

FACT SHEET



PAYROLL TAXES

As one of the largest tax collection agencies in the nation, the California Employment Development Department (EDD) administers California's payroll tax programs, including:

- Unemployment Insurance (UI)
- Employment Training Tax (ETT)
- State Disability Insurance (SDI)
- Personal Income Tax (PIT) Withholding

The EDD's Tax Branch works with employers to ensure that necessary payroll taxes and information are reported promptly and accurately. Each year, the Tax Branch:

- Collects more than \$51 billion in payroll taxes, including more than \$39 billion in PIT. These funds support the UI, SDI, and employment training programs, as well as the State General Fund.
- Processes more than 35.7 million employer tax documents and payments.
- Maintains wage records for more than 16 million workers.

The Tax Branch also verifies the reporting of wages and enforces the timely payment of taxes, with emphasis on:

- Educating and assisting employers.
- Determining that all employers are reporting employees properly.
- Correctly maintaining employment wage records to ensure prompt payment of benefits.

In addition, EDD's Tax Branch collects new hire and independent contractor information from California businesses to help locate parents who are delinquent in their child support obligations.

Services

The Tax Branch helps California employers stay competitive by ensuring that all employers participate in the payroll tax system. The following services are provided to educate and assist employers in meeting their payroll tax obligations:

- Our website offers easy access to payroll tax information, forms, and publications at www.edd.ca.gov. Our **joint tax agency** website at www.taxes.ca.gov has information on federal and state income taxes, payroll taxes, and sales and use taxes.
- **Employment Tax Offices (ETOs)** provide one-on-one payroll tax services to employers. ETOs are conveniently located throughout California.
- No cost **payroll tax workshops** and **seminars** are provided to increase employers' awareness of their payroll tax responsibilities.
- Seminar information is available online at www.edd.ca.gov/Payroll-Taxes-Seminars.
- The **Taxpayer Assistance Center** provides payroll tax assistance to employers toll-free at 888-745-3886.
- The **Small Business Employer Advisory Committee** provides ongoing communication between EDD and businesses that must withhold and remit payroll taxes.
- The **Office of the Taxpayer Rights Advocate** protects the rights of taxpayers.
- **Information Sheets** and **Fact Sheets** are available with information on specific topics. Contact our Taxpayer Assistance Center at 888-745-3886 or visit our website at www.edd.ca.gov/Payroll-Taxes/Forms-and-Publications.htm for a list of the topics covered.

Automated Services

The EDD offers employers the ability to manage their payroll tax accounts online. Payroll agents can access their clients' accounts through a third party access, which will allow the agent to maintain their clients' accounts.

e-Services for Business has many advantages and features:

- Fast, easy, and secure way.
- Simple one-time online enrollment.
- Register for an employer account number.
- Ability to view, edit, and submit tax returns/reports.
- Update account information.
- Ability to view previously submitted returns/reports and payments.
- Make payroll tax deposits for current quarters.
- No enrollment required to use the Electronic Funds Transfer (EFT).
- Can use multiple bank accounts to initiate EFT payments.
- Inactivate or close your account online.

Visit e-Services for Business at <https://eddservices.edd.ca.gov>.

Payroll Taxes

- **Unemployment Insurance (UI):**
UI is an employer-paid tax based on wages that provides temporary payments to individuals who are unemployed through no fault of their own. UI was established as part of a national program administered by the U.S. Department of Labor under the Social Security Act. Tax-rated employers pay a percentage on the first \$7,000 in wages paid to each employee in a calendar year. The UI rate schedule and amount of taxable wages are determined annually.

Nonprofit and governmental employers may elect the reimbursable method of UI financing in which they reimburse the UI Fund on a dollar-for-dollar basis for all benefits paid to their former employees.

- **Employment Training Tax (ETT):**
ETT is an employer-paid tax that was established to provide training funds for employees in targeted industries to improve the competitiveness of California companies. The ETT funds promote a healthy labor market by helping California businesses invest in a skilled and productive workforce and develop the skills of workers who directly produce or deliver goods and services. Employers subject to ETT pay one-tenth of one percent on the first \$7,000 in wages paid to each employee in a calendar year.
- **State Disability Insurance (SDI):**
SDI is a deduction from employees' wages that provides temporary benefit payments to workers for nonwork-related disabilities. (Workers' compensation laws cover work-related disabilities.) Currently, employers withhold a percentage for SDI on wages paid to each employee in a calendar year.
- **Paid Family Leave (PFL):**
PFL is a deduction from employees' wages that provides disability compensation to individuals who take time off from work to care for a seriously ill child, spouse, parent, or domestic partner or to bond with a new child. The PFL is a component of the SDI program and the SDI rate includes PFL. Workers who are covered by SDI also will be covered by this benefit.
- **Personal Income Tax (PIT) Withholding:**
California PIT is withheld from employees' wages based on the employee's Withholding Allowance Certificate (Form W-4 or DE 4) on file with the employer.
- **Elective Coverage:**
Elective UI and/or SDI coverage is available for specific individuals and classes of employees, such as sole proprietors and individual partners who are employers. Self-employed individuals (with no employees) may elect SDI only. Exempt employees may elect UI and SDI with their employer's consent.

Additional Information

If you have questions about payroll taxes or the services provided by EDD, please contact the Taxpayer Assistance Center toll-free at 888-745-3886 or visit our website 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.