

Cannabis Industry Businesses

State Employment Payroll Tax Reporting

The Employment Development Department (EDD) is here to help business owners comply with California's payroll tax law and avoid unforeseen tax liabilities. California laws require any cannabis business with employees performing services to withhold, report, and remit payroll taxes. Types of cannabis business include non-profit or for profit; medical or recreational; cultivator/grower, distributor, transporter, dispensary, etc.

Register as an Employer

- A business must register with the EDD as a California employer within 15 days of paying wages to employees over \$100 in a calendar quarter. Visit www.edd.ca.gov/Payroll_Taxes/Am_I_Required_to_Register_as_an_Employer.htm.
- Use e-Services for Business to register. Visit www.edd.ca.gov/e-Services_for_Business.

Report Your Employees

An individual is an employee when:

- The law defines the worker as an employee.
- The business has the right to control the manner and means by which the individual worker performs his/her services. The *Information Sheet: Employment, DE 231*, provides information on this subject at www.edd.ca.gov/pdf_pub_ctr/de231.pdf.

If your workers are employees, you must:

- Report to the EDD the names of your workers, their Social Security numbers, and the wages paid to them at the end of each quarter.
- Submit California payroll taxes at least quarterly, or if required to remit sooner, based upon the accumulated amount of Personal Income Tax withholding. For additional information, visit www.edd.ca.gov/Payroll_Taxes/Required_Filings_and_Due_Dates.htm.

Workers include, but are not limited to, corporate officers, managers, plant caretakers, budtenders, security guards, and delivery persons. Wages include payments by payroll check, personal check, cash, non-cash (for example, payment in kind by cannabis, meals, and lodging), and tips.



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E-file and E-pay Mandate

Beginning January 1, 2017, California state law, Assembly Bill 1245, requires employers with 10 or more employees to electronically submit employment tax returns, wage reports, and payroll tax deposits to the EDD. All employers will be subject to this requirement beginning January 1, 2018. Visit www.edd.ca.gov/EfileMandate for more information.

Employers who are unable to electronically file and pay may submit an *E-file and E-pay Mandate Waiver Request*, DE 1245W, available at www.edd.ca.gov/pdf_pub_ctr/de1245w.pdf.

Online With e-Services for Business

- Use e-Services for Business to register, file, and pay. Visit www.edd.ca.gov/e-Services_for_Business.
- If your cannabis business is unable to obtain a checking account, you are still required to remit payroll taxes and should contact your local Employment Tax Office on the EDD website at www.edd.ca.gov/Office_Locator/ to make the appropriate arrangements with an EDD representative.

For More Information:

- Visit www.edd.ca.gov/cannabis.
- Call the Taxpayer Assistance Center at 888-745-3886.
- To visit an Employment Tax Office nearest you or for additional information on payroll tax reporting requirements, the *California Employer's Guide*, DE 44, can be viewed at www.edd.ca.gov/pdf_pub_ctr/de44.pdf.

Additional resources available at:
www.edd.ca.gov

The EDD is an equal opportunity employer/program.
Auxiliary aids and services are available upon
request to individuals with disabilities.