

# Fact Sheet

## Payroll Taxes

As one of the largest tax collection agencies in the nation, the California Employment Development Department (EDD) administers California's payroll tax programs, including:

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

The EDD's Tax Branch works with employers to ensure that necessary payroll taxes and information are reported promptly and accurately. In State Fiscal Year 2018-19, the Tax Branch:

- Collected more than \$81.4 billion in payroll taxes, including \$67.7 billion in PIT. These funds support the UI, SDI, and employment training programs, as well as the State General Fund.
- Processed more than 50.5 million documents, including payroll tax forms, UI, and SDI benefit claim forms.
- Maintained wage records for more than 18.5 million workers.

The Tax Branch also verifies the reporting of wages and enforces the timely payment of taxes, with emphasis on:

- Educating and assisting employers.
- Determining that all employers are reporting employees properly.
- Correctly maintaining employment wage records to ensure prompt payment of benefits.

In addition, the EDD's Tax Branch collects new hire and independent contractor information from California businesses to help locate parents who are delinquent in their child support obligations.

### Services

The following services are provided to educate and assist employers in meeting their payroll tax obligations:

- Our website offers easy access to payroll tax information, forms, and publications at [EDD website](http://edd.ca.gov) (edd.ca.gov). Our **joint tax agency website** at [California Tax Service Center](http://taxes.ca.gov) (taxes.ca.gov) has information on federal and state income taxes, payroll taxes, and sales and use taxes.
- **Employment Tax Offices** (ETOs) provide one-on-one payroll tax services to employers. To locate an office near you, visit the [Office Locator](http://edd.ca.gov/office_locator) (edd.ca.gov/office\_locator).
- No cost **payroll tax workshops** and seminars are provided to increase employers' awareness of their payroll tax responsibilities. Seminar information is available online at [Payroll Tax Seminars](http://edd.ca.gov/Payroll_Tax_Seminars) (edd.ca.gov/Payroll\_Tax\_Seminars).

- The **Taxpayer Assistance Center** provides payroll tax assistance to employers toll-free at 1-888-745-3886.
- The **Small Business Employer Advisory Committee** provides ongoing communication between the EDD and businesses that must withhold and remit payroll taxes.
- The **Office of the Taxpayer Rights Advocate** protects the rights of taxpayers.
- **Information Sheets** and **Fact Sheets** are available with information on specific topics. For more information, visit [Payroll Taxes - Forms and Publications](http://edd.ca.gov/Payroll_Taxes/Forms_and_Publications.htm) (edd.ca.gov/Payroll\_Taxes/Forms\_and\_Publications.htm) or contact our Taxpayer Assistance Center at 1-888-745-3886.

### Online Services

The EDD offers employers the ability to manage their employer payroll tax accounts online. Payroll agents can access their clients' accounts, which will allow the agent to maintain their clients' accounts.

## e-Services for Business

([edd.ca.gov/e-Services\\_for\\_Business.htm](http://edd.ca.gov/e-Services_for_Business.htm)) has many benefits and features:

- Fast, easy, and secure.
- Fulfills the e-file and e-pay mandate for employers.
- One-time online enrollment.
- Register for an employer payroll tax account number.
- File, adjust, and print returns and reports.
- View and update account information.
- View previously submitted returns/reports and payments.
- Make payments.
- Close or re-open an employer payroll tax account.
- View notices and letters.
- File an Unemployment Insurance (UI) benefit charge or UI rate protest.
- Accessible through tablets and smart phones.

## Payroll Taxes

### • Unemployment Insurance (UI):

UI is an employer-paid tax based on wages that provides temporary payments to individuals who are unemployed through no fault of their own. UI was established as part of a national program administered by the U.S. Department of Labor under the Social Security Act. 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.

Nonprofit and governmental employers may elect the reimbursable method of UI financing 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):

ETT is an employer-paid tax that was established to provide training funds for employees in targeted industries to improve the competitiveness of California companies. 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. Employers subject to ETT pay one-tenth of one percent on the first \$7,000 in wages paid to each employee in a calendar year.

### • State Disability Insurance (SDI):

SDI is a deduction from employees' wages that provides temporary benefit payments to workers for nonwork-related disabilities. (Workers' compensation laws cover work-related disabilities.) Currently, employers withhold a percentage for SDI on wages paid to each employee in a calendar year.

### • Paid Family Leave (PFL):

PFL is a deduction from employees' wages that provides disability compensation to individuals who take time off from work to care for a seriously ill child, spouse, parent, or domestic partner or to bond with a new child. The PFL is a component of the SDI program and the SDI rate includes PFL. Workers who are covered by SDI also will be covered by this benefit.

### • Personal Income Tax (PIT) Withholding:

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

### • Elective Coverage:

Elective UI and/or SDI coverage is available for specific individuals and classes of employees, such as sole proprietors and individual partners who are employers. Self-employed individuals (with no employees) may elect SDI only. Exempt employees may elect UI and SDI with their employer's consent.

## Additional Information

Visit the [EDD website](http://edd.ca.gov) (edd.ca.gov) if you have questions about payroll taxes or the services the EDD provides or contact the Taxpayer Assistance Center toll-free at 1-888-745-3886.

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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 1-866-490-8879 (voice). TTY users, please call the California Relay Service at 711.