



Information Sheet

Residential Care Facilities

Residential care facilities include facilities for the elderly, adult residential facilities, and group homes, including small family homes, for children. They are licensed as community care facilities by the state Department of Social Services and provide 24-hour care, meals, support, and maintenance services to children, the elderly, and adults with intellectual and physical disabilities.

Typical employee services provided in the residential care industry include:

- Administrators
- Cooks
- Drivers
- Caregivers
- Housekeepers
- Helpers
- Relief personnel
- Office staff

When Is a Facility an Employer?

A business becomes an employer¹ when it employs one or more employees and pays wages in excess of \$100 during any calendar quarter.

An employer needs to register with the Employment Development Department (EDD) within 15 days of becoming an employer. Employers are responsible for reporting wages paid to their employees, paying Unemployment Insurance (UI) and Employment Training Tax (ETT) on those wages, as well as withholding and remitting State Disability Insurance (SDI) and Personal Income Tax (PIT).

Who Is an Employee?

Under the California Unemployment Insurance Code (CUIC), an employee may be one of the following:

- An individual who meets the ABC test² under section 621(b) of the CUIC.
- An individual who meets the *Borello* test³ (when ABC test does not apply).
- An individual who is considered an employee under specific laws.

An employee can work permanently, temporarily or part-time. Employment includes work often called day labor, part-time help, casual labor, temporary help, probationary, or outside labor. Refer to [Information Sheet: Casual Labor \(DE 231K\) \(PDF\)](#) (edd.ca.gov/pdf_pub_ctr/de231k.pdf).

The ABC Test for Classifying Individuals

Under the ABC test, a worker is considered an employee and not an independent contractor, unless the hiring entity satisfies all three of the following conditions:

- A. The worker is free from the control and direction of the hiring entity in connection with the performance of the work, both under the contract for the performance of the work and in fact.
- B. The worker performs work that is outside the usual course of the hiring entity's business.
- C. The worker is customarily engaged in an independently established trade, occupation, or business of the same nature as that involved in the work performed.

While the ABC test applies for most workers, there are exceptions to the ABC test that are defined in sections 2776 through 2784 of the [Labor Code](#) (leginfo.legislature.ca.gov/faces/codes.xhtml). If each section's factors are all satisfied, the *Borello* test is used to decide whether the individual is an employee or independent contractor.

For information on the ABC test, *Borello* test and other ABC test exceptions, refer to [Information Sheet: Employment \(DE 231\) \(PDF\)](#) (edd.ca.gov/pdf_pub_ctr/de231.pdf) and visit the [Employment Status Portal](#) (labor.ca.gov/employmentstatus).

What Are Wages?

Wages are all payments made to employees for personal services, whether paid by check, cash, electronic payments, digital currency, or the reasonable cash value of noncash payments, such as meals and lodging.

Meals and lodging provided by the employer are subject to UI, ETT, and SDI.

Meals are subject to PIT withholding and reportable as PIT wages unless provided for the employer's benefit and on the employer's property.

If more than half of the employees receive meals for the benefit of the employer and on the employer's premises, then all meals provided by the employer are considered for the employer's benefit and are not subject to PIT withholding. If less than half of the employees receive meals for the benefit of the employer and on the employer's premises, then only those meals provided for the employer's benefit are exempt from the PIT withholding requirement.

Lodging is also subject to PIT withholding and wage reporting purposes, unless provided on the employer's property, for the employer's benefit, and as a condition of employment.

For more information, refer to the following:

- [Information Sheet: Wages \(DE 231A\)\(PDF\)](http://edd.ca.gov/pdf_pub_ctr/de231a.pdf) (edd.ca.gov/pdf_pub_ctr/de231a.pdf)
- [Information Sheet: Types of Payments \(DE 231TP\)\(PDF\)](http://edd.ca.gov/pdf_pub_ctr/de231tp.pdf) (edd.ca.gov/pdf_pub_ctr/de231tp.pdf)
- [Information Sheet: Personal Income Tax Wages Reported on the Quarterly Contribution Return and Report of Wages \(Continuation\) \(DE 9C\) \(DE 231PIT\)\(PDF\)](http://edd.ca.gov/pdf_pub_ctr/de231pit.pdf) (edd.ca.gov/pdf_pub_ctr/de231pit.pdf)

Taxable Value of Meals and Lodging

The taxable values of meals and lodging should not be less than the values agreed to in an employment contract or in a union agreement. If the cash values are not set in the employment contract or union agreement, the taxable values are established by regulation. For lodging, taxable value is 66 2/3

percent of the ordinary rental value to the public, up to the minimum and maximum values in the table below.

Visit [Contribution Rates, Withholding Schedules, and Meals and Lodging Values](http://edd.ca.gov/en/payroll_taxes/rates_and_withholding) (edd.ca.gov/en/payroll_taxes/rates_and_withholding) for current information.

Value of Meals						Value of Lodging	
Year	Day	Breakfast	Lunch	Dinner	Un-identified	Max Per Month	Max Per Week
2026	\$15.85	\$3.25	\$4.90	\$7.70	\$5.70	\$2,038	\$66.10
2025	\$15.40	\$3.15	\$4.75	\$7.50	\$5.50	\$1,946	\$63.15
2024	\$14.85	\$3.05	\$4.55	\$7.25	\$5.35	\$1852	\$60.05
2023	\$13.85	\$2.85	\$4.25	\$6.75	\$4.95	\$1759	\$57.05
2022	\$12.95	\$2.65	\$4.00	\$6.30	\$4.65	\$1715	\$55.60

Note: These values apply to non-maritime employees only.
Lodging: 66 2/3 percent of ordinary rental value.

References

¹ Section 675 of the CUIIC defines an employer.

² Effective January 1, 2020, section 621(b) of the CUIIC was amended to apply a new standard for classifying individuals as employees.

³ The California Supreme Court established the *Borello* test in *S.G. Borello & Sons, Inc. v. Dept. of Industrial Relations* (1989) 48 Cal.3d 341.

More Information

- **Call:** The Taxpayer Assistance Center at 1-888-745-3886.
- **Online:** Find the nearest [Employment Tax Office](http://edd.ca.gov/Office_Locator) (edd.ca.gov/Office_Locator). More information is also available through our no-cost [payroll tax webinars](http://edd.ca.gov/payroll-tax-webinars) (edd.ca.gov/payroll-tax-webinars).
- **Visit our website:** [Payroll Taxes](http://edd.ca.gov/en/payroll_taxes) (edd.ca.gov/en/payroll_taxes).

EDD is an equal opportunity department for this information. If you need help or services because of a disability, call 1-888-745-3886 (voice) or TTY 1-800-547-9565. If you use a TTY, call the California Relay Service at 711.

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