

New e-Services for Employers!

The **Federal/State Employment Taxes (FSET)** Program has just added two new forms. You can now file the following forms using FSET:

- DE 6 – Quarterly Wage and Withholding Report
- DE 7 – Annual Reconciliation Statement
- DE 34 – Report of New Employee(s)
- DE 542 – Report of Independent Contractor(s)

The program provides a standardized method for reporting federal and state employment tax and wage information as a file attachment over the Internet using eXtensible Markup Language (XML).

You can either develop your own FSET software or you can use the services of an approved FSET software provider by going to EDD's Web site at www.edd.ca.gov, then select the "Payroll Tax" Tab, select "e-Services" in the "Quick Link" section, then select any of the FSET applications. Look for the link to "approved FSET providers" on the Federal/State Employment Taxes (FSET) homepage.

If you have any questions about FSET or would like to be-



come an FSET software provider, please call the FSET toll-free number (866) 592-1651.

Just Pay It is a new, secure, easy, and convenient Electronic Funds Transfer (EFT) option that allows you to make your *Payroll Tax Deposit* (DE 88) online directly from your checking or savings account. You can use *Just Pay It* if you are registered as an employer with EDD and have an active EDD employer account number. All you need is your bank's routing number along with your savings or checking account number. Payments made before 3:00 p.m. Pacific Time will settle on the next banking day.

You do not need to be enrolled in EDD's EFT Program to use *Just Pay It*. In fact, *Just Pay It* is perfect for employers who are not yet enrolled in the EFT Program, but need to make a payment right away. It is also perfect for employers who make infrequent deposits. And, the best part of all, there is no processing fee to use *Just Pay It*. To learn how to use *Just Pay It*, go to <https://eddservices.edd.ca.gov>, select EFT, then select *Just Pay It*, or call us at (916) 654-9130.

Seminars Offer Valuable Tax Help

We offer seminars on tax-related topics to help you understand and comply with California payroll tax laws. Some seminars are presented in partnership with federal or state agencies to provide information on related federal tax and labor law topics.

These courses are customized to benefit new employers, established businesses, bookkeepers, and payroll agents.

Some upcoming seminars are shown below. To view a complete list of seminar topics, dates and locations, or to register for a seminar, call our Taxpayer Assistance Center at (888) 745-3886 or visit www.edd.ca.gov/Payroll_Tax_Seminars/

Seminars are conducted with no charge to participants.

Employee or Independent Contractor Tax Seminars include the factors that determine whether a worker is an employee or an independent contractor plus the basics of statutory employment.

| | |
|---------|----------|
| Fresno | 12-08-09 |
| Ventura | 12-15-09 |

State Payroll Tax Workshops provide hands-on training in calculating taxes and completing payroll tax forms.

| | |
|---------|----------|
| Atwater | 12-10-09 |
| Oakland | 12-08-09 |

Federal/State Basic Payroll Tax Seminars cover federal and state payroll reporting requirements, including forms, payment requirements, electronic filing and independent contractor reporting.

| | |
|---------------|----------|
| Sacramento | 12-08-09 |
| San Francisco | 12-16-09 |
| San Jose | 12-16-09 |
| West Covina | 12-16-09 |

State Labor Law and Payroll Tax Seminars are co-presented by the Employment Development Department and the Department of Industrial Relations. Topics include employer reporting and payment requirements, common wage and hour law application, and basics of how to distinguish between employees and independent contractors.

| | |
|-------------|----------|
| Los Angeles | 12-10-09 |
| Fresno | 12-16-09 |

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- Employment and Payroll Tax Information
- Labor Market Information
- Paid Family Leave Information
- Workforce Investment Act and Wagner-Peyser Act

To subscribe, go to the EDD Home page at www.edd.ca.gov and select "Get E-mail notices", then select the option "I want to subscribe". It's easier than ever to keep updated and informed.

Furnish employees with Form W-2 by Feb. 1, 2010

As an employer, you are required to prepare a federal *Wage and Tax Statement* (Form W-2) for each of your employees. For 2009, you must provide employees with Form W-2 by February 1, 2010, 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.

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:

| | |
|---|--|
| Box 15 (Employer's state ID number) | Enter your EDD employer account number. |
| Box 16 (State wages, tips, etc.) | Enter California PIT wages. |
| Box 17 (State income tax) | Enter California PIT withheld |
| Box 19 (Local income tax) [If Box 19 has local income taxes, use Box 14 (Other)] | Enter the abbreviation "CASDI" and the amount of SDI withheld. (Note: 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 additional information on Form W-2 reporting requirements or instructions on completing Form W-2, please refer to IRS publications *Employer's Tax Guide* (Publication 15, Circular E) and *2009 Instructions for Forms W-2 and W-3*, respectively.

To obtain these publications, access the IRS Web site at www.irs.gov or call IRS at (800) 829-3676.

For more information on completing the "State" information on Form W-2, please refer to your *California Employer's Guide* (DE 44) or contact us at (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.

2010 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 Is Due By |
|---|---|----------------------------|--|
| Next Banking Day | Less than \$350 | Any day | Quarterly |
| | \$350 to \$500 | Any day | 15 th of the following month |
| | More than \$500 | Any day | Next Banking Day |
| Semiweekly | Less than \$350 | Any day | Quarterly |
| | \$350 to \$500 | Any day | 15 th of the following month |
| | More than \$500 | Wed., Thurs., or Fri. | Following Wednesday |
| | More than \$500 | Sat., Sun., Mon., or Tues. | Following Friday |
| Monthly | Less than \$350 | Any day | Quarterly |
| | \$350 or more | Any day | 15 th of the following month |
| Quarterly or Annually | Less than \$350 | Any day | April 30, 2010 August 2, 2010 November 1, 2010 January 31, 2011 |
| | \$350 or more | Any day | 15 th of the following month |

For more information and special situations concerning deposit rules and frequencies, refer to the *California Employers Guide* (DE 44), visit our Web site at www.edd.ca.gov/Payroll_Taxes/File_and_Pay.htm, or call (888) 745-3886.

Watch the mail for 2010 tax rate information

You will receive your *Notice of Contribution Rates and Statement of Unemployment Insurance (UI) Reserve Account (DE 2088)* for calendar year 2010 by December 31, 2009.

The DE 2088 statement informs each employer of their 2010 tax rates and reserve account activity.

Please carefully review all of the items. For more information about the DE 2088

and your protest rights, refer to the *Explanation of the Notice of Contribution Rates and the Statement of UI Reserve Account (DE 2088C)* enclosed with the DE 2088.

For 2010, 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 (.001).

The DE 2088 notifies employers of their 2010 State Disability Insurance rate and

taxable wage limit, and if they are subject to ETT. For questions about your statement, please call us at (916) 653-7795. When you call, have your DE 2088 and your 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 by December 31, 2009.

Tips for a trouble-free annual reconciliation

Each year, employers file an *Annual Reconciliation Statement (DE 7)* or an *Employer of Household Worker(s) Annual Payroll Tax Return (DE 3HW)* to reconcile payroll tax payments and the total subject wages reported for the year. Here are some tips to help avoid potentially costly mistakes.

DE 7 Annual Reconciliation Statement

Compare the amounts reported on the forms below:

| | | |
|---|---------------------|--|
| DE 7 Total Subject Wages (item C) | Should match | DE 6 (Item M) total of all four quarters |
| DE 7 PIT Withheld (item G) | Should match | DE 6 (item O) total of all four quarters and total of all Forms W-2 (box 17) plus Forms 1099R (box 10) |
| DE 7 Contributions and Withholdings Paid for the Year (item I) | Should match | Total of DE 88 Payroll Tax Deposits (item G). Note: Verify that the deposits being reconciled are for year 2009. 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 | Should match | Total of all Forms W-2 (box 16) |

DE 3HW Employer of Household Worker(s) Annual Payroll Tax Return

Compare the amounts reported on the forms below:

| | | |
|---|---------------------|---|
| DE 3HW Total Subject Wages (item A). | Should match | DE 3BHW (item H) total of all four quarters |
| DE 3HW PIT Withheld (item E) | Should match | DE 3BHW (item J) total of all four quarters and total of all Forms W-2 (box 17) plus Forms 1099R (box 10) |
| DE 3BHW Grand Total PIT Wages (item 1) total of all four quarters | Should match | 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. Household employers who file an *Employer of Household Worker(s) Annual Payroll Tax Return (DE 3HW)* should send payment with the DE 3HW. All others should use a DE 88 Coupon.

Note: Failure to fully complete the DE 88 may result in your payment being posted to the wrong quarter and/or year.

To correct most errors on previously filed DE 3BHWs, DE 6s, DE 3HWs, and/or DE 7s, complete and mail a *Tax and Wage Adjustments Form (DE 678)* available at www.edd.ca.gov/pdf_pub_ctr/de678.pdf. An instruction sheet for completing the DE 678 is also available at www.edd.ca.gov/pdf_pub_ctr/de678i.pdf. For more information or assistance, call our Taxpayer Assistance Center at (888) 745-3886.

Furnish independent contractors with Form 1099

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 business.

For 2009, if the IRS or FTB requires that you provide an information return (Form 1099) to an independent contractor, failure to provide such form by February 1, 2010, may result in a penalty as imposed under Section 13052.5 of the California Unemployment Insurance Code or 19175 of the Revenue and Taxation Code.

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.

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 rules for substitute statements.

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

Annual Interest Rate Will Be 4 Percent

For the period January 1 through June 30, 2010, the annual interest rate will be 4 percent (0.04), compounded daily.

The daily interest factor will be 0.000110. Interest is charged on all

delinquent taxes, interest, and certain penalties.

If you have any questions about the annual interest rate for 2010, please call the Taxpayer Assistance Center at (888) 745-3886.

Taxable value of meals and lodging

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 value of meals and lodging is adjusted based on the cost-of-living indexes. Please use the values shown below for 2010. 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. For more information, visit our Web site at www.edd.ca.gov or call us at (888) 745-3886.

Employees*

| Meals | Value |
|--|---------|
| Breakfast | \$2.25 |
| Lunch | \$3.15 |
| Dinner | \$4.95 |
| 3 meals per day | \$10.35 |
| A meal not identified as breakfast, lunch, or dinner | \$3.60 |

Lodging Value

The value is set at 66-2/3 percent of the ordinary rental value to the public, but not in excess of \$1,190 per month or less than \$38.60 per week.

Maritime Employees

| Licensed Personnel | Value |
|--------------------|---------|
| Meals | \$10.35 |
| Quarters | \$8.05 |
| Total per day | \$18.40 |

Unlicensed Personnel

| Unlicensed Personnel | Value |
|----------------------|---------|
| Meals | \$10.35 |
| Quarters | \$5.45 |
| Total per day | \$15.80 |

Fishermen

Lodging value is \$38.60 per week and \$5.45 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 above table on the right. Lodging values for maritime employees apply only when the facilities meet specific minimum standards.

Supplemental Wages Rate Change

For supplemental wages paid on or after November 1, 2009, the rate of withholding shall be 6.6 percent. For stock options and bonus payments that constitute wages paid on or after November 1, 2009, the rate of withholding shall be 10.23 percent. Additional information about supplemental wages is available in the *California Employer's Guide* (DE 44), or the Information Sheet: *Personal Income Tax Withholding – Supplemental Wage Payments, Moving Expense Reimbursement – WARN Act Payments* (DE 231PS).

Just a Reminder!

Federal Earned Income Tax Credit Notification (EITC)

As of January 1, 2008 employers are required to notify their employees about the availability of the EITC. Written notification must be provided to employees in person or by mail. Notification must be provided within one week before or after, or at the same time, that you provide an annual wage summary, including, Form W-2 or Form 1099.

For more information about this requirement, visit: www.edd.ca.gov/Payroll_Taxes/Earned_Income_Tax_Credit_Notification.htm. For additional information about the EITC go to www.irs.gov

CALIFORNIA EMPLOYER



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