

Clients are required to report new workers to EDD

Reporting new employees and independent contractors will help clients avoid penalties.

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Taxpayers are required to report independent contractors who receive \$600 or more in payments each year to the EDD.¹ Notification of new employees is also required.²

Requirements for independent contractors

Any business that pays independent contractors is required to report the existence of a contract by completing EDD Form DE 542, Report of Independent Contractors, either when a contract is established or when \$600 is paid or is expected to be paid to the worker. The workers must be reported each year within 20 days of either making payments to them

totaling \$600 or more or entering into a contract with them for at least that amount.

However, if the business provides a tax identification number rather than a social security number, there is no way to report the independent contractor. So, only individual taxpayers with a social security number need to be reported.

The EDD may assess a penalty of \$24 for each failure to timely report the contractor. A penalty of \$490 may also apply if the failure is the result of a conspiracy between the service recipient and the service provider.

Requirements for new employees

A similar requirement exists for new employees, who must be reported within 20 days of hire, regardless of the amount of compensation. These employees are reported using EDD Form DE 34, Report of New Employee(s).

The purpose of both of these requirements is to help locate and

Practice pointer: We suggest reporting in January while preparing Forms 1099 for the previous year, all independent contractors that the business will likely continue to use during the year. There is no penalty for reporting someone you believe will continue providing services but doesn't. However, the EDD could assess a penalty if a subsequent required report is not filed.

collect unpaid child support for parents who are delinquent on such payments.

Annual filing

Employees need only be reported once, when they are hired. Independent contractors must be reported each year.

How to file

The reporting of both forms can be done on paper or via the EDD's e-Services Web site:

[www.eddservices
.edd.ca
.gov/index.html](http://www.eddservices.edd.ca.gov/index.html)

