

Title:

Payroll California, Unique Aspects of California Payroll Law and Practice

Word Count:

1010

Summary:

California payroll has some unique aspects and conditions. Some of the details and laws are set out in this article including information concerning: tax withholding and reporting; unemployment insurance taxes and reporting; wage and hour laws; and child support withholding.

Keywords:

Payroll California, California payroll, payroll, payroll taxes, payroll withholding, payroll service, California, California child support, California new hire reporting

Article Body:

**<b>The California State Agency that oversees the collection and reporting of State income taxes deducted from payroll checks is:</b>**

Employment Development Department  
800 Capitol Mall  
Sacramento, CA 95814  
888-745-3886  
[www.cahwnet.gov/taxind.htm](http://www.cahwnet.gov/taxind.htm)

California requires that you use California form "DE 4A-4, Employee's Withholding Allowance Certificate" instead of a Federal W-4 Form for California State Income Tax Withholding.

Not all states allow salary reductions made under Section 125 cafeteria plans or 401(k) to be treated in the same manner as the IRS code allows. In California cafeteria plans: are not taxable for income tax calculation; are not taxable for unemployment insurance purposes. 401(k) plan deferrals are: not taxable for income taxes; are taxable for unemployment purposes.

In California supplemental wages are taxed at a 6% flat rate, 9.3% for stock options and bonuses.

You are not required to file California State W-2s.

<b>The California State Unemployment Insurance Agency is:</b>

Employment Development Department  
P.O. Box 826880 - MIC 94  
Sacramento, CA 94280-0001  
888-745-3886  
[www.edd.cahwnet.gov/](http://www.edd.cahwnet.gov/)

The State of California taxable wage base for unemployment purposes is wages up to \$7000.00.

California requires Magnetic media reporting of quarterly wage reporting if the employer has at least 250 employees that they are reporting that quarter.

Unemployment records must be retained in California for a minimum period of four years. This information generally includes: name; social security number; dates of hire, rehire and termination; wages by period; payroll pay periods and pay dates; date and circumstances of termination.

<b>The California State Agency charged with enforcing the state wage and hour laws is:</b>

The Department of Industrial Relations  
Division of Labor Standards Enforcement  
P.O. Box 420603  
San Francisco, CA 94142-3660  
[www.dir.ca.gov/dlse/dlse.html](http://www.dir.ca.gov/dlse/dlse.html)

The provision in the law for minimum wage in the State of California is \$6.75 per hour..

The general provision in California State Law covering paying overtime in a non-FLSA covered employer is one and 1/2 times regular rate after an 8 hour day, 40 hour week in most industries. Check for other overtime rules and exemptions..

California State new hire reporting requirements are that every employer must report every new hire, rehire and contract who is paid over \$600.00. The employer must report the federally required elements of:

- <li>Employee's name</li>  
<li>Employee's address</li>

- <li>Employee's social security number</li>
- <li>Employer's name</li>
- <li>Employers address</li>
- <li>Employer's Federal Employer Identification Number (EIN) </li></ul>

Plus date of hire; state EIN; date, dollar amount, expiration date of contract.

This information must be reported within 20 days of the hiring or rehiring; or after \$600.00 minimum is met or contract is signed whichever is earlier.

The information can be sent as a W4 or equivalent DE34 by mail, fax or electronically.

There is a \$24.00 to \$490.00 penalty for a late report in California.

The California new hire reporting agency can be reached at 916-657-0529 or on the web at [www.edd.cahwnet.gov/txner.htm](http://www.edd.cahwnet.gov/txner.htm) .

California does allow compulsory direct deposit but the employee's choice of financial institution must meet federal Regulation E regarding choice of financial institutions.

California does not allow compulsory direct deposit

California requires the following information on an employee's pay stub:

- Employee's Name
- Pay rate
- Gross and net earnings
- Amount and purpose of deductions
- Hours worked or work done if piece work

California State Wage and Hour Law provisions concerning pay stub information detail the following information must be on the paystub.

- <ul><li>Gross and net earnings</li>
- <li>Hours worked at each hourly rate for hourly workers</li>
- <li>Piece rate and number of pieces</li>
- <li>Deductions</li>
- <li>Pay period dates</li>
- <li>Employee's name and social security number</li>
- <li>Employer's name and address</li></ul>

In California employees must be paid at least semimonthly, monthly for FLSA exempt employees. The lag time between earned and paid is governed by statute

in California. Wages earned from the 1st through the 15th of the month must be paid by the 26th. Wages earned from the 16th through the end of the month must be paid by the 10th of the following month. Exempt employees by the 26th of the month for the entire month (a safe harbor is payment within 7 days after the pay period.)

California payroll law requires that involuntarily terminated employees must be paid their final pay immediately; within 72 hours for seasonal employees; within 24 hours for certain motion picture (by next payday if laid off) and certain oil drilling employees. Voluntarily terminated employees must be paid their final pay within 72 hours; immediately if 72 hours' notice of quit is given; strikers on next regular payday.

Deceased employee's wages to a maximum of \$5,000.00 must be paid to the surviving spouse or conservator when an Affidavit of right and proof of identity are presented.

Escheat laws in California require that unclaimed wages be paid over to the state after one year.

The employer is further required in California to keep a record of the wages abandoned and turned over to the state for a period of seven years.

There is no provision in California law concerning tip credits against State minimum wage.

In California the payroll laws covering mandatory rest or meal breaks are a 30-minute meal break after five hours; 30 minutes after 10 hours; 10 minute rest after four hours.

California law concerning record retention of wage and hour records is two years..

<b>The California agency charged with enforcing Child Support Orders and laws is:</b>

Department of Child Support Services  
P.O. Box 944245  
Sacramento, CA 95244-2440  
916-654-1532  
[www,childsup,cahwnet.gov/default.htm](http://www.childsup.cahwnet.gov/default.htm)

California has the following provisions for child support deductions:

- When to start Withholding?     **10 days after service**
- When to send Payment?     **Within 7 days of Payday.**
- When to send Termination Notice?     **When next payment is due**
- Maximum Administrative Fee?     **\$1 per payment.**
- Withholding Limits?     **50% of disposable earnings.**

Please note that this article is not updated for changes that can and will happen from time to time.