

ELECTRONIC FILING GUIDE for the

Independent Contractor Reporting Program



Cover + 8 pages

For Assistance . . .

For questions regarding the Independent Contractor Reporting (ICR) program, you may access the Employment Development Department's (EDD) [Independent Contractor Reporting](#) Web page or call (916) 657-0529

For questions regarding electronic filing, call e-Services Customer Service between 8:00 a.m. and 5:00 p.m., PT, Monday through Friday, at:
(916) 651-6945
Fax (916) 654-7340
E-mail e-Services Section at:
ecom@edd.ca.gov

OR

Write to:
e-Services Section, MIC 15A
Employment Development Department
P.O. Box 826880
Sacramento, CA 94280-0001

Please direct all general tax filing questions to EDD's Taxpayer Assistance Center toll-free at (888) 745-3886.

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.

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I. INTRODUCTION

Background – Independent Contractor Reporting Program

Since 1998, all employers have been required to report new hires in California to the Employment Development Department (EDD) as part of the New Employee Registry Program. In 1999, Senate Bill 542 was passed by the California Legislature to expand the new employee reporting requirements to include independent contractors. Effective January 1, 2001, any business deriving trade or business income from sources within California or subject to the laws of California that is required to file a federal Form 1099-MISC for services performed by an independent contractor must report specific information to the Employment Development Department (EDD). This information assists state agencies in establishing, modifying, or enforcing child support obligations.

II. GENERAL INFORMATION

Required Information for Independent Contractor Reporting

The following information is required when reporting independent contractors to EDD:

Business or Government Entity Information (Service-Recipient)

- Business name, address, and telephone number
- Federal employer identification number and/or EDD employer account number and/or Social Security Number, whichever applies

Independent Contractor Information (Service-Provider)

- First name, middle initial, and last name
- Social Security Number
- Address
- Start date of contract (if no contract, date payments equal \$600 plus)
- Amount of contract (including cents)
- Contract expiration date (if applicable)
- Ongoing contract (check box if applicable)

Filing Deadline

The independent contractor information must be reported within 20 calendar 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 is earlier. Businesses that report by submitting independent contractor files are required to submit two files each month that are not less than 12 days nor more than 16 days apart. No report or file should be submitted if there are no independent contractors to report.

Penalties

The EDD may assess a penalty of \$24 for each failure to report the required independent contractor information, unless the failure is due to good cause. The EDD may assess a penalty of \$490 if the failure to report an independent contractor is the result of a conspiracy between the service-recipient and the independent contractor not to supply the required report or to supply a false or incomplete report.

Electronic Reporting Advantages

We encourage employers to file electronically. Following are some of the advantages of reporting independent contractor information electronically:

- Fast, easy, and secure way to file.
- Simple one-time online enrollment to use e-Services for Business applications.
- Ability to view and edit your returns/reports prior to submission.
- Ability to view and print returns/reports previously submitted online.
- Confirmation that the report has been received by EDD.
- No mailing costs.

III. ELECTRONIC REPORTING

e-Services for Business Enrollment

To file reports/returns electronically, you must enroll to use EDD's e-Services for Business and establish a Username and password. Tax preparers (payroll agents, payroll services, CPAs, or other employer representatives) can establish their own Username and password to report on behalf of their clients. Once the Username and password have been established, you can use all of the e-Services applications to manage your account, file reports/returns, and pay taxes.

To enroll to use e-Services for Business, start at the [e-Services for Business](#) Web page, click on the **e-Services for Business Login** option, and follow the prompts. Please review the password rules as most enrollment problems are caused by the selection of an invalid password.

Electronic Filing Options for Independent Contractor Reporting

The EDD offers a secure Web site to report your *Report of Independent Contractor(s)* (DE 542) information. The following electronic filing options are available:

➤ **File Rpt. Of Ind. Contractors**

The **File Rpt. Of Ind. Contractors** option allows businesses to complete and submit their DE 542 information online. This program is designed for businesses to enter the information for up to 30 independent contractors in one submission. To use the **File Rpt. Of Ind. Contractors** option:

1. Start at the [e-Services for Business](#) Web page.
2. Select the **e-Services for Business Login** option.
3. Enter your Username and password and click on the **Login** button.
4. Click on **File Rpt. Of Ind. Contractors**.
5. Follow the prompts to complete the DE 542.
6. Review and submit the completed DE 542.

You will receive immediate confirmation that the report was successfully filed.

➤ **Attach a Return File**

The **Attach a Return File** option allows businesses to submit their DE 542 information as a file attachment over the Internet. Please see Appendix A for the file format, file specifications, general record usage information, and record layouts. To use the **Attach a Return File** option:

1. Start at the [e-Services for Business](#) Web page.
2. Select the **e-Services for Business Login** option.
3. Enter your Username and password and click on **Login**.
4. Click on **Attach a Return File**.
5. From the "Type" dropdown box, select **DE 542, ICR, ZIP**.
6. Use the browse button to locate and select the file to be attached (maximum file size 5MB).
7. If there are errors in the file, the "Type" box will turn red. All errors need to be corrected before the file will be accepted.

III. ELECTRONIC REPORTING (Continued)

8. Follow the prompts to complete the required information.
9. Review and submit the completed DE 542.

You will receive immediate confirmation that the report was successfully filed.

➤ **Bulk Transmissions (XML and Web Services)**

Several states, the Internal Revenue Service and some software vendors developed the Federal/State Employment Taxes (FSET) Program to provide a standardized method for filing federal and state employment tax and wage reports in eXtensible Markup Language (XML). The FSET Program allows you to transmit reports/returns and make *Payroll Tax Deposit* (DE 88) payments application-to-application using Web services. The FSET program is open to:

- Employers who want to either develop their own software or use the services of a participating payroll service provider or transmitter.
- Software developers, transmitters, and payroll service providers that act as reporting agents.

You can download the *Federal/State Employment Taxes Information Guide* (DE 545), the FSET DE 542 schema and the forms needed to enroll in the FSET Program from the [Bulk Transmission \(XML and Web Services\)](#) Web page. If you would like to use the services of a payroll service provider or transmitter to file your reports, a link to the list of EDD approved FSET vendors is also located on this Web page.

APPENDIX A

Independent Contractor File Format

- Data must be recorded in standard ASCII code created on MS/PC-DOS operating system.
- Data must be written in **UPPER CASE LETTERS ONLY**.

File Specifications

- The file name should be reported as “**INDCONTR.**”
- Each record in the file must be created with a fixed length of 175 characters.
- If record delimiters are used (CR – Carriage Return followed by LF - Line Feed), they must follow the last character of each record and be placed in positions 176 and 177, respectively.
- You may report multiple businesses and/or government entities on the same file. However, each business and/or government entity must have a valid Federal Employer Identification Number (FEIN) before it can be reported electronically.

Record Types

The following three record types are required to create an independent contractor report:

- **Code RIC** – Service-Recipient Record identifies a business or government entity whose independent contractor information is being reported.
- **Code PIC** – Service-Provider Record is used to report the independent contractor data. A separate Code PIC record must be generated for each independent contractor to be reported.
- **Code TIC** – Total Record contains the total number of Code PIC records reported since the last Code RIC record. A Code TIC record must be generated for each Code RIC record.

Code RIC- Service-Recipient Record Layout

CODE RIC – SERVICE-RECIPIENT RECORD

LOCATION	FIELD	LENGTH	DESCRIPTION AND REMARKS
			Note: Blank fill means to use the spacebar to fill a field.
1-3	Record Identifier	3	Enter "RIC." Each business or government entity to be reported must begin with a Code "RIC" record.
4-12	Federal Employer Identification Number (FEIN)	9	Enter the service-recipient's (business or government entity's) assigned FEIN. Omit hyphens. Required element.
13-20	EDD Employer Account Number	8	Enter the number assigned by the California EDD, if applicable. A seven digit account number followed by a check digit. Left justify and zero fill. Do not enter blanks or hyphens.
21-29	Service-Recipient's SSN	9	Enter the service-recipient's Social Security Number, if applicable. Left justify and zero fill.
30-74	Service-Recipient's Name	45	Enter the service-recipient's name. Left justify and blank fill.
75-114	Street Address	40	Enter the service-recipient's street address. Left justify and blank fill.
115-139	City	25	Enter the service-recipient's city. Left justify and blank fill.
140-141	State	2	Enter the valid United States Postal Service (USPS) state abbreviation.
142-146	ZIP Code/Foreign Postal Code	5	Enter a valid ZIP Code. For a foreign address, use this field for the Foreign Postal Code. Left justify and blank fill.
147-150	ZIP Code Extension	4	Enter the four digit extension of the ZIP Code. Left justify and blank fill. If this field is not applicable, blank fill.
151-153	Area Code	3	Enter the three digit area code of the service-recipient.
154-160	Telephone Number	7	Enter the seven digit telephone number of the service recipient. Do not enter blanks or hyphens.
161-175	Blank	15	Blank fill.

APPENDIX A (CONTINUED)

Code PIC – Service-Provider Record Layout

CODE PIC – SERVICE-PROVIDER RECORD

LOCATION	FIELD	LENGTH	DESCRIPTION AND REMARKS Note: Blank fill means to use the spacebar to fill a field.
1-3	Record Identifier	3	Enter "PIC."
4-12	Service-Provider's (Independent Contractor's) SSN	9	Enter the service-provider's Social Security Number. Omit hyphens.
13-28	Service-Provider's First Name	16	Enter the service-provider's first name. Left justify and blank fill.
29	Service-Provider's Middle Initial	1	Enter the service-provider's middle initial. If no middle initial, blank fill.
30-59	Service-Provider's Last Name	30	Enter the service-provider's last name. Left justify and blank fill.
60-99	Service-Provider's Address	40	Enter service-provider's address. Left justify and blank fill.
100-124	City	25	Enter service-provider's city. Left justify and blank fill.
125-126	State	2	Enter the valid USPS state abbreviation.
127-131	ZIP Code/Foreign Postal Code	5	Enter a valid ZIP Code. For a foreign address, use this field for the Foreign Postal Code. Left justify and blank fill.
132-135	ZIP Code Extension	4	Enter the four digit extension of the ZIP Code. Left justify and blank fill. If this field is not applicable, blank fill.
136-143	Start Date of Contract	8	Enter the start date of the contract in a YYYYMMDD format. If no contract, enter the date when total payments made equal or exceed \$600 in a YYYYMMDD format.
144-154	Amount of Contract	11	Enter the amount of the contract, including dollars and cents. Do not enter dollar signs, commas, or decimal points. Right justify and zero fill.
155-162	Contract Expiration Date	8	Enter the expiration date of the contract in a YYYYMMDD format. Required element unless contract is ongoing. If ongoing, blank fill.
163	Ongoing Contract	1	Enter "Y" if applicable, otherwise blank fill.
164-175	Blank	12	Blank fill.

APPENDIX A (CONTINUED)

Code TIC – Total Record Layout

CODE TIC – TOTAL RECORD

LOCATION	FIELD	LENGTH	DESCRIPTION AND REMARKS
			Note: Blank fill means to use the spacebar to fill a field.
1-3	Record Identifier	3	Enter "TIC."
4-14	Number of Service-Providers Reported	11	Enter the total number of Code "PIC" records reported since the last Code "RIC" record. Right justify and zero fill.
15-175	Blank	161	Blank fill.