



State of California

Labor and Workforce
Development Agency

Employment Development Department

The ABCs of California Payroll Taxes

*What every
new employer
needs to know!*

www.edd.ca.gov

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.



ABCs of Payroll Taxes

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You are a California employer when you pay wages in excess of \$100 in a calendar quarter.

Did you know?

Employers are required to post the *Notice to Employees (DE1857A)* to notify employees of their Unemployment (UI) and/or Disability Insurance (DI) benefits. The poster must be placed in a clearly visible location at the workplace. Each newly hired employee must be provided with the booklet *For Your Benefit (DE 2320)* about the UI and DI insurance programs. These items are included in the new employer package sent to you after you register as an employer with EDD.

Did you purchase a business?

If you purchased all or part of an ongoing business, you may request to have the previous owner's UI reserve account transferred to the new business. This could result in your UI tax rate being lower than the new employer rate of 3.4 percent. To find out if this applies to you, call (916) 653-7795.

How will I know what amounts to withhold from my employee's paycheck?

EDD will send you the *California Employer's Guide (DE 44)* with the current Personal Income Tax withholding schedules and State Disability Insurance tax rate. Each December, EDD will send you the next year's schedules and tax rates.

Need Forms?

To download or request forms and publications, visit our Web site at www.edd.ca.gov/taxrep/taxform.htm or call our Taxpayer Assistance Center at (888) 745-3886.

Prefer to get your information from the Internet?

EDD's Web site (www.edd.ca.gov) has information on EDD's many services and programs. In addition to forms and publications, you will have access to reporting requirements, tax rates, and tax withholding schedules.

EDD offers tax seminars where you can learn both state and federal reporting requirements as well as California labor law. Please visit our Web site at www.edd.ca.gov/taxsem or call (888) 745-3886 for information on seminars.

What is a California employer responsible for?

Registering With EDD

When your completed registration form is received, EDD will assign you an employer account number. This account number should be used whenever you contact EDD and noted on all EDD payroll tax documents.

EDD Form: *Registration Form for Commercial Employers* (DE 1)

Making Payments

Employers pay:

- Unemployment Insurance (UI) Taxes
- Employment Training Taxes (ETT)
UI and ETT taxes are due quarterly, but may be paid more frequently.

Employers withhold from the employee's paycheck and remit:

- State Disability Insurance (SDI) Taxes
- California Personal Income Tax (PIT)

California tax withholding deposit due dates are based in part on federal deposit requirements. Refer to the California Employer's Guide (DE44).

EDD Form: *Payroll Tax Deposit* (DE 88)

Filing Reports

Employers must report employee wage and withholding information quarterly.

EDD Form: *Quarterly Wage and Withholding Report* (DE 6)

Employers must reconcile total wages subject to employment taxes with the amounts paid throughout the year.

EDD Form: *Annual Reconciliation Statement* (DE 7)

Employers must report all new employees within 20 days of their start-of-work date.

EDD Form: *Report of New Employee(s)* (DE 34)

Business and Government entities must report all independent contractors for whom a federal form 1099-MISC is required to EDD within 20 days of paying or entering into a contract for \$600 or more.

EDD Form: *Report of Independent Contractor(s)* (DE 542)



EDD e-Services

Fast, Easy and Secure

The following e-Services programs are available:

e-Register Online:

- Create and submit your ***Registration Form for Commercial Employers* (DE 1)** online to establish an employer account with EDD.
- Close your EDD employer account.

e-Pay Online:

Electronic Funds Transfer – Make your ***Payroll Tax Deposit* (DE 88)** by transferring funds from your bank account to the State's account.

Credit Card Payments – Make your ***Payroll Tax Deposit* (DE 88)** by using a major credit card either on the Internet or by touchtone telephone.

e-File Online:

File the following forms on the Internet:

- ***Quarterly Wage and Withholding Report* (DE 6)**
- ***Report of New Employee(s)* (DE 34)**
- ***Report of Independent Contractor(s)* (DE 542)**

e-Change Online:

Submit your ***Change of Address* (DE 24)** online.

For more information on e-Services, visit the EDD Web site at **www.edd.ca.gov**

Once you have made a payment or filed a report successfully on the Internet, please do not send us a paper document as this could duplicate the amounts reported.