



Taxpayer Assistance Center 1-888-745-3886

CALIFORNIA EMPLOYER

Fourth Quarter 2008

Furnish Your Employees with Form W-2 by February 2, 2009

As an employer, you are required to prepare a federal *Wage and Tax Statement* (Form W-2) for each of your employees. For 2008, you must provide your employees with a Form W-2 by February 2, 2009, 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 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 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 *2008 Instructions for Forms W-2 and W-3*. To obtain these publications, go to www.irs.gov or call the IRS at 1-800-829-3676.

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 1-888-745-3886.

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.

Annual Interest Rate Will Be 5 Percent

For the period January 1 through June 30, 2009, the annual interest rate will be 5 percent (0.05), compounded daily. The daily interest factor will be .000137. Interest is charged on all delinquent taxes, interest, and certain penalties.

If you have any questions about the annual interest rate for 2009, please call the Taxpayer Assistance Center at 1-888-745-3886.

Furnish Independent Contractors with Form 1099 by February 2, 2009

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 2008, if the IRS or FTB requires that you provide an information return (Form 1099-MISC) to an independent contractor, failure to provide such form by February 2, 2009, may result in a penalty as imposed under Section 13052.5 of the California Unemployment Insurance Code or Section 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-MISC 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 specific 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 1-800-829-3676.

Answers to e-Services Questions at Your Fingertips



Do you have questions about how to file your payroll tax reports, make tax payments, or register for an employer account number online with e-Services? To get answers to all of your online, e-Services questions quickly and easily, simply go to: www.edd.ca.gov/Payroll_Taxes/FAQs.htm and click the "FAQ - eServices" link located on the left side of the page.

2009 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 \$400	Any day	15 th of the following month
	More than \$400	Any day	Next Banking Day
Semiweekly	Less than \$350	Any day	Quarterly
	\$350 to \$400	Any day	15 th of the following month
	More than \$400	Wed., Thurs., or Fri.	Following Wednesday
	More than \$400	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, 2009 July 31, 2009 November 2, 2009 February 1, 2010
	\$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 1-888-745-3886.

Protecting Yourself and Employees from Fraud

A key way to protect yourself and your employees is by properly disposing of your old payroll records. California law requires you to properly destroy (i.e., shred, erase, etc.) the personal information on all records under your control. Your employees may sue for civil damages if you fail to protect their confidential information. EDD encourages employers to take all necessary steps to protect your employees' social security numbers (SSNs) and other identifying information. Additional steps employers can take to protect sensitive information include:

- Limit access to records which contain sensitive personal information to those who need to use them in the performance of their duties.
- Don't print an individual's SSN on documents that are mailed to the individual, unless state or federal law requires the number to be on the document to be mailed.
- When sending applications, forms, or other documents required by law to carry SSN's through the mail, place the SSN where it will not be revealed by an envelope window. Where possible, leave the SSN field on forms blank and ask the indi-

vidual to fill it in before returning the form or application.

- Store paper records containing sensitive personal information in locked cabinets.
- Reduce the collection of Social Security numbers: Don't collect them if you don't need them.

For more information on California privacy legislation and protecting yourself and your employees from identity theft, visit the Office of Privacy Protection's Web site: www.oispp.ca.gov/consumer_privacy.

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- Employment and Payroll Tax Information

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

- 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.

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 2008. 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 W-2 Forms (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* (DE3HW) 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 a DE 7, 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 1-888-745-3886.

Employment Status Course Available on Internet or CD

Want to learn more about the basics of classifying workers as employees or independent contractors, but don't have time to attend a classroom seminar? Our web-based classes are for you!

The Taxpayer Education and Assistance Program offers a Web-based e-Learning course on the subject of Employment Status, available in both English and Spanish. The course explains common and statutory law as it is applied by the Employment Development Department (EDD) and the Internal Revenue Service (IRS), and discusses resources to assist employers in

properly classifying workers as either employees or independent contractors. To access the course on the Internet, use the following Web site: www.edd.ca.gov/Payroll_Tax_Seminars/. The Web site indicates the computer system requirements to view the Web-based seminar. The course takes about 1.5 hours to complete. However, you can view a portion of the seminar and return later to view other sections or review information.

No internet access? Order a free compact disc (CD) of the Employment Status seminar in either English or Spanish by calling Diane Best at (916)464-3518.

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 2009. 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 1-888-745-3886.

Employees*

Meals	Value
Breakfast	\$2.20
Lunch	\$3.00
Dinner	\$4.80
3 meals per day	\$10.00
A meal not identified as breakfast, lunch, or dinner	\$3.50

Lodging Value

The value is set at 66-2/3 percent of the ordinary rental value to the public, but not in excess of \$1,145 per month or less than \$37.20 per week.

* *Maritime employees' values of meals and 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.*

Maritime Employees

Licensed Personnel	Value	Unlicensed Personnel	Value
Meals	\$10.00	Meals	\$10.00
Quarters	\$7.70	Quarters	\$5.30
Total per day	\$17.70	Total per day	\$15.30

Fishermen

Lodging value is \$37.20 per week and \$5.30 per day for periods of less than a week.

Watch Your Mail for 2009 Tax Rate Information

You will receive your *Notice of Contribution Rates and Statement of Unemployment Insurance (UI) Reserve Account (DE 2088)* for calendar year 2009 by December 31, 2008.

The DE 2088 statement informs each employer of their 2009 tax rates and reserve account activity.

Please carefully review all of the items on your DE 2088. For more information about the DE 2088 and your protest rights, refer to the *Explanation of the Notice of Contribution Rates and Statement of UI Reserve Account (DE 2088C)* enclosed with the DE 2088.

For 2009, 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 percent (.001).

The DE 2088 notifies employers of their 2009 State Disability Insurance (SDI) 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, 2008.

Seminars Offer Valuable Tax Help

We offer seminars on various 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. Seminars are conducted at various locations throughout the state with no charge to participants. Some of our seminar topics are shown below.

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

Employee or Independent Contractor Tax Seminars include the factors that deter-

mine whether a worker is an employee or an independent contractor plus the basics of statutory employment.

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.

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

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

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