



# CALIFORNIA EMPLOYER

Fourth Quarter 2007

## Furnish employees with W-2s by Jan. 31

As an employer, you are required to prepare a federal *Wage and Tax Statement* (Form W-2) for each of your employees. For 2007, you must provide your employees with a Form W-2 by January 31, 2008, as provided in Section 13050 of the California Unemployment Insurance Code (CUIC).

Employers who fail to provide a Form W-2 to each employee, or who furnish a false or fraudulent statement, are subject to a penalty of fifty dollars (\$50) for each such failure as imposed under Section 13052 of the CUIC. In addition, failure to provide such form

may also result in a penalty as imposed under Section 13052.5 of the CUIC.

The amount of the penalty is determined based upon the unreported remuneration for personal services multiplied by the maximum rate (9.3%) as provided under Section 17041 of the Revenue and Taxation Code (R&TC).

Forms W-2 provide information to employees, the Social Security Administration, the Internal Revenue Service and state and local governments. Use Boxes 15 through 19 of the Form W-2 to report the following state and local income tax information:

<b>Box 15</b> (Employer state ID number)	Enter your EDD employer account number.
<b>Box 16</b> (State wages, tips, etc.)	Enter California Personal Income Tax (PIT) wages.
<b>Box 17</b> (State income tax)	Enter California PIT withheld.
<b>Box 19</b> (Local income tax)	Enter the abbreviation "CASDI" and the amount of SDI withheld. (If Box 19 has local taxes, use "Box 14-Other.") If the wages were not subject to SDI, show "CASDI 0" (zero). If your employees are covered under an authorized Voluntary DI plan, enter "VPDI" and the VPDI amount actually withheld.

For more information on Form W-2 reporting requirements or instructions on completing the form, refer to IRS publications *Employer's Tax Guide* (Publication 15, Circular E) and *2007 Instructions for Forms W-2 and W-3*. To obtain these publications, go to [www.irs.gov](http://www.irs.gov) or call 1-800-829-3676.

For more information on completing the "State" information on Form W-2, refer to your *California Employer's Guide* (DE 44) or call 1-888-745-3886. If the employee performs services in more than one state, contact the other state(s) for guidance on how to complete the Form W-2 for that state.

## Annual Interest Rate Will Be 8 Percent

For the period January 1, 2008 through June 30, 2008, the annual interest rate will be 8 percent (0.08), compounded daily. The daily interest factor will be .000219. Interest is charged on all delinquent taxes, interest, and certain penalties.

If you have questions about the annual interest rate, call Taxpayer Assistance at 1-888-745-3886.

## Notice for Electronic Funds Transfer (EFT) filers

The State of California's contracted bank for processing EFT transactions will change on January 1, 2008, from Union Bank of California to Bank of America. Automated Clearing House (ACH) credit filers remitting EFT payments with a settlement date of January 1, 2008, and after, **must** contain EDD's new bank account number and routing transit number in the entry detail record.

Union Bank of California will return all transactions that settle on or after January 1, 2008.

EDD will mail the new bank account number and related information to ACH credit filers during November and December. For more information or to start paying by EFT, go to [www.edd.ca.gov](http://www.edd.ca.gov).

If you have questions concerning this notice, you may contact EDD's EFT Customer Service at (916) 654-9130.

## Furnish independent contractors with Form 1099 by Jan. 31

Individuals, partnerships, corporations, or other organizations engaged in a trade or business in California may have a requirement to report independent contractor payments made in the course of their trade or business.

For 2007, if the IRS or FTB requires you to provide an information return (Form 1099) to an independent contractor, failure to provide such form by January 31, 2008, may result in a penalty as imposed under Section 13052.5 of the CUIC or 19175 of the R&TC. The amount of the penalty is determined based upon the unreported remuneration for personal services multiplied

by the maximum rate (9.3%) as provided under Section 17041 of the R&TC.

If you do not use the official IRS Form 1099 to furnish the statement to recipients, see *General Rules and Specifications for Substitute Forms 1096, 1098, 1099, 5498, W-2G, and 1042-S* (IRS Publication 1179) for specific rules for substitute statements.

To obtain Form 1099 reporting requirements and instructions, refer to the IRS Web site at [www.irs.gov](http://www.irs.gov), see IRS Publication 1220, or call 1-800-829-3676.

## 2008 California SDI and PIT Deposit Requirements

If Your Federal Deposit Schedule/Requirement is	And You Have Accumulated State PIT Withholding of	If Payday Is	PIT and SDI Deposit Due By
Next Banking Day	Less than \$350	Any day	Quarterly
	\$350 to \$400	Any day	15 <sup>th</sup> of the following month
	More than \$400	Any day	Next Banking Day
Semiweekly	Less than \$350	Any day	Quarterly
	\$350 to \$400	Any day	15 <sup>th</sup> of the following month
	More than \$400	Wed., Thurs., or Fri.	Following Wednesday
	More than \$400	Sat., Sun., Mon., or Tues.	Following Friday
Monthly	Less than \$350	Any day	Quarterly
	\$350 or more	Any day	15 <sup>th</sup> of the following month
Quarterly or Annually	Less than \$350	Any day	April 30, 2008 July 31, 2008 October 31, 2008 February 2, 2009
	\$350 or more	Any day	15 <sup>th</sup> of the following month

For more information and special situations concerning deposit rules and frequencies, refer to the *California Employer's Guide* (DE 44), visit our Web site at [www.edd.ca.gov/taxrep/taxpay.htm](http://www.edd.ca.gov/taxrep/taxpay.htm), or call 1-888-745-3886.

## Tips for a trouble-free annual reconciliation

Each year, employers file an *Annual Reconciliation Statement* (DE 7) to reconcile payroll tax payments and the total subject wages reported for the year. Here are some helpful tips to help avoid potentially costly mistakes.

Compare the amounts reported on the forms below.

DE 7 Total Subject Wages (item C)	<b>Should match</b>	DE 6 (Item M) total of all four quarters
DE 7 PIT Withheld (item G)	<b>Should match</b>	DE 6 (item O) total of all four quarters <i>and</i> total of all Forms W-2 (box 17) plus Forms 1099R (box 10)
DE 7 Contributions and Withholdings Paid for the Year (item I)	<b>Should match</b>	Total of DE 88 Payroll Tax Deposits (item G). <b>Note:</b> Verify that the deposits being reconciled are for year 2007. Do not include deposits made for other years or any penalty and interest paid.
DE 6 Grand Total of PIT Wages (item N) total of all four quarters	<b>Should match</b>	Total of all Forms W-2 (box 16)

Complete and mail a DE 88 for any underpaid deposits. Include pay date, deposit schedule, and quarter covered.  
**Note:** Failure to fully complete the DE 88 may result in your payment being posted to the wrong quarter and/or year.

To correct any errors on a previously filed DE 6 or DE 7, complete and mail a *Tax and Wage Adjustment Form* (DE 678) available at [www.edd.ca.gov/taxrep/de678.pdf](http://www.edd.ca.gov/taxrep/de678.pdf). For more information, refer to our instruction form DE 678i, available at [www.edd.ca.gov/taxrep/de678i.pdf](http://www.edd.ca.gov/taxrep/de678i.pdf) or call 1-888-745-3886.

## When to make deposits and reports if due date falls on holiday

To ensure the timeliness of your 2008 tax payments and reports, please refer to the chart below for the date each legal holiday will be observed in 2008. If a payment or report due date falls on a Saturday, Sunday, or legal holiday, the due date is extended to the next business day. For specific payroll tax deposit or report requirements, refer to the *California Employer's Guide* (DE 44). To obtain a guide or for more information, visit our Web site at [www.edd.ca.gov/taxrep/taxform.htm#publications](http://www.edd.ca.gov/taxrep/taxform.htm#publications) or call us at 1-888-745-3886.

Legal holiday	Day Holiday Observed	Next Business Day for Deposits or Reports
New Year's Day 2008	Tuesday, January 1, 2008	January 2, 2008 <b>(Wednesday)</b>
Birthday of Martin Luther King, Jr.	Monday, January 21	January 22 <b>(Tuesday)</b>
Lincoln's Birthday	Tuesday, February 12	February 13 <b>(Wednesday)</b>
Washington's Birthday	Monday, February 18	February 19 <b>(Tuesday)</b>
Good Friday	Friday, March 21*	March 24 <b>(Monday)</b>
Cesar Chavez Day	Monday, March 31	April 1 <b>(Tuesday)</b>
Memorial Day	Monday, May 26	May 27 <b>(Tuesday)</b>
Independence Day	Friday, July 4	July 7 <b>(Monday)</b>
Labor Day	Monday, September 1	September 2 <b>(Tuesday)</b>
Calif. Admission Day	Tuesday, September 9 *	September 10 <b>(Wednesday)</b>
Columbus Day	Monday, October 13	October 14 <b>(Tuesday)</b>
Veterans Day	Tuesday, November 11	November 12 <b>(Wednesday)</b>
Thanksgiving Day & day after	Thursday & Friday, November 27 & 28	December 1 <b>(Monday)</b>
Christmas Day	Thursday, December 25	December 26 <b>(Friday)</b>
New Year's Day 2009	Thursday, January 1, 2009	January 2, 2009 <b>(Friday)</b>

\* EDD offices are open on this legal holiday.

### Watch your mail for 2008 tax rate information

Your *Notice of Contribution Rates and Statement of Unemployment Insurance (UI) Reserve Account* (DE 2088) for calendar year 2008 will be mailed in December 2007. The DE 2088 statement informs each employer of their 2008 tax rates and reserve account activity.

Please carefully review the items on your DE 2088 notice. For an explanation of the DE 2088 and your protest rights, refer to the *Explanation of the Notice of Contribution Rates and Statement of UI Reserve Account* (DE 2088C) enclosed with the DE 2088.

For 2008, the UI taxable wage limit and the Employee Training Tax (ETT) taxable wage limit is \$7,000 per employee. The ETT rate will remain at 0.1 percent (.001). The DE 2088 notifies employers if they are subject to ETT and the 2008 State Disability Insurance (SDI) rate and taxable wage limit.

For questions about your statement, please call us at (916) 653-7795. To expedite your call, have your DE 2088 and your EDD employer account number available.

If you have moved and have a change of address and/or agent update, please inform EDD immediately to receive your DE 2088.

### Should your employee file a DE 4 or W-4 form?

An Internal Revenue Service (IRS) *Employee's Withholding Allowance Certificate* (Form W-4) is normally used to report federal and California Personal Income Tax (PIT) withholding allowances. Employers withhold taxes based on what the employee reports on the Form W-4. However, if an employee wants to claim a different marital status and/or a different number of allowances for California PIT withholding, the employee must also complete an *Employee's Withholding Allowance Certificate* (DE 4). If you are provided with a DE 4, you **must** use it to determine the California PIT withholding. If an employee wants to claim exempt

from federal and California PIT withholding, the employee should claim the exemption on Form W-4. An employee must complete a new Form W-4 each year by Feb. 15 to remain exempt. If an employee does not sign a new Form W-4, you must change the employee's California withholding status to "single" with zero (0) withholding allowances and begin withholding California PIT.

For more information or to request an *Employer's Obligations for Form W-4 or DE 4* (DE 71), visit [www.edd.ca.gov/taxrep/de71.pdf](http://www.edd.ca.gov/taxrep/de71.pdf), access our Fax-on-Demand at 1-877-547-4503, or call Tax Assistance at 1-888-745-3886.

### 2008 UI Seminar for School Employers

The annual Unemployment Insurance Seminar for School Employers is scheduled for April 17 and 18, 2008, at the Westin in San Diego.

Sponsored by the School Employer Advisory Committee, and co-sponsored by EDD, this seminar includes presentations on:

- Status of the School Employees Fund
- Imperative Practices of UI Claims Management
- All-inclusive Facts of Separations (Quits and Discharges)

- Vital Requirements of Reasonable Assurance
- Q & A with UI Experts
- Mock hearings with Administrative Law Judges

Seminar registration materials will be mailed in mid-January 2008. For more information, access the EDD's Web site at [www.edd.ca.gov/taxrep/txsefind.htm](http://www.edd.ca.gov/taxrep/txsefind.htm).

If you do not receive your registration materials by early February 2008, or have questions contact the School Employee Fund at (916) 653-5380.

## Seminars Offer Valuable Tax Help

We offer free seminars to help you understand and comply with California payroll tax laws. Our payroll tax seminars are customized to benefit established businesses, individuals getting started in business, bookkeepers, and payroll agents. Seminars can be customized to meet your organization's specific needs. To view a complete list or to register for a seminar, visit our Web site at [www.edd.ca.gov/taxsem](http://www.edd.ca.gov/taxsem) or call our Taxpayer Assistance Center at 1-888-745-3886.

### Avoiding State Payroll Reporting Errors Tax Seminar

Huntington Beach 01/17/2008  
Oakland 12/11/2007

**Employee or Independent Contractor Tax Seminar** includes a description of the different types of workers and an explanation how you can determine which worker is an employee or an independent contractor.

Anaheim 12/20/2007  
Goleta 01/31/2008  
Huntington Beach 01/17/2008  
Oakland 12/06/2007  
Oxnard 01/11/2008  
Sacramento 12/06/2007  
Santa Fe Springs 01/04/2008

### How to Manage Unemployment Insurance Costs Tax Seminar

Goleta 12/05/2007  
Oxnard 01/25/2008  
San Francisco 12/05/2007

### State Basic Payroll Tax Seminar

includes information on the payroll tax responsibilities and employer's report and deposit requirements.  
Huntington Beach 11/29/2007  
Santa Fe Springs 12/06/2007  
Oakland 11/28/2007

**State Payroll Workshop Tax Seminar** includes information on how to calculate taxes and complete state payroll tax forms (hands-on).

Goleta 01/29/2008  
Huntington Beach 12/19/2007  
Oxnard 01/08/2008  
Santa Fe Springs 11/28/2007  
Sunnyvale 12/04/2007

## UI Fraud Prevention

The EDD is committed to maintaining the integrity of the UI program and the detection and prevention of fraud.

Our fraud prevention efforts include imple-

## Taxable value of meals and lodging

Meals and/or lodging that you provide to your employees should be treated as wages for UI, ETT, and SDI.

Meals are subject to California PIT withholding unless the meal is furnished to your employees on your business premises and it is for your convenience. Lodging is also subject to PIT withholding unless it is furnished for your convenience and the employee is required to accept lodging on your business premises as a condition of employment.

Each year, the value of meals and lodging is adjusted based on the cost-of-living indexes. Please use the values shown below for 2008. These values do not apply where higher values of meals and lodging are stipulated in a union agreement or contract of hire, or are required for compliance with minimum wage laws.

### Employees\*

#### Meals

	Value
Breakfast	\$2.10
Lunch	\$2.90
Dinner	\$4.60
3 meals per day	\$9.60
A meal not identified as breakfast, lunch, or dinner	\$3.35

#### Lodging Value

The value is set at 66-2/3 percent of the ordinary rental value to the public, but not in excess of \$1092.00 per month or less than \$35.40 per week.

### Maritime Employees

#### Licensed Personnel

	Value
Meals	\$9.60
Quarters	\$7.40
Total per day	\$17.00

#### Unlicensed Personnel

	Value
Meals	\$9.60
Quarters	\$5.00
Total per day	\$14.60

#### Fishermen

Lodging value is \$35.40 per week and \$5.00 per day for periods of less than a week.

\* *Maritime employees' values of lodging are different than all other employees and are shown in the table above on the right. Lodging values for maritime employees apply only when the facilities meet specific minimum standards.*

mentation of additional security measures which ensure the employer is notified when a UI claim is filed.

In summer 2007, EDD started sending employers the *Notice of Unemployment Insurance Claim Filed* (DE 1101CZ) at their EDD address of record. This notice is sent to you when a claim is filed and you are the most recent employer.

To stop UI fraud, pay special attention to the DE 1101CZ, and remember to:

- Complete all of the information and return it within 10 days of the mail date shown on the notice.
- Identify discrepancies in employees' names and social security numbers.

Help EDD fight fraud. If you think someone is committing fraud against an EDD program, please report it to 1-800-229-6297 or complete a "Fraud Reporting Form" online at [www.edd.ca.gov](http://www.edd.ca.gov), select "Report Fraud" located under "General Information."

**CALIFORNIA EMPLOYER**



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EDD is a recipient of federal and state funds. It is an equal opportunity employer/program and is in compliance with Section 504 of the Rehabilitation Act and the Americans with Disabilities Act. To request alternate formats, call (916) 654-9029.

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