



First Quarter 2017

The EDD Offers Payroll Tax Law Guidance to Cannabis Businesses

The Medical Marijuana Regulation and Safety Act became law January 1, 2016, and the Adult Use of Marijuana Act, Proposition 64, was approved by voters November 8, 2016.

Due to the passage of these two acts, it is now legal for individuals to grow and use marijuana for medicinal and recreational use.

Regulations governing the sale of cannabis for recreational use may take effect as early as January 1, 2018.

In light of the legalization and anticipated sale of cannabis for recreational use, California may see a substantial increase in cannabis businesses.

For those considering entering this new emerging market and hiring employees, now is the time to become familiar with California's employer tax responsibilities.

The Employment Development Department (EDD) is here to help business owners comply with California's payroll tax laws and help owners avoid unforeseen tax liabilities.

California businesses that hire employees to perform services are required by law to withhold, report, and pay payroll taxes to the EDD.

When am I required to register as an employer?

You are an employer once you employ one or more employees and pay wages in excess of \$100 in a calendar quarter. Within 15 days of becoming an employer, you must register with the EDD to receive an [employer payroll tax account number](#).

Employers of 10 or more employees must electronically submit employment tax returns, wage reports, and payroll tax deposits to the EDD. For additional information about electronic filing requirements, visit the EDD [E-file and E-pay Mandate](#) web page.

Who are my employees?

Employees include, but are not limited to:

- Corporate officers
- Managers
- Plant caretakers
- Budtenders
- Security guards
- Delivery persons
- Any worker who is an employee under the usual [common law rules](#)
- Any worker whose services are specifically covered by [law](#)

What are wages?

Wages are compensation for an employee's personal services, whether paid by check or cash, or the reasonable cash value of noncash payments, such as meals and lodging. Wages include payments by payroll check, personal check, cash, non-cash (e.g., payment in kind by cannabis, meals, and lodging), and tips.

For additional information on wages, refer to page 11 of the [California Employer's Guide, DE 44](#).

What resources are available to help me succeed?

- The [Cannabis Industry Tip Card, DE 643](#), provides a summary of California payroll tax laws.
- [Tax Seminars](#) and [Online Tutorials](#)
The EDD offers no-fee state payroll tax training, both classroom-based seminars and online tutorials, to help employers understand and comply with the state payroll tax laws.
- [Email Notices](#) - Subscribe to the EDD's email services to be informed of the latest news about EDD programs and services, including news and announcements, recently added forms and publications, and events.
- [e-Services for Business](#) - You can register, view, and manage your employer payroll tax account, file reports, make deposits, and pay liabilities online.

If you have questions, call the Taxpayer Assistance Center at 1-888-745-3886, from 8 a.m. to 5 p.m., Pacific Time, Monday through Friday or visit an [Employment Tax Office](#) near you. **Note:** If you own a cannabis business and are unable to obtain a checking account, you are still required to submit payroll taxes, and you should contact your local [Employment Tax Office](#) to make appropriate arrangements with an EDD representative.

E-file and E-pay Are in Effect for Some Employers

Remember, as of January 1, 2017, the e-file and e-pay mandate is in effect.

If you are an employer with 10 or more employees, you must now electronically submit your employment tax returns, wage reports, and payroll tax deposits to the EDD. This mandate

will apply to all remaining employers, effective January 1, 2018.

Enroll in [e-Services for Business](#) today to meet the mandate. It's fast, easy, and secure.

For additional information, visit: [E-file and E-pay Mandate for Employers](#).

Online. Anytime. e-Services for Business.

Tax Credits: More Affordable Way to Provide Health Insurance for Employees

Did you know that the Affordable Care Act includes a small business health care tax credit to help make employee health insurance more affordable?

As a small business employer, you may qualify for this tax credit, available only through Covered California for Small Business, to help offset your health insurance costs.

The tax credit amount you receive depends on the number of **full-time equivalent employees*** you have and the amount of your insurance premium contribution you pay. If you are an eligible employer, you can claim the tax credit for two consecutive years.

Employer Type	Maximum Tax Credit Available
Small Business	50 percent of premium expenses
Non-Profit/Tax-Exempt Employer	35 percent of premium expenses

Eligibility Requirements

You are eligible to receive a health care tax credit if you:

- Have fewer than 25 full-time-equivalent employees for the tax year.
- You pay your employees an average of less than \$50,000 per year.
- You contribute at least 50 percent toward your employees' premium cost. (This contribution requirement also applies to add-on coverage, such as vision, dental, and other employer-sponsored coverage.)

Exception

If you are a small business employer with 10 or fewer full-time-equivalent employees, with wages averaging \$25,000 or less, then you are eligible for the maximum amount



FOR SMALL BUSINESS

of tax credits. If your business is a nonprofit or tax-exempt, you must meet the same criteria but your tax credits will be somewhat lower.

Through Covered California, your small business has an opportunity to take advantage of affordable, brand-name health insurance plans for your employees, something that few small employers have been able to do until now.

For more information on how you can take advantage of this unique opportunity, visit [Covered California for Small Business](#) today.

*A full-time equivalent employee isn't a person but a calculation used to determine if an employer is a small or a large employer. This calculation is used to determine eligibility to participate in Covered California for Small Business.

Remember to File Report of New and Rehired Employees

Employers must file a **Report of New Employee(s), DE 34**, to report all newly hired or rehired employees **within 20 days** of their start-of-work date.

Newly hired employees are those individuals who have not previously been included on your payroll.

Rehired employees are those individuals who were previously included on your payroll, left your employment, and were rehired after a separation of at least 60 consecutive days.

Your filing options are:

- File online through **e-Services for Business**. It's fast, easy, and secure.
- Download the **DE 34** and submit by mail or fax.
- Order DE 34 forms through the EDD's Online **Forms and Publications** page.

If you have questions, call the Taxpayer Assistance Center at 1-888-745-3886 Monday through Friday, from 8 a.m. to 5 p.m., Pacific Time.

CALIFORNIA EMPLOYER

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Reminder: Submit Your Quarterly Forms to the EDD

The EDD wants to help you meet your compliance obligations and avoid unnecessary penalties and fees. For this reason, the EDD uses periodic reminders to help keep you on track.

Here are the quarterly forms you must submit to the EDD:

- ***Quarterly Contribution Return and Report of Wages, DE 9.*** This form is used to reconcile payroll tax payments and total subject wages reported for the quarter. **Even if you paid no wages during the quarter, you are still required to file your DE 9.** Select Box A, No Wages Paid This Quarter.

- ***Quarterly Contribution Return and Report of Wages (Continuation), DE 9C.*** This form is used to report employee wages subject to Unemployment Insurance (UI), Employment Training Tax (ETT), and State Disability Insurance (SDI) withholding, and to report Personal Income Tax (PIT) wages and PIT withheld. If you do not have employees, select Box C, No Payroll, showing 0 (zero) payroll, otherwise the EDD may presume you have employees and assess your account.
- ***Payroll Tax Deposit, DE 88.*** This form is used to report and pay UI, ETT,

SDI, and PIT withholding to the EDD.

The easiest way to submit your quarterly forms is through **e-Services for Business**, a fast, easy, and secure way for employers, employer representatives, and payroll agents to manage an employer payroll tax account online. e-Services for Business is available 24 hours a day, seven days a week, at no cost.

Note: You may be required to submit your employment tax returns, wage reports, and payroll tax deposits electronically to the EDD. Refer to the **E-file and E-pay Mandate** website to see if the new mandate applies to you.

Online. Anytime. e-Services for Business.