

CALIFORNIA EMPLOYER

First Quarter 2007

How to Manage Your Unemployment Insurance (UI) Costs

The Unemployment Insurance (UI) Program provides short-term wage replacement to unemployed workers and is funded by employer payroll taxes. Since this tax works like an insurance premium, an employer may pay a lower rate when former employees make fewer claims on the employer's account. The following steps may help reduce your UI tax rate:

√ Maintain a stable workforce. High employee turnover increases the potential for benefits to be charged to your UI reserve account. Business practices, such as granting leaves of absence, may help keep fully-trained personnel.

√ Keep records to justify your actions. Give written warnings prior to discharging an employee. Keep a copy of the warnings and supporting documentation.

√ Provide employees with copies of your business policies.

√ Provide clear, specific answers to telephone questions from Employment Development Department (EDD) personnel.

√ Appeal EDD's decision if you believe it is contrary to fact or law. Bring witnesses with first-hand knowledge to the appeal hearing.

√ Make timely responses to notices from EDD, including:

Notice of Unemployment Insurance Claim Filed (DE 1101CZ)

A claimant's initial eligibility for benefits is based on the reason that their employ-

ment ended with their very last employer. If you are a claimant's last employer, you will receive a DE 1101CZ. Respond to this notice in writing within 10 days if you believe that your reserve account should not be charged for benefits paid or that the claimant is not eligible for benefits. Provide specific facts and be prepared to discuss this information with an EDD representative.

Notice of Wages Used for Unemployment Insurance Claim (DE 1545)

The DE 1545 is mailed after the first UI payment is mailed to a claimant. An individual's UI claim is based on earnings from one or more employers. These employers are called "base period employers."

You must respond to the DE 1545 in writing within 15 days if you believe your reserve account should not be charged or the claimant is not eligible for benefits. Provide specific facts about the events that led to an individual's separation from work. A base period employer may also be the last employer, and you would then receive both the DE 1545 and the DE

1101CZ. You are required to respond only to the first notice you receive.

Benefit Audit (DE 1296B)

Review the DE 1296B to identify a claimant who may have received UI benefits and worked at the same time. A timely response may lead to the reversal of charges to your UI reserve account.

Statement of Charges to Reserve Account (DE 428T)

The DE 428T is an itemized list of charges to your UI reserve account resulting from benefits paid to former employees. Since the charges are one of the factors that determine your UI tax rate for the following year, it is important that you review the DE 428T and submit a timely protest to charges that you do not agree with.

Following these hints will help protect your UI reserve account and assist EDD in properly administering the UI program. For more information about your role as an employer in the management of California's UI program and additional useful information to reduce your UI costs, please read our publication, *Managing UI Costs* (DE 4527) at www.edd.ca.gov/uirep/de4527.pdf.

Prevent errors on *Quarterly Wage and Withholding Report* (DE6)

This checklist can help prevent errors on your *Quarterly Wage and Withholding Report* (DE 6).

Are the following correct?

- Your EDD Employer Account Number and business name.
- The year and quarter you are reporting. (ex. 07/1)
- The Social Security numbers and names of employees.

Is the form completed correctly?

- Use font size 12 upper case.
- If using a pen, print neatly.
- Use black ink only.
- Include dollars and cents.
- Do not use dashes or slashes.

Do not submit your DE 6 in spreadsheet form. An alternate form DE 6 must first be approved. Please call 916-255-0649 for information.

Monetary amounts

- Verify that wages and withholding amounts are correct.
- Verify that the page totals and the grand totals are correct.

No payroll

You must complete the DE 6 even if you had no payroll for the quarter. Enter zeroes in each box in Item A. Enter a check mark in Box C, "No Payroll." Sign, date, and provide your telephone number on the form and return to the EDD.

Online filing

If you have Internet service, use **iFile** to prepare and submit your DE 6. It eliminates many errors. Visit www.edd.ca.gov and go to "Online Services" under "Top Links" for more information.

Other questions

Call Taxpayer Assistance at 888-745-3886.

Have a Change of Address?

If you changed your business status, such as new address or business name, incorporation, or new partner, complete a *Change of Employer Account Information* (DE 24) and mail it to:

EDD
Account Services Group, MIC 28
P.O. Box 826880
Sacramento CA 94280-0001

Call us at 888-745-3886 or download the form at www.edd.ca.gov/taxrep/de24.pdf

Note: Please do not report the change on your *Quarterly Wage Report* (DE 6) or *Annual Reconciliation Report* (DE 7).

Electronic filing and payment

Fast, easy, convenient ways to handle your taxes

The Employment Development Department (EDD) offers these methods to file and pay state payroll taxes:

Electronic Funds Transfer: Pay your tax deposits by transferring funds from your bank account to the state's account.

EZPAY: Tax deposits are charged to your major credit card.

Telefile: Small employers may file their Quarterly Wage Reports and pay their taxes by telephone.

Internet Filing

- *Quarterly Wage and Withholding Report* (DE 6)
- *Report of New Employees* (DE 34)
- *Report of Independent Contractors* (DE 542)

Magnetic Media

Employers who are required to file their federal wage reports on magnetic media must also file their DE 6 on magnetic media. This method is available to employers, tax preparers and payroll services for the following reports.

- *Quarterly Wage and Withholding Report* (DE 6).
- *Report of New Employees* (DE 34)
- *Report of Independent Contractors* (DE 542).
- *Annual Reconciliation Report* (DE 7).
- *Payroll Tax Deposits* (DE 88).

For further information, visit us at: www.edd.ca.gov/taxrep/taxfo.htm.

SDI rate falls to 0.6%, top contribution drops \$135

The State Disability Insurance (SDI) rate for 2007 decreased to 0.6%, from 0.8% last year. The maximum yearly contribution dropped from \$635.34 to \$500.33

The maximum weekly benefit amount increased from \$840 per week to \$882 per week, and the minimum weekly benefit remained at \$50 per week.

Effective January 2007, the SDI taxable wage limit increased from \$79,418 to \$83,389. This is the maximum amount of wages per year, per employee that are subject to the SDI contribution.

For information regarding the SDI program and qualifications, and to download posters, brochures, and the SDI weekly benefit amount chart, please visit our Web site: www.edd.ca.gov/fleclaimdi.htm or call Disability Insurance at 800-480-3287 or Paid Family Leave at 877-238-4373.

Payroll Tax Seminars

Receive valuable information to help you understand and comply with California payroll tax laws at our free seminars. Our seminars are customized to benefit new businesses, established businesses, bookkeepers, and payroll agents and are held throughout the State. Seminars are scheduled to be held at the following locations.

Bakersfield	Salinas/Monterey
Fresno	San Bernardino
Los Angeles (Downtown)	Santa Fe Springs
Oakland	Stockton
	Vallejo

For a complete list and for more information, visit www.edd.ca.gov/taxsem/.

Easing the taxpayers' burden

New Multi-Agency Offer in Compromise Form

The Board of Equalization (BOE), the Employment Development Department (EDD), and the Franchise Tax Board (FTB) have developed a single form, the *Multi-Agency Form for Offer in Compromise* (DE 999CA), that individuals can use for any of the state's tax agencies.

Under the Offer in Compromise (OIC) program, you can, under certain circumstances, negotiate a reduced amount of your non-disputed tax liabilities. You may apply for an OIC with EDD when you are unable to pay your tax liabilities in full and the ac-

count is inactive and out-of-business.

You may use the new form to apply for an OIC whether you have a liability with each of the tax agencies or just one of them. Although you use just one form, you must still negotiate with each agency separately because each agency may have different laws and procedures.

To learn more about EDD's program, view the *Offers in Compromise Information Sheet* (DE 631C) at www.edd.ca.gov/taxrep/de631c.pdf or contact our OIC Unit at 916-464-2739.

Employee or independent contractor? Learn all about it on Web

Learn the basics of common law employment at your own pace while saving valuable time with our Web-based course, "Employment Status."

This highly interactive course explains the

application of statutory and common law employment by EDD and the Internal Revenue Service. The course covers the three IRS categories of evidence and illustrates how they match EDD's primary and eleven secondary employment factors.

Lessons include:

- Common Misconceptions.
- Classification of Workers.
- Common Law.
- Employee or Independent Contractor - with Examples.
- Statutory Laws Affecting Employment Status.
- Resources to Assist You.

The course is available in English and Spanish.

For system requirements and to view the course, visit www.edd.ca.gov/taxrep/taxwebsem.htm.

For more information, please contact Rob Soriano at 805-654-4915.

New laws affect employers

Minimum Wage Increase -AB 1835:

The hourly minimum wage increased to \$7.50 January 1, 2007. It will rise to \$8 on January 1, 2008.

For the state Department of Industrial Relations Web site on the minimum wage, go to www.dir.ca.gov/IWC/WageOrderIndustries.htm

Employer: Motion Picture Industry-SB 1428:

Effective January 1, 2007, a motion picture payroll service company shall be treated as an employer of motion picture production workers when certain criteria are met. For questions regarding this bill, call 888-745-3886.

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