

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. Each year, the Tax Branch:

- Collects more than \$42 billion in payroll taxes, including nearly \$32 billion in PIT. These funds support the UI, SDI, and employment training programs, as well as the State General Fund.
- Processes more than 25 million employer tax documents and payments.
- Maintains wage records for more than 17 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, 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 Tax Branch helps California employers stay competitive by ensuring that all employers participate in the payroll tax system. The following services are provided to educate and assist employers in meeting their payroll tax obligations:

- Our Web site offers easy access to payroll tax information, forms, and publications at www.edd.ca.gov. Our **joint tax agency** Web site at (www.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. ETOs are conveniently located throughout California.
- **Employment Tax Consultants** at our ETOs advise and inform new business owners of California payroll tax laws and how those laws apply to their business.
- No cost **payroll tax workshops** and **seminars** are provided by our ETOs to increase employers' awareness of their payroll tax responsibilities.
- 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 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. Contact our Taxpayer Assistance Center at 1-888-745-3886 or visit our Web site at www.edd.ca.gov/taxrep/taxform.htm#Publications for a list of the topics covered.
- **Fax on Demand** and **EZ Access Information Topics** at (877) 547-4503 provide most tax forms, publications, and Information sheets via the fax machine and information on over 50 recorded tax topics.

Automated Services

In addition to paper filing, EDD offers a number of convenient alternative filing options:

- **Via the Internet**, businesses can file their wage and withholding information and report new hires. Employers can file tax forms online and pay their taxes using Electronic Funds Transfer.
- **Electronic Funds Transfer (EFT)** allows employers to transfer money from one account to another electronically, eliminating the need for paper checks.
- **Telefile** allows employers with five or fewer employees and employers of household workers to report and pay their payroll taxes in minutes by telephone, 24 hours a day, 7 days a week.
- **Magnetic Media** allows employers to file wage and tax information by diskette or magnetic tape.
- **EZPAY** allows employers to pay tax deposits by credit card.

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 the first \$83,389 in 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. PFL is a component of the SDI program and the SDI rate includes Paid Family Leave. 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 (Form W-4 or DE 4) on file with the employer. The EDD's Tax Branch administers the reporting, collection, and enforcement of PIT withholding requirements.
- **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

If you have questions about payroll taxes or the services provided by EDD, please contact the Taxpayer Assistance Center toll free at 1-888-745-3886 or visit our Web site at www.edd.ca.gov.

EDD is an equal opportunity employer/program.
Auxiliary aids and services are available upon request to individuals with disabilities.