

ELECTRONIC FILING GUIDE
for the

Independent Contractor
Reporting Program



If you have questions concerning
the Independent Contractor Reporting (ICR) program, you may
access the Employment Development Department (EDD)
Independent Contractor Reporting web page at
www.edd.ca.gov/Payroll_Taxes/Independent_Contractor_Reporting.htm
or call 916-657-0529.

For assistance regarding the Independent Contractor Reporting electronic filing,
visit the Independent Contractor Reporting Frequently Asked Questions web page at
www.edd.ca.gov/Payroll_Taxes/FAQ_-_California_Independent_Contractor_Reporting.htm.

**Please direct all general tax filing questions to the
EDD Taxpayer Assistance Center at toll-free
888-745-3886.**

The EDD is an equal opportunity employer/program. Auxiliary aids and services are available upon request to individuals with disabilities. Requests for services, aids, and/or alternate formats need to be made by calling 888-745-3886 (voice), or TTY 800-547-9565.

I. INTRODUCTION

Background – Independent Contractor Reporting Program 1

II. GENERAL INFORMATION

Independent Contractor 2

Required Information for Independent Contractor Reporting 2

Filing Deadline 2

Ongoing Contract 3

Penalties 3

Electronic Reporting Advantages 3

III. ELECTRONIC REPORTING

e-Services for Business Enrollment 4

Electronic Filing Options for Independent Contractor Reporting 5

File Rpt. of Ind. Contractors 5

Attach a Return File 5

Federal/State Employment Taxes (FSET) – Bulk Transmissions 6

APPENDIX A

Independent Contractor File Format 7

File Specifications 7

Record Types 7

Code RIC – Service-Recipient Record Layout 8

Code PIC – Service-Provider Record Layout 9

Code TIC – Total Record Layout 10

I. INTRODUCTION

Background – Independent Contractor Reporting Program

Since 1998, all employers have been required to report new hires in California to the Employment Development Department (EDD) as part of the New Employee Registry program. In 1999, Senate Bill 542 was passed by the California Legislature to expand the new employee reporting requirements to include independent contractors. Effective January 1, 2001, any business deriving trade or business income from sources within California or subject to the laws of California or required to file a federal Miscellaneous Income, Form 1099-MISC, for services performed by an independent contractor, must report specific information to the EDD. This information assists state agencies in establishing, modifying, or enforcing child support obligations.

II. GENERAL INFORMATION

Independent Contractor

An independent contractor is defined as an individual who is not an employee of the business or government entity for California purposes and who receives compensation or executes a contract for services performed for that business or government entity either in or outside of California. For clarification, refer to *Information Sheet: Employment Work Status Determination*, DE 231ES, at www.edd.ca.gov/pdf_pub_ctr/de231es.pdf.

Required Information for Independent Contractor Reporting

Any business or government entity that is required to file a federal Form 1099-MISC for services performed by an independent contractor must report to the EDD. The independent contractor information must be reported within 20 calendar days of **either** making payments totaling \$600 or more **or** entering into a contract for \$600 or more with an independent contractor in any calendar year, whichever is earlier.

The following information is **required** when reporting independent contractors to the EDD:

Business or Government Entity Information (Service-Recipient)

- Business name, address, and phone number
- Federal Employer Identification Number (FEIN)
- California EDD employer payroll tax account number (if applicable)
- Social Security number

Independent Contractor Information (Service-Provider)

- First name, middle initial, and last name
- Social Security number
- Address
- Start date of contract (if no contract, date payments equal or exceed \$600)
- Amount of contract (including cents)
- Contract expiration date (if applicable)
- Ongoing contract (check box if applicable)

Filing Deadline

The independent contractor information must be reported within 20 calendar days of **either** making payments totaling \$600 or more, **or** entering into a contract for \$600 or more with an independent contractor in any calendar year, whichever is earlier. Businesses that transmit electronically are required to submit two monthly reports that are not less than 12 days and not more than 16 days apart. No report should be submitted if there are no independent contractors to report.

II. GENERAL INFORMATION

Ongoing Contract

An ongoing contract is required to be reported only once in a calendar year for each service-provider (independent contractor) within 20 calendar days of making payments totaling \$600 or more **or** entering into a contract of \$600 or more.

Penalties

The EDD may assess a penalty of \$24 for each failure to report the independent contractor, as required and within the time required, unless the failure is due to good cause. The EDD may assess a penalty of \$490 if the failure to report an independent contractor is the result of a conspiracy between the service-recipient and the service-provider to not supply the required report or to supply a false or incomplete report.

Electronic Reporting Advantages

The EDD offers many electronic filing options and encourages businesses to report electronically. The advantages of electronic reporting include:

- Fast, easy, and secure way to submit your report.
- Simple one-time online enrollment to use the e-Services for Business applications.
- Confirmation that the report has been received by the EDD.
- No mailing costs.

III. ELECTRONIC REPORTING

e-Services for Business Enrollment

To file reports/returns electronically, you must enroll to use the EDD e-Services for Business and establish a username and password. Tax preparers (payroll agents, payroll services, certified public accountants, or other employer representatives) can establish their own username and password to report on behalf of their clients. Once the username and password have been established, you can use all of the e-Services for Business applications to manage your account, file reports/returns, and pay taxes.

To enroll to use e-Services for Business:

1. Go to the **e-Services for Business** web page:
www.edd.ca.gov/e-Services_for_Business
2. Select the **Enroll** option. (Do not bookmark this page.)
3. Create your username and password. Please review the username and password requirements as most enrollment problems are caused by the selection of an invalid character.
4. After completing the required information, select the **Continue** button.
5. After selecting and answering your security questions, select the **Continue** button.
6. After printing the questions and answers for your record, select the **Enroll** button.
7. To finalize your enrollment, you will receive an email with a link to verify your email address. You must select the link within the email to complete your enrollment process. The link expires in 24 hours. If you do not verify your email address within 24 hours, you will need to restart the enrollment process after 48 hours from when you originally registered.
8. Once the link has been selected, you will be taken to an Enrollment Verification page. This page will have links to open a new EDD employer payroll tax account or you can continue on to e-Services for Business.

III. ELECTRONIC REPORTING

Electronic Filing Options for Independent Contractor Reporting

The EDD offers a secure website to submit the *Report of Independent Contractor(s)*, DE 542, information. The following electronic filing options are available:

➤ **File Rpt. of Ind. Contractors**

The **File Rpt. of Ind. Contractors** option allows businesses to complete and submit their DE 542 information online. This program is designed for businesses to enter the information for up to 30 independent contractors in one submission. The popup blocker must be disabled in order to use the **File Rpt. of Ind. Contractors** option:

1. Start at the **e-Services for Business** web page:
www.edd.ca.gov/e-Services_for_Business
2. Select the **Log In** option. (Do not bookmark this page.)
3. Enter your username and password and then select the **Login** button.
4. Under “I WANT TO....” select the **File Rpt. of Ind. Contractors**.
5. Select the **Create DE 542** button.
6. Follow the prompts to complete the DE 542.
7. Review and submit the completed DE 542.

Once your report is successfully submitted, you will receive a confirmation number.

➤ **Attach a Return File**

The **Attach a Return File** option allows businesses to submit their DE 542 information as a file attachment over the Internet. Please see Appendix A for the file format, file specifications, general record usage information, and record layouts. To use the **Attach a Return File** option:

1. Start at the **e-Services for Business** web page:
www.edd.ca.gov/e-Services_for_Business
2. Select the **Log In** option. (Do not bookmark this page.)
3. Enter your username and password and then select the **Login** button.
4. Under “I WANT TO....” select the **Show More Options**.
5. Select the **Attach a Return File**.
6. Select **Step 1: Attach File**.
7. From the “Type” drop-down menu, select **DE 542, ICR, ZIP**.
8. Fill in the Description box.

III. ELECTRONIC REPORTING

9. Use the browse button to locate and select the zip file to be attached (maximum file size 5MB).
10. If there are errors in the file, the "Type" box will turn red. All errors need to be corrected before the file will be accepted.
11. Follow the prompts to complete the DE 542. (There are 4 steps that need to be completed before a file attachment can be submitted.)
12. Review and submit the completed DE 542.

Once your report is successfully submitted, you will receive a confirmation number.

➤ **Federal/State Employment Taxes (FSET) – Bulk Transmissions**

Several states, the Internal Revenue Service, and some software vendors developed the Federal/State Employment Taxes (FSET) program to provide a standardized method for filing federal and state employment tax and wage reports in eXtensible Markup Language (XML). The FSET program allows you to transmit reports/returns and make *Payroll Tax Deposit*, DE 88, payments application-to-application using web services. The FSET program is open to:

- Employers who want to either develop their own software or use the services of a participating payroll service provider or transmitter.
- Software developers, transmitters, and payroll service providers that act as reporting agents.

You can download the *Federal/State Employment Taxes Information Guide*, DE 545, the FSET DE 542 schema, and the forms needed to enroll in the FSET program from the Federal/State Employment Taxes (FSET) – Bulk Transmissions web page at www.edd.ca.gov/Payroll_Taxes/Bulk_Transmissions.htm. If you would like to use the services of a payroll service provider or transmitter to file your reports, a link to the list of the EDD-approved FSET providers is located on the web page.

APPENDIX A

Independent Contractor File Format

- Data must be recorded in standard ASCII code created on MS/PC-DOS operating system.
- Data must be written in **UPPER CASE LETTERS ONLY**.

File Specifications

- The file name should be reported as “**INDCONTR.**”
- Each record in the file must be created with a fixed length of 175 characters.
- If record delimiters are used (CR – Carriage Return followed by LF – Line Feed), they must follow the last character of each record and be placed in positions 176 and 177, respectively.
- You may report multiple businesses and/or government entities on the same file. However, each business and/or government entity must have a valid Federal Employer Identification Number (FEIN) before it can be reported electronically.

Record Types

The following three record types are required to create an independent contractor report:

- **Code RIC – Service-Recipient Record** identifies a business or government entity whose independent contractor information is being reported.
- **Code PIC – Service-Provider Record** is used to report the independent contractor data. A separate Code PIC record must be generated for each independent contractor to be reported.
- **Code TIC – Total Record** contains the total number of Code PIC records reported since the last Code RIC record. A Code TIC record must be generated for each Code RIC record.

Code RIC – Service-Recipient Record Layout

CODE RIC – SERVICE-RECIPIENT RECORD

LOCATION	FIELD	LENGTH	DESCRIPTION AND REMARKS Note: Blank fill means to use the spacebar to fill a field.
1-3	Record Identifier	3	Enter "RIC." Each business or government entity to be reported must begin with a Code "RIC" record.
4-12	Federal Employer Identification Number (FEIN)	9	Enter the service-recipient's (business or government entity's) assigned FEIN. Omit hyphens. Required element.
13-20	EDD Employer Account Number	8	Enter the number assigned by the California EDD, if applicable. A seven-digit account number followed by a check digit. Left justify. Omit hyphens. If this field is not applicable, blank fill or zero fill.
21-29	Service-Recipient's SSN	9	Enter the service-recipient's Social Security number, if applicable. Left justify and zero fill. Omit hyphens.
30-74	Service-Recipient's Name	45	Enter the service-recipient's name. Left justify and blank fill.
75-114	Street Address	40	Enter the service-recipient's street address. Left justify and blank fill.
115-139	City	25	Enter the service-recipient's city. Left justify and blank fill.
140-141	State	2	Enter the valid United States Postal Service (USPS) state abbreviation.
142-146	ZIP Code/Foreign Postal Code	5	Enter a valid ZIP Code. For a foreign address, use this field for the Foreign Postal Code. Left justify and blank fill.
147-150	ZIP Code Extension	4	Enter the four-digit extension of the ZIP Code. Left justify and blank fill. If this field is not applicable, blank fill.
151-153	Area Code	3	Enter the three-digit area code of the service-recipient.
154-160	Phone Number	7	Enter the seven-digit phone number of the service recipient. Do not enter blanks or hyphens.
161-175	Blank	15	Blank fill.

APPENDIX A (Continued)

Code PIC – Service-Provider Record Layout

CODE PIC – SERVICE-PROVIDER RECORD

LOCATION	FIELD	LENGTH	DESCRIPTION AND REMARKS Note: Blank fill means to use the spacebar to fill a field.
1-3	Record Identifier	3	Enter "PIC."
4-12	Service-Provider's (Independent Contractor's) SSN	9	Enter the service-provider's Social Security number. Omit hyphens.
13-28	Service-Provider's First Name	16	Enter the service-provider's first name. Left justify and blank fill.
29	Service-Provider's Middle Initial	1	Enter the service-provider's middle initial. If no middle initial, blank fill.
30-59	Service-Provider's Last Name	30	Enter the service-provider's last name. Left justify and blank fill.
60-99	Service-Provider's Address	40	Enter service-provider's address. Left justify and blank fill.
100-124	City	25	Enter service-provider's city. Left justify and blank fill.
125-126	State	2	Enter the valid USPS state abbreviation.
127-131	ZIP Code/Foreign Postal Code	5	Enter a valid ZIP Code. For a foreign address, use this field for the Foreign Postal Code. Left justify and blank fill.
132-135	ZIP Code Extension	4	Enter the four-digit extension of the ZIP Code. Left justify and blank fill. If this field is not applicable, blank fill.
136-143	Start Date of Contract	8	Enter the start date of the contract in a YYYYMMDD format. If no contract, enter the date when total payments made equal or exceed \$600 in a YYYYMMDD format.
144-154	Amount of Contract	11	Enter the amount of the contract, including dollars and cents. Do not enter dollar signs, commas, or decimal points. Right justify and zero fill.
155-162	Contract Expiration Date	8	Enter the expiration date of the contract in a YYYYMMDD format. Required element unless contract is ongoing. If ongoing, blank fill.
163	Ongoing Contract	1	Enter "Y" if applicable, otherwise blank fill.
164-175	Blank	12	Blank fill.

Code TIC – Total Record Layout

CODE TIC – TOTAL RECORD

LOCATION	FIELD	LENGTH	DESCRIPTION AND REMARKS Note: Blank fill means to use the spacebar to fill a field.
1-3	Record Identifier	3	Enter "TIC."
4-14	Number of Service-Providers Reported	11	Enter the total number of Code "PIC" records reported since the last Code "RIC" record. Right justify and zero fill.
15-175	Blank	161	Blank fill.