIC and Section 926-2 of Title 22, CCR	Not subject Section 926 of the CUIC and Section 926-2 of Title 22, CCR	Not subject Section 13009(q) of the CUIC	Not reportable Section 13009.5 of the CUIC
<b>Group Legal Services</b> Provided by an employer to an employee, or to an employee's spouse.	Subject Section 926 of the CUIC	Subject Section 926 of the CUIC	Subject Section 13009 of the CUIC	Reportable Section 13009.5 of the CUIC
<b>Health Plans:</b>				
A. Employer-provided coverage under accident or health plans, or medical expense reimbursements.	Not subject Section 931 of the CUIC	Not subject Section 931 of the CUIC	Not subject (Subject for 2% shareholder-employees of S corporations) Section 13009(q) of the CUIC	Not reportable (Reportable for 2% shareholder-employees of S corporations) Section 13009.5 of the CUIC

\*Refer to page 16 for endnotes.

Types of Payments	TREATMENT FOR TAX PURPOSES			
	Unemployment Insurance and Employment Training Tax <sup>1</sup>	State Disability Insurance	Personal Income Tax Withholding	Personal Income Tax Wages
<b>Health Plans:</b> (cont.) B. Employer-provided coverage under accident or health plans or medical expense reimbursements to an employee's registered domestic partner.  C. Employer-provided coverage under accident or health plans or medical care expense reimbursements to an employee's child, as defined in Section 152(f)(1) of the IRC, who has not attained 27 years of age as of the end of the taxable year.	Subject Sections 926 and 939 of the CUIC unless qualifies as a dependent pursuant to Section 152 of the IRC	Subject Sections 926 and 939 of the CUIC unless qualifies as a dependent pursuant to Section 152 of the IRC	Not subject Section 13009(q) of the CUIC	Not reportable Section 13009.5 of the CUIC
	Not subject Section 938.4 of the CUIC	Not subject Section 938.4 of the CUIC	Not subject <sup>5*</sup> Sections 13006 and 13009(q) of the CUIC, Section 17131 of the RTC, and Section 106(a) of the IRC	Not Reportable <sup>5*</sup> Section 13009.5 of the CUIC
<b>Health Savings Accounts (HSAs):</b> Contributions as defined in Section 106(d) of the IRC. A. Contributions to an HSA <b>not under</b> IRC Section 125 cafeteria plan.  B. Contributions to an HSA <b>under</b> IRC Section 125 cafeteria plan.	Subject Section 926 of the CUIC	Subject Section 926 of the CUIC	Subject Sections 13006 and 13009(q) of the CUIC, Section 17131.4 of the RTC, and Section 106(d) of the IRC	Reportable Section 13009.5 of the CUIC and Section 17131.4 of the RTC
	Subject Section 926 of the CUIC	Subject Section 926 of the CUIC	Subject Sections 13006 and 13009(q) of the CUIC, Section 17131.5 of the RTC, and Section 125(d)(2)(D) of the IRC	Reportable Section 13009.5 of the CUIC and Section 17131.5 of the RTC
<b>Life Insurance Premiums Paid on Behalf of Employees</b>	Not subject Section 931(c) of the CUIC	Not subject Section 931(c) of the CUIC	Not subject if group-term life insurance. Section 13009(l) of the CUIC	Reportable <sup>3*</sup> if face value of group-term life insurance exceeds \$50,000. Section 13009.5(a)(2) of the CUIC and Section 79 of the IRC

\*Refer to page 16 for endnotes.

Types of Payments	TREATMENT FOR TAX PURPOSES			
	Unemployment Insurance and Employment Training Tax <sup>1*</sup>	State Disability Insurance	Personal Income Tax Withholding	Personal Income Tax Wages
<b>Lodging</b> Special rules apply to household employers. Refer to <i>Information Sheet: Household Employment</i> (DE 231L) and <i>Household Employer's Guide</i> (DE 8829).	Subject Section 926 of the CUIC and Sections 926-3, 926-4, and 926-5 of Title 22, CCR	Subject Section 926 of the CUIC and Sections 926-3, 926-4, and 926-5 of Title 22, CCR	Subject unless furnished on employer's premises, for the employer's convenience, and as a condition of employment. Section 4309-1(b)(9) of Title 22, CCR	Reportable unless furnished on employer's premises, for the employer's convenience, and as a condition of employment. Section 13009.5 of the CUIC
<b>Meals</b> Special rules apply to household employers. Refer to <i>Information Sheet: Household Employment</i> (DE 231L) and the <i>Household Employer's Guide</i> (DE 8829).	Subject Section 926 of the CUIC and Sections 926-3, 926-4, and 926-5 of Title 22, CCR	Subject Section 926 of the CUIC and Sections 926-3, 926-4, and 926-5 of Title 22, CCR	Subject unless furnished for the employer's convenience and on employer's premises. Section 4309-1(b)(9) of Title 22, CCR	Reportable unless furnished for the employer's convenience and on employer's premises. Section 13009.5 of the CUIC
<b>Moving Expenses:</b> A. Qualified expenses.	Not subject if it is reasonable to believe expenses are deductible by employee pursuant to Sections 132 and 217 of the IRC. Section 937 of the CUIC	Not subject if it is reasonable to believe expenses are deductible by employee pursuant to Sections 132 and 217 of the IRC. Section 937 of the CUIC	Not subject Section 13009(m) of the CUIC, and Sections 132 and 217 of the IRC	Not reportable Section 13009.5 of the CUIC, and Sections 132 and 217 of the IRC
B. Nonqualified expenses.	Subject Section 926 of the CUIC	Subject Section 926 of the CUIC	Subject Section 13009 of the CUIC	Reportable Section 13009.5 of the CUIC
<b>Noncash Payments:</b> Refer to "Lodging" and "Meals" sections in this table.				
A. Household employees – for Personal Income Tax (PIT) wages, refer to <i>Information Sheet: Personal Income Tax Wages Reported on the Quarterly Report of Wages and Withholdings for Employers of Household Workers</i> (DE 3BHW) (DE 231PH).	Refer to <i>Household Employer's Guide</i> (DE 8829) or <i>Information Sheet: Household Employment</i> (DE 231L). Section 926-3 of Title 22, CCR	Refer to <i>Household Employer's Guide</i> (DE 8829) or <i>Information Sheet: Household Employment</i> (DE 231L). Section 926-3 of Title 22, CCR	Not subject <sup>2*</sup> Section 13009(b) of the CUIC	Reportable <sup>2*</sup> Section 13009.5 of the CUIC
B. Services not in the course of employer's trade or business.	Not subject Section 936 of the CUIC	Not subject Section 936 of the CUIC	Not subject Section 13009(h) of the CUIC	Not reportable Section 13009.5 of the CUIC

\*Refer to page 16 for endnotes.

Types of Payments	TREATMENT FOR TAX PURPOSES			
	Unemployment Insurance and Employment Training Tax <sup>1*</sup>	State Disability Insurance	Personal Income Tax Withholding	Personal Income Tax Wages
<b>Railroad Retirement Tax Act and Railroad Unemployment Insurance Act</b> Payments to employees covered by these acts.	Not subject Section 635 of the CUIC	Not subject Section 635 of the CUIC	Subject Section 4304-1 of Title 22, CCR	Reportable Section 13009.5 of the CUIC
<b>Retirement and Pension Plans:</b> Refer to <i>Information Sheet: Withholding From Pensions, Annuities, and Certain Other Deferred Income (DE 231P)</i> .  A. Payments from a qualified plan. <sup>3*</sup>	Not subject Section 934 of the CUIC	Not subject Section 934 of the CUIC	Subject if employee is a California resident, unless recipient elects exemption from withholding. Section 13028 of the CUIC	Not reportable Section 13009.5 of the CUIC
B. Employee contributions to a qualified cash or deferred compensation plan as defined in Section 401(k) of the IRC.	Subject Section 926 of the CUIC, unless benefit under an IRC Section 125 cafeteria plan. Section 938.3(d) of the CUIC	Subject Section 926 of the CUIC, unless benefit under an IRC Section 125 cafeteria plan. Section 938.3(d) of the CUIC	Not subject if payments are not includable in gross income for California income tax purposes. Sections 13003(b)(4), 13009(i)(1), and 13009(q) of the CUIC	Not reportable if payments are not includable in gross income for California income tax purposes. Section 13009.5 of the CUIC
C. Employer contributions to a qualified cash or deferred compensation plan as defined in Section 401(k) of the IRC.	Subject Section 928.5(a) of the CUIC unless benefit under an IRC Section 125 cafeteria plan. Section 938.3(d) of the CUIC	Subject Section 928.5(a) of the CUIC unless benefit under an IRC Section 125 cafeteria plan. Section 938.3(d) of the CUIC	Not subject if payments are not includable in gross income for California income tax purposes. Sections 13003(b)(4), 13009(i)(1), and 13009(q) of the CUIC	Not reportable if payments are not includable in gross income for California income tax purposes. Section 13009.5 of the CUIC

\*Refer to page 16 for endnotes.

Types of Payments	TREATMENT FOR TAX PURPOSES			
	Unemployment Insurance and Employment Training Tax <sup>1*</sup>	State Disability Insurance	Personal Income Tax Withholding	Personal Income Tax Wages
<b>Retirement and Pension Plans:</b> (cont.)				
D. Employer contributions to a Simplified Employee Plan-Individual Retirement Arrangement (SEP-IRA) as defined in Section 408(k) of the IRC.	Not subject unless the contributions result from a salary reduction agreement. Section 934(c) of the CUIC	Not subject unless the contributions result from a salary reduction agreement. Section 934(c) of the CUIC	Not subject if payments are not includable in gross income for California income tax purposes. Section 13009(i)(1) of the CUIC	Not reportable if payments are not includable in gross income for California income tax purposes. Section 13009.5 of the CUIC
E. Employer contributions to a Savings Incentive Match Plan for Employees of Small Employers Individual Retirement Account (SIMPLE IRA) as defined in Section 408(p) of the IRC.	Not subject Section 934(d) of the CUIC	Not subject Section 934(d) of the CUIC	Not subject if payments are not includable in gross income for California income tax purposes. Section 13009(i)(1) of the CUIC	Not reportable if payments are not includable in gross income for California income tax purposes. Section 13009.5 of the CUIC
F. Employee contributions to a SIMPLE IRA under salary reduction agreement as defined in Section 408(p) of the IRC.	Subject Section 926 of the CUIC	Subject Section 926 of the CUIC	Not subject if payments are not includable in gross income for California income tax purposes. Section 13009(i)(1) of the CUIC	Not reportable if payments are not includable in gross income for California income tax purposes. Section 13009.5 of the CUIC
G. Employee contributions to a "Deemed IRA" as defined in Section 408(q) of the IRC.	Subject Section 926 of the CUIC	Subject Section 926 of the CUIC	Subject Section 13009 of the CUIC	Reportable Section 13009.5 of the CUIC
H. Employee contributions to a Roth contribution program as defined in Section 402A of the IRC.	Subject Section 926 of the CUIC	Subject Section 926 of the CUIC	Subject Section 13009 of the CUIC	Reportable Section 13009.5 of the CUIC
I. Employer contributions to a qualified annuity contract as defined in Section 403(a) of the IRC (applies to IRC Section 501[c][3] organizations and public school employees).	Not subject Section 934(b) of the CUIC	Not subject Section 934(b) of the CUIC	Not subject Section 13009(i)(2) of the CUIC	Not reportable Section 13009.5 of the CUIC
J. Employer contributions to a qualified annuity contract as defined in Section 403(b) of the IRC (applies to IRC Section 501[c][3] organizations and public school employers).	Not subject unless the contributions result from a salary reduction agreement. Section 934(e) of the CUIC	Not subject unless the contributions result from a salary reduction agreement. Section 934(e) of the CUIC	Not subject Section 13009(q) of the CUIC	Not reportable Section 13009.5 of the CUIC

\*Refer to page 16 for endnotes.

Types of Payments	TREATMENT FOR TAX PURPOSES			
	Unemployment Insurance and Employment Training Tax <sup>1*</sup>	State Disability Insurance	Personal Income Tax Withholding	Personal Income Tax Wages
<b>Retirement and Pension Plans:</b> (cont.)				
K. Employer contributions under an exempt governmental deferred compensation plan as defined in Section 3121(v)(3) of the IRC.	Not subject Section 934(f) of the CUIC	Not subject Section 934(f) of the CUIC	Not subject Section 13009(q) of the CUIC	Not reportable Section 13009.5 of the CUIC
L. Employer contributions to certain nonqualified deferred compensation plans.	Subject when services are performed or when there is no substantial risk of forfeiture of the right to the amount, whichever is later. Section 928.5(c) of the CUIC	Subject when services are performed or when there is no substantial risk of forfeiture of the right to the amount, whichever is later. Section 928.5(c) of the CUIC	Subject when funds become "constructively available". Section 13028 of the CUIC unless individual elects not to have tax withheld.	Reportable when funds become "constructively available". Section 13028 of the CUIC unless individual elects not to have tax withheld.
M. Payments upon death or retirement for disability of an employee or an employee's dependent made under a plan providing for employees or a class or classes of employees.	Not subject Section 938 of the CUIC	Not subject Section 938 of the CUIC	Not subject Section 13009(q) of the CUIC	Not reportable Section 13009.5 of the CUIC
<b>Salary Advances</b>	Subject at the time the advance is paid, <b>not</b> when it is deducted from future earnings (wage payments). Section 926 of the CUIC	Subject at the time the advance is paid, <b>not</b> when it is deducted from future earnings (wage payments). Section 926 of the CUIC	Subject at the time the advance is paid, <b>not</b> when it is deducted from future earnings (wage payments). Section 13009 of the CUIC	Reportable at the time the advance is paid, <b>not</b> when it is deducted from future earnings (wage payments). Section 13009.5 of the CUIC
<b>Scholarship Payments, Fellowship Grants, Tuition Reductions, or Stipend Award</b> Payments as defined in Section 117 of the IRC.	Not subject if it is reasonable to believe that the benefit is excludable from gross income pursuant to Section 117 of the IRC. Section 938.3(c) of the CUIC	Not subject if it is reasonable to believe that the benefit is excludable from gross income pursuant to Section 117 of the IRC. Section 938.3(c) of the CUIC	Not subject if it is reasonable to believe that the benefit is excludable from gross income pursuant to Section 117 of the IRC. Section 13009(q) of the CUIC	Not reportable if it is reasonable to believe that the benefit is excludable from gross income pursuant to Section 117 of the IRC. Section 13009.5 of the CUIC

\*Refer to page 16 for endnotes.

Types of Payments	TREATMENT FOR TAX PURPOSES			
	Unemployment Insurance and Employment Training Tax*	State Disability Insurance	Personal Income Tax Withholding	Personal Income Tax Wages
<p><b>Sick Pay Paid by Third-Party Payers</b> Such as insurance companies or trusts: Reporting is the responsibility of the last employer if timely notified by the payer. Refer to <i>Information Sheet: Third-Party Sick Pay</i> (DE 231R).</p> <p>A. Third-party payer <b>does notify</b> the recipient's last employer within 15 days after payment. Refer to <i>Request for State Income Tax Withholding from Sick Pay</i> (DE 4S) or <i>Request for Federal Income Tax Withholding from Sick Pay</i> (Form W-4S).</p> <p>B. Third-party payer <b>does not notify</b> 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.</p> <p>C. Sick pay paid after the end of six calendar months following the calendar month in which employee last worked for the employer, and third-party payer <b>does notify</b> recipient's last employer within 15 days after payment.</p> <p>D. Sick pay paid after the end of six calendar months following the calendar month in which employee last worked for the employer, and third-party payer <b>does not notify</b> recipient's last employer within 15 days after payment.</p>	Subject recipient's employer is responsible for reporting UI and ETT. Section 931.5 of the CUIC	Not subject Section 931.5 of the CUIC	Subject if employee requests withholding by filing DE 4S or Form W-4S with third-party who is responsible for reporting PIT withholding. Section 13028.6 of the CUIC	Reportable recipient's employer is responsible for reporting PIT wages. Section 13009.5(a)(3)(A) of the CUIC
	Subject third-party payer is responsible for reporting UI and ETT. Section 931.5 of the CUIC	Not subject neither employer nor third-party payer is required to report. Section 931.5 of the CUIC	Subject if employee requests withholding by filing DE 4S or Form W-4S with third-party payer. Section 13028.6(c) of the CUIC	Reportable recipient's employer is responsible for reporting PIT wages. Section 13009.5(a)(3)(B) of the CUIC
	Not subject neither employer nor third-party payer is required to report. Section 933 of the CUIC	Not subject neither employer nor third-party payer is required to report. Section 933 of the CUIC	Subject if employee requests withholding by filing DE 4S or Form W-4S with third-party payer who is responsible for reporting PIT withholding. Section 13028.6(c) of the CUIC	Reportable recipient's employer is responsible for reporting PIT wages. Section 13009.5(a)(3)(A) of the CUIC
	Not subject neither employer nor third-party payer is required to report. Section 933 of the CUIC	Not subject neither employer nor third-party payer is required to report. Section 933 of the CUIC	Subject if employee requests withholding by filing DE 4S or Form W-4S with third-party payer. Section 13009 of the CUIC	Reportable third-party payer is responsible for reporting PIT wages. Section 13009.5(a)(3)(B) of the CUIC

\*Refer to page 16 for endnotes

Types of Payments	TREATMENT FOR TAX PURPOSES			
	Unemployment Insurance and Employment Training Tax <sup>1*</sup>	State Disability Insurance	Personal Income Tax Withholding	Personal Income Tax Wages
<b>Sickness or Accident Disability Payments under:</b>				
A. Workers' Compensation law.	Not subject Section 931(a) of the CUIC	Not subject Section 931(a) of the CUIC	Not subject Section 13009(q) of the CUIC	Not reportable Section 13009.5 of the CUIC
B. Employer plans and contracts of insurance.	Not subject if made more than six calendar months following the last month in which employee worked for employer. Section 933 of the CUIC	Not subject if made more than six calendar months following the last month in which employee worked for employer. Section 933 of the CUIC	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. Section 13009 of the CUIC	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. Section 13009.5 of the CUIC
C. Sick pay while employed.	Subject Section 931 of the CUIC	Subject Section 931 of the CUIC	Subject Section 13009 of the CUIC	Reportable Section 13009.5 of the CUIC
D. A plan entirely funded by employees.	Not subject Section 926 of the CUIC	Not subject Section 926 of the CUIC	Not subject Section 13009(q) of the CUIC	Not reportable Section 13009.5 of the CUIC

\*Refer to page 16 for endnotes.

Types of Payments	TREATMENT FOR TAX PURPOSES			
	Unemployment Insurance and Employment Training Tax <sup>1*</sup>	State Disability Insurance	Personal Income Tax Withholding	Personal Income Tax Wages
<b>Stock Options:</b> Refer to <i>Information Sheet: Stock Options</i> (DE 231SK).				
A. Incentive Stock Option (ISO): <ul style="list-style-type: none"> <li>Qualifying Disposition (after minimum holding period).</li> </ul>	Not subject Section 928 of the CUIC	Not subject Section 928 of the CUIC	Not subject Sections 13003(b)(4) and 13009 of the CUIC	Not reportable Section 13009 of the CUIC
<ul style="list-style-type: none"> <li>Disqualifying Disposition.</li> </ul>	Not subject Section 928 of the CUIC	Not subject Section 928 of the CUIC	Not subject Sections 13003(b)(4) and 13009 of the CUIC	Reportable when disposed. Section 13009 of the CUIC
B. Employee Stock Purchase Plan (ESPP): <ul style="list-style-type: none"> <li>Qualifying Disposition.</li> </ul>	Not subject Section 928 of the CUIC	Not subject Section 928 of the CUIC	Not subject Sections 13003(b)(4) and 13009 of the CUIC	Not reportable Section 13009 of the CUIC
<ul style="list-style-type: none"> <li>Disqualifying Disposition.</li> </ul>	Not subject Section 928 of the CUIC	Not subject Section 928 of the CUIC	Not subject Sections 13003(b)(4) and 13009 of the CUIC	Reportable when disposed. Section 13009 of the CUIC
C. Nonstatutory Stock Option (NSO): <ul style="list-style-type: none"> <li>With readily ascertainable fair market value when granted.</li> </ul>	Subject when granted. Section 928 of the CUIC	Subject when granted. Section 928 of the CUIC	Subject when granted. Sections 13003(b)(4) and 13009 of the CUIC	Reportable when granted. Section 13009 of the CUIC
<ul style="list-style-type: none"> <li>Without readily ascertainable fair market value when granted.</li> </ul>	Subject when exercised. Section 928 of the CUIC	Subject when exercised. Section 928 of the CUIC	Subject when exercised. Section 13003(b)(4) and 13009 of the CUIC	Reportable when exercised. Section 13009 of the CUIC
D. California Qualified Stock Option (CQSO): <ul style="list-style-type: none"> <li>Defined by Section 17502 of the RTC.</li> </ul>	Not subject Section 928 of the CUIC	Not subject Section 928 of the CUIC	Not subject Section 13003(b)(4) of the CUIC	Not reportable Section 13009 of the CUIC
<ul style="list-style-type: none"> <li>Not defined by Section 17502 of the RTC.</li> </ul>	Same treatment as NSO	Same treatment as NSO	Same treatment as NSO	Same treatment as NSO

\*Refer to page 16 for endnotes.

Types of Payments	TREATMENT FOR TAX PURPOSES			
	Unemployment Insurance and Employment Training Tax <sup>1*</sup>	State Disability Insurance	Personal Income Tax Withholding	Personal Income Tax Wages
<b>Supplemental Unemployment Compensation Plan Benefits</b> Paid under an employer's plan.	Not subject Section 1265 of the CUIC	Not subject Section 1265 of the CUIC	Subject Section 13028.5 of the CUIC	Reportable Section 13009.5 of the CUIC
<b>Supplemental Wages</b>	Subject Section 926 of the CUIC	Subject Section 926 of the CUIC	Subject Section 13009 of the CUIC	Reportable Section 13009.5 of the CUIC
<b>Tips:</b> Refer to <i>Information Sheet: Tips</i> (DE 231T)				
A. Cash tips that are received by the employee while performing services in employment <b>and</b> included in a written statement furnished to the employer.	Subject if \$20 or more in a month. Section 927 of the CUIC and Section 927-1 of Title 22, CCR	Subject if \$20 or more in a month. Section 927 of the CUIC and Section 927-1 of Title 22, CCR	Subject if \$20 or more in a month. Sections 13009 and 13009(n)(2) of the CUIC	Reportable if \$20 or more in a month. Section 13009.5 of the CUIC
B. Banquet tips and employer controlled tips, which are considered a regular wage, that are received by the employee from the employer while performing services in employment. The taxability is not contingent upon employee reporting them to employer.	Subject Section 926 of the CUIC	Subject Section 926 of the CUIC	Subject Section 13009 of the CUIC	Reportable Section 13009.5 of the CUIC
C. Noncash tips.	Not subject Section 3121(a)(12)(A) of the IRC	Not subject Section 3121(a)(12)(A) of the IRC	Not subject Section 13009(n)(1) of the CUIC	Not reportable Section 13009.5 of the CUIC
<b>Tuition Programs:</b> Payments as defined in Section 17140 of the RTC, including Golden State Scholarshare Trust account.				
A. Contribution to trust by participant.	Not subject Section 926 of the CUIC	Not subject Section 926 of the CUIC	Not subject Section 13009(q) of the CUIC	Not reportable Section 13009.5 of the CUIC
B. Contribution to trust by participant's employer.	Subject Section 926 of the CUIC and Section 17140(c)(2) of the RTC	Subject Section 926 of the CUIC and Section 17140(c)(2) of the RTC	Subject Section 13009(q) of the CUIC	Reportable Section 13009.5 of the CUIC
C. Distribution from trust to school or participant for educational expenses.	Not subject Section 926 of the CUIC	Not subject Section 926 of the CUIC	Not subject Section 13009(q) of the CUIC	Not reportable Section 13009.5 of the CUIC

\*Refer to page 16 for endnotes.

Types of Payments	TREATMENT FOR TAX PURPOSES			
	Unemployment Insurance and Employment Training Tax**	State Disability Insurance	Personal Income Tax Withholding	Personal Income Tax Wages
<b>Vacation Pay, Sick Pay, and Holiday Pay</b> 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 Sections 1265.5, 1265.6, and 1265.7 of the CUIIC	Not subject Sections 1265.5, 1265.6, and 1265.7 of the CUIIC	Subject Section 13009 of the CUIIC	Reportable Section 13009.5 of the CUIIC
<b>Worker Adjustment and Retraining Notification (WARN)</b> 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 Section 1265.1 of the CUIIC	Not subject Section 1265.1 of the CUIIC	Subject Section 13009(q) of the CUIIC	Reportable Section 13009.5 of the CUIIC
<b>Workers' Compensation</b>	Not subject Section 931(a) of the CUIIC	Not subject Section 931(a) of the CUIIC	Not subject Section 13009(q) of the CUIIC	Not reportable Section 13009.5 of the CUIIC

#### Endnotes

- <sup>1</sup> 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.
- <sup>2</sup> Subject if employer and employee voluntarily agree to withhold California Personal Income Tax (PIT).
- <sup>3</sup> Pension, annuity, and other deferred income distributions reported on [Form 1099-R](#).
- <sup>4</sup> Employer should report the same amount as PIT wages that is reported for federal income tax wages.
- <sup>5</sup> California Assembly Bill (AB) 36 was signed by Governor Brown on April 7, 2011. This bill brings California into conformity with the federal government regarding healthcare reform legislation: The patient Protection and Affordable Care Act (Public Law 111-148) and The Health Care and Education Reconciliation Act of 2010 (Public Law 111-152) for state income tax purposes. State law provisions will no longer consider health care payments for adult children as income for California PIT purposes and therefore not subject to California PIT withholding.

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

The California Unemployment Insurance Code is available online at <http://leginfo.legislature.ca.gov/faces/codes.xhtml>.

#### ADDITIONAL INFORMATION

For further information, please contact the Taxpayer Assistance Center at 888-745-3886 or visit your local Employment Tax Office listed in the *California Employer's Guide* ([DE 44](#)) and on the EDD website at [www.edd.ca.gov/Office\\_Locator/](http://www.edd.ca.gov/Office_Locator/). Additional information is also available through the EDD no-fee payroll tax seminars and online courses. View the in-person and online course offerings on the EDD website at [www.edd.ca.gov/Payroll\\_Tax\\_Seminars/](http://www.edd.ca.gov/Payroll_Tax_Seminars/).

The EDD is an equal opportunity employer/program. Auxiliary aids and services are available upon request to individuals with disabilities. Requests for services, aids, and/or alternate formats need to be made by calling 888-745-3886 (voice) or TTY 800-547-9565.

This information sheet is provided as a public service and is intended to provide nontechnical assistance. Every attempt has been made to provide information that is consistent with the appropriate statutes, rules, and administrative and court decisions. Any information that is inconsistent with the law, regulations, and administrative and court decisions is not binding on either the Employment Development Department or the taxpayer. Any information provided is not intended to be legal, accounting, tax, investment, or other professional advice.