



December 29, 2023

## **PAYROLL TAX CHANGES FOR 2024**

1. Effective as of **1/1/2024**, **California statewide minimum wage** will increase to **\$16.00/hour for all employer sizes**.
  - a) Does NOT apply to outside salespersons, employer’s immediate family members, and apprentices regularly indentured under the State Division of Apprenticeship Standards.
  - b) Los Angeles, Santa Monica, Pasadena, San Diego are among those municipalities with their own ordinances. These ordinances supersede CA minimum wage law.
  - c) Unincorporated cities within LA County must follow the LA City Ordinance.

### **Minimum wage charts**

California	Employee 26 ↑	Employee 25 ↓
1/1/2024 –	\$16.00	\$16.00

Los Angeles	Employee 26 ↑	Employee 25 ↓
7/1/2023 –	\$16.78	\$16.78

Unincorporated Area within LA County	Employee 26 ↑	Employee 25 ↓
7/1/2023 –	\$16.90	\$16.90

2. **FICA:** The rate remains the same at **7.65%**. Social Security tax for both employees and employers is the same at **6.2%**. The employee portion of **Social Security** is to be withheld up to wage earned but not exceeding **\$168,600** (\$160,200 for 2023), whereas there is no limit for Medicare tax. **Medicare tax** for both employees and employers is the same at **1.45%**. However, under the current tax provision, high-wage earners will owe an additional **0.9%** (employee only) on earned income above \$250,000 (married filing jointly), \$125,000 (married filing separately), or \$200,000 (for all other taxpayers).
3. **SDI:** The rate is set at **1.1%**, and there will be no maximum wage base cap that the tax could be applied to.
4. **FUTA:** In January 2024, California employers will be required to pay an additional 0.6%, in addition to the existing rate of 0.6% (**totaling 1.2%**) on the first \$7,000 of wages paid to their employees during 2024 due to the CA credit reduction.
5. An employer with at least five employees, including temporary or seasonal employees, must provide at least 2 hours of **sexual harassment training** to all supervisory employees and at least one hour of sexual harassment training to all nonsupervisory employees **by January 1, 2023**, and once every 2-years. For more details, visit <https://www.dfeh.ca.gov/shpt/>.



6. **Independent Contractor:** When paying at least \$600 to independent contractors during the year, you or your company (payer) must obtain Form W-9 from every independent contractor and report their information by filing DE 542 to the Employment Development Department (EDD) within 20 days of the contract date. Failing to do so can result in a penalty for non-compliance.
7. **New employee reporting (Form DE 34):** California law requires all employers to report all newly hired employees, who work in California, to the Employment Development Department (EDD) **within 20 days** of their start-of-work date, which is the first day of work.

California employers are required to provide written notice to newly hired employees “at the time of hiring” of the following information:

The rate of pay, any allowance claimed as part of the minimum wage, the regular payday, the name including DBA, address and phone number of the employer, and the information on workers’ compensation insurance carrier.

Employers are required to provide each employee with a written disclosure in the employee’s primary language that specifies the basic terms of employment. They are also required to notify employees in writing of any change to such terms within seven calendar days of the changes unless the changes are reflected on a timely wage statement that complies with Labor code Section 226. Records are to be kept for 4 years.

8. Beginning January 1, 2023, California employers with 5 or more employees will be required to provide up to 5 days of bereavement leave to employees for the death of a family member, including a domestic partner or extended family member. Employees are eligible for the leave if they have worked for at least 30 days and must complete the leave within three months of the family member’s death. Whether the bereavement leave is paid or unpaid depends on the employer’s existing policy. The employer can request documentation of the death of the family member such as a death certificate, but must maintain confidentiality.
9. Beginning April 1, 2024, the minimum wage for California-based fast-food workers for chains with 60 or more locations around the nation will increase to a \$20/hour.
10. Employers who have reported the average of 5 or more employees in the previous year to the EDD should register by the yearend of the current year for the CalSavers. California recently passed the legislation to expand the CalSavers mandate to employers with at least one employee. Deadline of December 31, 2025 for the employers with less than 5 employees to register their business with CalSavers.



## **PAID SICK LEAVE**

An employee working in California, on or after July 1, 2015, for 30 or more calendar days within a year is entitled to paid sick leave. Please contact our office for updates on Los Angeles, Santa Monica, San Diego, and San Francisco.

1. This law applies to every business that hires temporary, part-time, and full-time employees.
2. Paid sick leave accrues at the rate of one hour per every 30 hours worked. Employees may begin using accrued paid sick leave after 90 days of working. **Starting on January 1, 2024, the law requires employers to provide and allow employees to use at least 40 hours or five days of paid sick leave per year.** Before January 1, 2024, Employers could limit the use of paid sick leave to 24 hours or 3 days per year.
3. **Employers must inform employees about accrued and available paid sick leave. It must be on a pay stub or other written document.**
4. Accrued paid sick leave must carry over to the following year and may cap at 80 hours or 10 days. However, employers are not obligated to pay out accrued and unused paid sick leave at the time of termination, resignation, or retirement.
5. Employers can provide 40 hours or 5 days at the beginning of each calendar year instead of accruing paid sick leave. Under this method, employers are not required to carry over unused paid sick leave.
6. Retaliation or discrimination against an employee who requests paid sick leaves or uses paid sick leaves or both are prohibited. An employee can file a complaint with the Labor Commissioner against an employer who retaliates or discriminates against the employee.
7. **Employers are required to display a poster containing paid sick leave information and provide employees with an individualized Notice to Employees.** Employers need to keep records of paid sick leave information for 3 years.
8. If employers fail to comply with the law, there is an administrative penalty that can be aggregated up to \$4,000.
9. For Los Angeles Paid Sick Leave, it will be provided to all employees who work at least 2 hours in a particular week in LA for the same employer for 30 days or more within a year. An employer shall provide paid sick leave upon the request of an employee. The sick leave usage may be limited to 48 hours annually. An employee may use paid sick leave beginning on the 90<sup>th</sup> day of employment.



## **WORKERS' COMPENSATION**

This list is to remind you of the common concerns associated with the Workers' Compensation Insurance.

1. In California, it is required for employers to have workers' compensation insurance if they have at least **one employee**.
2. Before hiring **independent contractors**, verify whether they have their own workers' compensation insurance. If they do, obtain an insurance certificate for the record. If they do not have their insurance, the company must include them in its policy and pay a premium.
3. Shareholder (own at least 10%) officers or partners can be excluded by endorsement in the workers' compensation insurance policy (**payroll exclusion**).

California labor codes section 3351 and 3352 state that a corporation, an officer or a board of directors member can choose to be excluded from coverage.

But, there are a few restrictions: the person must own at least ten percent of the stock in the corporation. Or, they could own as little as one percent if one of their family members (e.g., sibling or spouse) owns at least ten percent.

The person also has to be covered by a health insurance policy and must sign a written withdrawal indicating that they do not want coverage.

4. In any event, where there is a change of ownership, new shareholder officers must be properly reported for exclusion.
5. **Employee's job classification**, to calculate insurance premium, is very complicated, so it is recommended to consult with an insurance company for accurate job classification.