Assembly Bill 5 – Employment Status

Assembly Bill (AB) 5, recently signed into law, codifies the decision made by the California Supreme Court in the Dynamex case to determine whether a person is an employee or an independent contractor in California.

Effective January 1, 2020, employers are required to classify workers providing labor or services for payment as employees rather than independent contractors unless the employer can prove they meet all conditions of the ABC test:

A. The person is free from the control and direction of the hiring entity in connection with the performance of the work, both under the contract for the performance of the work and in fact.

B. The person performs work that is outside the usual course of the hiring entity’s business.

C. The person is customarily engaged in an independently established trade, occupation, or business of the same nature as that involved in the work performed.

To learn more, visit AB 5 – Employment Status Mandate.
Join the Employment Development Department’s (EDD) email subscription service by visiting Get Email Notices for the latest news on AB 5 and other EDD updates.

If you have questions, visit the Labor and Workforce FAQs, contact the Taxpayer Assistance Center at 1-888-745-3886, or visit your local Employment Tax Office.

PayNearMe – a New Payment Option

The EDD has been diligently working on implementing a solution for employers who do not have access to banking and must make payroll tax payments with cash. The PayNearMe payment option is your solution!

Under AB 1245, all employers are required to electronically submit employment tax returns, wage reports, and payroll tax deposits to the EDD. PayNearMe is available now and provides a new option to meet the E-file and E-pay Mandate for Employers (AB 1245). With this new service, you are able to make cash payments at more than 27,000 stores. Some stores are open 24 hours a day, 7 days a week.

To take advantage of this payment option, visit File and Pay Options, select PayNearMe, then follow these simple steps:

- Complete the online payment fields to obtain a barcode using a desktop computer or mobile device.
- Print the barcode provided (or send it to your smart phone).
- Enter “Employment Development Department” as the biller name when searching for the nearest PayNearMe location.
- Complete the PayNearMe Cash Payroll Tax Remittance Detail (DE 32) (PDF) and send the form by fax to the EDD at 1-916-654-7441 or mail to:
  
  Employment Development Department  
  e-Pay Group, MIC 15-A  
  PO Box 826880  
  Sacramento, CA 94280-0001

You can also call the e-Pay Group at 1-916-654-9130 to provide your payment information. This information is necessary to post payments to your employer payroll tax account number. Payments will usually post to your payroll tax account within five business days but will be credited the day payment is made at the retail establishment.

PayNearMe accepts up to $2,500 in a 24-hour period ($1,000 per transaction limit) and $10,000 per month. A $5.99 fee is charged per transaction.

For more information, visit Cash and Credit Card Payments. If you have any questions regarding the new PayNearMe service, email the e-Pay Group or phone them at 1-916-654-9130.

2020 Taxable Values for Meals and Lodging

Visit Rates, Withholding Schedules, and Meals and Lodging for the 2020 Meals and Lodging Values.
Protecting the Unemployment Insurance Trust Fund

Protecting the integrity of the Unemployment Insurance (UI) Trust Fund and employers’ UI reserve accounts requires a comprehensive and collaborative approach.

Starting with a robust identity verification process, the UI program detects fraud by verifying all claimants through various databases, including the Social Security Administration and Department of Motor Vehicles. The UI program conducts additional audits at different intervals that leverage employer information and state and national databases to determine if a claimant has returned to work while collecting UI benefits. The EDD’s dedicated team investigates fraud and collaborates with the US Department of Labor and other law enforcement agencies when fraud schemes emerge. The EDD also relies on tips from employers and the public to discover fraud schemes. All of these efforts are in addition to the safeguards built into the EDD’s systems to deter, prevent, and detect fraud.

To deter fraud, the EDD actively prosecutes fraud to make it abundantly clear that the EDD is committed to detecting and prosecuting fraud to the fullest extent of the law. To prevent fraud, the Integrity Marketing workgroup develops creative ways to ensure that only those workers truly in need of UI benefits receive them. Because of their efforts, several educational tools are available for both claimants and employers, including a helpful video for employers (YouTube) and a quarterly mailing (PDF) to remind claimants of the requirement to report work and wages, and of the consequences for non-compliance. A dedicated webpage and several videos are available to UI OnlineSM users to help properly report other types of income, such as residuals, bonuses, and commissions. The EDD also participates in the annual International Fraud Awareness Week using engaging staff materials to bring awareness and educate EDD staff.

What Are Your Annual Notification Requirements?

As a California employer, you are required to provide the following to your employees annually:

- Wage and Tax Statement (Form W-2)
- Earned Income Tax Credit (EITC) Notification
- Information Return (Form 1099)

For more information, visit Year End Notifications.

The Adjusted Interest Rate for 2020 Is 5 Percent

The annual interest rate for January 1 through June 30, 2020, is 5 percent (0.05), compounded daily. The daily interest factor will be 0.000137. Interest is charged on all delinquent taxes, interest, and certain penalties. If you have any questions about the annual interest rate for 2020, please call the Taxpayer Assistance Center at 1-888-745-3886 or visit Interest Rate.

Tax Rate Notice and New Online Protest Option Now Available!


Carefully review all items on the DE 2088 as it informs you of your 2020 tax rates and UI reserve account activity.

The 2020 UI taxable wage limit and the Employment Training Tax (ETT) taxable wage limit is $7,000 per employee. The ETT rate will remain at 0.1 percent (.001).

The DE 2088 also notifies you about your 2020 State Disability Insurance (SDI) rate and taxable wage limit, and if you are subject to ETT.

Any item on the DE 2088 may be protested except SDI and ETT, which are specifically set by law. You or your agent can submit protests online through your e-Services for Business account for greater ease and convenience. For more information about your protest rights, refer to the reverse side of your DE 2088. You can also refer to the Explanation of the Notice of Contribution Rates and Statement of UI Reserve Account (DE 2088C) or call the Taxpayer Assistance Center at 1-888-745-3886.