

CALIFORNIA EMPLOYER

Fourth Quarter 2003

A note from EDD's Director:

New Paid Family Leave program will begin in 2004

Beginning January 1, 2004, Paid Family Leave (PFL) will be included in the State Disability Insurance (SDI) rate you withhold from your employees' wages. For 2004, the PFL contribution rate included in the SDI rate is .08 percent (.0008).



Paid Family Leave also has been known as Family Temporary Disability Insurance or FTDI. (See "Family Temporary DI takes effect in 2004" article in the second quarter 2003 issue of this newsletter.)

Employers with an approved Voluntary DI Plan must also provide PFL benefits as part of their Voluntary Plan.

The PFL provides benefits to workers 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. Benefits can be paid on PFL claims that begin on or after July 1, 2004. You may require employees to use up to two weeks of vacation leave prior to receiving PFL benefits.

You are required to provide notice to your employees of their rights and benefits under the PFL program. Starting January 1, 2004, you must give the *Paid Family Leave* (DE 2511) brochure to each employee you hire. Effective July 1, 2004, you are required to give each employee leaving work to care for a seriously ill

family member or to bond with a new child a DE 2511.

In addition, you are required to post the *Notice to Employees* (DE 1857A) and *Notice to Employees: Disability Insurance Benefits* (DE 1858), which have been revised to include PFL information. The *Paid Family Leave Fact Sheet* (DE 8714CF) also contains information on PFL.

The brochure and posters may be ordered online at www.edd.ca.gov/taxordn2.htm or by calling 1-877-BE-THERE (1-877-238-4373). For additional information on PFL, visit our Web site at www.edd.ca.gov/direp/difla.htm.

Michael S. Bernick

Time to prepare your W-2 wage and tax statements

As an employer, you are required to prepare a federal *Wage and Tax Statement* (Form W-2) for each of your employees. For 2003, you must provide your employees with Form W-2 by February 2, 2004. Prepare the Form W-2 on the federal/state four-part paper form.

In addition to the federal information required, you must include California Personal Income Tax (PIT) wages, and the PIT and State Disability Insurance (SDI) withheld in the following Form W-2 boxes:

- **In Box 16** (State wages, tips, etc.)
Enter: California PIT wages

- **In Box 17** (State income tax)
Enter: California PIT withheld
- **In Box 19** (Local income tax) (If Box 19 has local taxes, use "Box 14-Other.")
Enter: The abbreviation "CASDI" and SDI withheld. (Note: If the wages were *not* subject for SDI, show "CASDI 0" (zero). If you are covered under an authorized Voluntary DI Plan, enter "VPDI" and VPDI amount actually withheld.)

For more information on Form W-2 reporting requirements or completion instructions, refer to IRS publications



Employer's Tax Guide (Publication 15, Circular E) and *2003 Instructions for Forms W-2 and W-3*, respectively. To obtain these publications, access IRS' Web site at www.irs.gov or call IRS at 1-800-829-3676.

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

Annual interest rate will be 5 percent

For the period January 1 through June 30, 2004, the annual interest rate will be 5 percent (0.05), compounded daily.



The daily interest factor will be .000137.

Interest is charged on all delinquent taxes, interest, and certain penalties.

If you have any questions about the annual interest rate, please call us at 1-888-745-3886.

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Taxable values of meals and lodging for 2004

Meals and/or lodging that you provide to your employees should be treated as wages for Unemployment Insurance, Employment Training Tax, and State Disability Insurance.



Meals are subject to California Personal Income Tax (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 values of meals and lodging are adjusted based on the cost-of-living indexes. Please use the values shown at right for 2004.

EMPLOYEES*		MARITIME EMPLOYEES	
Meals	Value	Licensed Personnel	Value
- Breakfast.....	\$ 1.85	- Meals.....	\$ 8.55
- Lunch.....	2.60	- Quarters.....	6.20
- Dinner.....	4.10	- Total per day.....	\$14.75
- 3 meals per day.....	\$ 8.55	Unlicensed Personnel	Value
- A meal not identified as either breakfast, lunch, or dinner.....	\$ 3.00	- Meals.....	\$ 8.55
Lodging Value		- Quarters.....	4.25
- Value is set at 66-2/3 percent of the ordinary rental value to the public, but not in excess of \$921.00 per month or less than \$29.85 per week.		- Total per day.....	\$12.80
		Fishermen	
		- Lodging value is \$29.85 per week and \$4.25 per day for periods of less than a week.	

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

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. If you have any questions, call us at 1-888-745-3886.

Watch for your 2004 tax rate information notice

You will receive your 2004 *Notice of Contribution Rates and Statement of Unemployment Insurance (UI) Reserve Account* (DE 2088) in the mail by December 31, 2003.

Please review the items on your notice carefully. Refer to the explanation of the *Notice of UI Reserve Account* (DE 2088C) that also explains your protest rights.

For 2004, the UI taxable wage limit is \$7,000 per employee per year, and the SDI taxable wage limit is \$68,829 per employee per year.

Beginning in 2004, the SDI tax rate includes the Paid Family Leave tax rate of .08 percent (please see the article on page 1 of this newsletter for further information).

For more information on the 2004 tax rates, please visit our Web site at www.edd.ca.gov/taxrep/taxrte9x.htm or call our Contribution Rate Group at (916) 653-7795.



To expedite your call, please have your DE 2088 or your EDD employer account number available.

Do you contract for employment or staffing services?

Employee leasing agencies and temporary services agencies contract with clients to supply workers to perform services for the client. Leasing employers are also known as Professional Employer Organizations.

Businesses are often confused about who is the employer and who is responsible for withholding and paying the payroll taxes in this situation.



When an employee leasing agency or temporary services agency provides workers to a client, specific criteria must be met in order for an employee leasing agency or temporary services agency to be responsible for withholding and paying the payroll taxes. The agency must perform all of the following:

- Negotiate with clients for such matters as time, place, type of work, working conditions, quality, and price of the services.
- Determine assignments or reassignments of workers, even though workers retain the right to refuse specific assignments.
- Retain the authority to assign or reassign a worker to other clients when the worker is determined to be unacceptable by a specific client.
- Assign or reassign the worker to perform services for a client.
- Set the rate of pay of the worker, whether or not through negotiation.
- Pay the worker from the agency's own account or accounts.
- Retain the right to hire and terminate workers.

If you contract with an employee leasing agency or temporary services agency for workers and all of the above functions are not met, you (the client) are the employer of the workers and are required to pay the payroll taxes.

The *Information Sheet: Temporary Services and Employee Leasing Industries* (DE 231F) provides further clarification on this topic, as well as information about domestic workers placed by an employment agency and loaned employees.

For more information or to obtain the DE 231F, please visit our Web site at www.edd.ca.gov/taxrep/taxform.htm *Publications* or contact us at 1-888-745-3886.

Tips for a trouble-free annual reconciliation

Follow the tips below to help you avoid time-consuming and costly mistakes.

- Double check the amounts reported on your:
 - *Quarterly Wage and Withholding Report* (DE 6)
 - *Annual Reconciliation Statement* (DE 7)
 - *IRS Employer's Annual Federal Unemployment (FUTA) Tax Return* (Form 940/940EZ)
 - *Wage and Tax Statement* (Forms W-2)
- Use the information in the table at right to reconcile your annual "Total Subject Wages," "UI Taxable Wages," "PIT Wages," and "PIT Withheld."
- Complete a *Payroll Tax Deposit* (DE 88) coupon for any taxes owed. Be sure to complete the payroll date, payment type, and payment quarter. Failure to complete these items may result in your payment being posted to the wrong quarter and/or year.

For more information on Total Subject Wages and PIT Wages, request the *Information Sheet: PIT Wages Reported on the Quarterly Wage and Withholding Report* (DE 231PIT) from our Web site at

www.edd.ca.gov/taxrep/taxform.htm. For information on annual reconciliation, underpayments, or to request a *Tax and Wage Adjustments Form* (DE 678), call us at 1-888-745-3886.

ANNUAL RECONCILIATION	All Items Within Each Box Below Should Agree*
<ul style="list-style-type: none"> ■ Total Subject Wages 	<ul style="list-style-type: none"> ■ Earnings/payroll records ■ DE 6s (Item M) - all 4 quarters ■ DE 7 (Item C)
<ul style="list-style-type: none"> ■ UI Taxable Wages <i>Note: DE 7 "UI Subject Wages" may be different than Form 940/940EZ "Total Taxable Wages" if you have exempt employees.</i> 	<ul style="list-style-type: none"> ■ DE 7 (Item D2) ■ IRS Form 940/940EZ (Line 5)
<ul style="list-style-type: none"> ■ PIT Wages 	<ul style="list-style-type: none"> ■ Earnings/payroll records ■ DE 6 (Item N) - all 4 quarters ■ Forms W-2 (Box 16)
<ul style="list-style-type: none"> ■ PIT Withheld 	<ul style="list-style-type: none"> ■ Earnings/payroll records ■ DE 6 (Item O) - all 4 quarters ■ DE 7 (Item G) ■ Forms W-2 (Box 17) plus Forms 1099R (Box 10)
<p><i>* If amounts do not agree, find the error and correct all forms with incorrect amounts. If an error was made on a previously filed DE 6, complete a DE 678 to correct the quarter with the error.</i></p>	

Beware of Unemployment Insurance rate manipulation schemes

The experience rating method that California uses to compute Unemployment Insurance (UI) tax rates was established by the Federal Unemployment Tax Act (FUTA) of 1935.

Under the experience rating method, EDD assigns each employer a unique employer identification number and a UI reserve account. Your UI reserve account is a paper account for recordkeeping purposes that has no cash value. The account is a record of charges and credits and the basis for your annual UI tax rate.

Some employers use rate manipulation schemes in an attempt to circumvent the experience rating system. These schemes hurt employers who pay their fair share. To maintain the integrity of the experience rating system, EDD is increasing efforts to identify employers who request multiple accounts.

The California Unemployment Insurance Code prohibits an employer from improperly obtaining a new EDD employer account number or using another employer's account number to get a lower rate. If there is a change in your business

ownership, such as a sole proprietorship to a partnership or a partnership to a corporation, a new account number is not issued. The business maintains the same EDD employer account number and same reserve account. Generally, the same employer account number is also maintained when an acquisition or merger occurs, but you may be entitled to the reserve account of the other business.

If you have any questions regarding this article, please contact our Audit Section at (916) 464-2500. If you have any questions on your UI tax rate, please call (916) 653-7795.

"Ticket to Work" is your ticket to capable staff

With the Social Security Administration's new "Ticket to Work" program, you can get paid as an "employment network" for supplying employment support services to workers with disabilities.

This program provides support for people with disabilities to go to work or to return to the workforce, and gives employers access to a largely untapped labor pool of more than 12 million job seekers.



With both Ticket to Hire and the Employer Assistance Referral Network (EARN), employers have access to free hiring and retention services. These Social Security programs act as employer assistance referral networks that provide free services to employers wishing to recruit, hire, and retain qualified workers with disabilities. The networks also offer tremendous opportunities for employers to connect to candidates with disabilities.

People with disabilities represent a viable labor pool of capable, dedicated and motivated individuals, and tax incentives may be available to offset potential accommodation costs for employers. Many of the myths about people with disabilities are addressed on "The Work Site" at www.socialsecurity.gov/work.

For more information about these programs, visit www.yourtickettowork.com and www.socialsecurity.gov/work/Ticket/TicketHire.html.

Have you been to a small business fair? ———

You are invited to attend one of our upcoming Small Business Fairs, which offer workshops on federal, state, and local tax and business requirements.

These events are free, but we recommend making reservations if you plan to attend a workshop. For reservations, contact the fair you will attend. For further details or to register for a fair online, visit the State Board of Equalization Web site at www.boe.ca.gov/sutax/tpsched.htm.

■ Inland Empire/Riverside

Riverside Convention Center
February 27, 8 a.m. – 3:30 p.m.
Call: (909) 680-6705
E-mail: ietaxday@boe.ca.gov

■ San Diego

Point Loma Nazarene University
March 12, 8:30 a.m. – 4 p.m.
Call: (760) 744-6284
E-mail: sdtaxday@boe.ca.gov

Make a note of these legal holidays for 2004 ———

To ensure the timeliness of your 2004 tax payments and reports, please refer to the chart below for the date each legal holiday will be observed in the new year. For specific payroll tax deposit requirements, refer to the *California Employer's Guide* (DE 44).

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 more information or to obtain a *California Employer's Guide*, visit our Web site at www.edd.ca.gov/taxrep/taxrep.htm or call us at 1-888-745-3886.

HOLIDAYS OBSERVED	DATE in 2004	NEXT BUSINESS DAY
New Year's Day	January 1	January 2 (Friday)
Martin Luther King Jr. Day	January 19	January 20 (Tuesday)
Lincoln's Birthday	February 12	February 13 (Friday)
Presidents' Day	February 16	February 17 (Tuesday)
Cesar Chavez Day	March 31	April 1 (Thursday)
Good Friday*	April 9	April 12 (Monday)
Memorial Day	May 31	June 1 (Tuesday)
Independence Day	July 5	July 6 (Tuesday)
Labor Day	September 6	September 7 (Tuesday)
Calif. Admission Day*	September 9	September 10 (Friday)
Columbus Day	October 11	October 12 (Tuesday)
Veterans Day	November 11	November 12 (Friday)
Thanksgiving Day & day after	November 25 & 26	November 29 (Monday)
Christmas Day	December 24	December 27 (Monday)
New Year's Day 2005*	December 31	January 3 (Monday)

*Note: EDD offices are open for business on this day.

Do you operate a courier service? ———

If you are in the courier service business, do you use independent contractors supplied by a courier service contractor to provide those services?

In many cases, we find that workers being treated as independent contractors are actually employees of the courier service, and we must assess the courier service for the payroll taxes on the workers.

Don't put your business at risk – attend a customized seminar to learn if the people working for you are properly classified as independent contractors. In an effort to educate the industry, we also plan to offer organizations associated with the courier

industry the opportunity to attend a presentation on this issue. In addition, we will investigate selected businesses in the courier industry to determine whether their workers are being properly classified.

To help you determine if you are properly classifying your workers, information sheets are available on our Web site at www.edd.ca.gov/taxrep/taxform.htm #Publications.

To locate a seminar near you or for further information, please visit our Web site at www.edd.ca.gov or call us at 1-888-745-3886.

PAYROLL TAX INFORMATION

- General Tax Information, 1-888-745-3886
Address Changes, or
Payroll Tax Forms
- Forms Requests (916) 322-2835
(25+ copies) Fax: (916) 928-5910
- Employer Account # (916) 654-7041
Registration Info. Fax: (916) 654-9211
- Electronic Funds (916) 654-9130
Transfer Fax: (916) 654-7441
- Magnetic Media Reporting:
- Quarterly Reports (916) 654-6845
- New Employee Registry/
Indep. Contractor (916) 651-6945
- Alternate Forms (916) 255-0649
Coordinator Fax: (916) 255-1578
- Telefile 1-800-796-3524
- Electronic Data 1-800-796-3524
Interchange
- Tax Rates & Benefit (916) 653-7795
Charge Information
- New Employee (916) 657-0529
Registry Fax: (916) 255-0951
- Independent Contractor (916) 657-0529
Reporting Fax: (916) 255-3211
- Offers in (916) 464-2726
Compromise Fax: (916) 464-2121
- Underground Economy (916) 464-1075
Operations Fax: (916) 464-1020
- Taxpayer Rights (916) 654-8957
Advocate Fax: (916) 654-6969
- EDD's Web site: www.edd.ca.gov

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