

California Employment Law

Minimum Wage

California minimum wage is \$9.00 per hour as of February, 2015. Because the California minimum wage is higher than the federal minimum wage of \$7.25, providers must pay their employees the higher California rate if they hire an employee who is not a family member. Young workers under the age of 20 may be paid a special minimum wage of \$4.25 per hour for the first 90 days of employment.

Workers' Compensation Insurance

Workers' compensation insurance is a program to help workers who are injured or become ill on the job. It pays for medical costs, disability benefits, vocational rehabilitation, and other benefits. Providers are required to purchase workers' compensation insurance on the first day they hire an employee. It doesn't matter how little the employee is paid. The cost for this insurance is at a minimum around \$1,000 per year.

Where can a provider get workers' compensation insurance? Contract your homeowners or business liability insurance agent to find out if they can sell you a policy, or visit www.insurance.ca.gov. Providers are required to post a poster about workers' compensation called "Notice to Employees" in their home. This poster may be downloaded as a PDF at www.dir.ca.gov/dwc/NoticePoster.pdf. Failure to post this can result in a fine of up to \$7,000.

Failure to purchase workers' compensation insurance can result in severe penalties. If a provider does not have this insurance, she can be forced to pay all of the employee's medical bills and face a \$10,000 fine or up to one year in jail.

Unemployment Insurance

Providers are required to purchase California unemployment insurance if they pay their employees more than \$100 in any quarter of the year.

If this is the case, providers must file a registration form within fifteen (15) days of the hiring of their employee with the California Employment Development Department by visiting www.edd.ca.gov or calling 800-300-5616. Providers must also get a California employer account number (SEIN) from this department. Before obtaining their SEIN, providers must get a federal [employer identification number \(EIN\)](#).

Providers will owe the following employment payroll taxes:

- Unemployment Insurance (UI) - 3.4% for new employers for their first three years/due quarterly
- State Disability Insurance (SDI) – 1% for 2012 on first \$95,985 of wages
- Employment Training Tax (ETT) - .1% for 2012 on the first \$7,000 of wages/due quarterly

Total California payroll taxes: 4.5%. For every \$1,000 a provider pays in wages they will owe \$45 in taxes (plus workers' compensation insurance).

Personal Income Tax (PIT)

Providers must withhold California income taxes from their employee's wages. To determine how much to withhold, download the PDF at: www.edd.ca.gov/pdf_pub_ctr/11metha.pdf

Paid Sick Leave

Starting July 1, 2015 providers must begin paying for sick leave for employees who have worked for at least 30 days within the last 12 months: (<http://www.dir.ca.gov/dlse/ab1522.html>). Employees will earn one hour of paid leave for every 30 hours worked.

Providers must also post a California Division of Labor Standards sick leave poster: (http://www.dir.ca.gov/DLSE/Publications/Paid_Sick_Days_Poster_Template_%2812_2014%29.pdf)

Federal Employment Taxes

You must withhold 5.65% of your employee's wages towards Social Security/Medicare taxes. You must pay an additional 7.65% of these wages out of your own pocket for a total of 13.3% of taxes. You must also pay federal unemployment tax of .08%.

Note: There are a series of good articles on hiring employees in California as a family child care provider on the [website](#) of tax professional Alison Jacks.