

YEAR-END NOTICES TO BUSINESSES

If you have employees, you must...

- 1) Have a W-4 on file for each employee (the employee fills this form out)
- 2) Have an I-9 on file for each employee (the employee fills out Section 1. The employer fills out Section 2)
- 3) File a Form DE-34 with the State of California within 20 days of hiring or rehiring an employee. You may file online at

<https://eddservices.edd.ca.gov/index.html>

Failure to file a DE-34 can result in a penalty of \$24 for each failure to report a new hire.

If you hire Independent Contractors, you must...

- 1) Have a W-9 on file for each company that you have paid or will pay \$600 for services or rents in a calendar year, including individuals, partnerships, LLCs, and corporations. (Your independent contractors are supposed to fill this out before you pay them more than \$600 in a calendar year).
- 2) File a Form DE-542 within 20 days of making payments to or entering into a contract for \$600 or more within the calendar year for individuals (not corporations, LLCs, partnerships, etc). You must issue a Form 1099-MISC at the end of the year.
- 3) You must report the individual's full name and Social Security number, not Federal ID#. So while you may get a completed W-9 from an individual with a Federal ID#, you will need to obtain the Social Security # for the State.

You may file online at

<https://eddservices.edd.ca.gov/index.html>

In addition . . .

The W-4, I-9 and the W-9 need only be filled out once unless the original information changes.

The Form DE-542 is an annual requirement, whereas, the DE-34 is only for new hires or rehires. So, if you have an employee for 10 years continuously, you file the DE-34 only once. If you use an independent contractor each year for 10 years, you must file the DE-542 ten times.

Tip: Rather than keeping track during a year of who has reached the \$600 level, you may file a DE-542 in anticipation of such an event. When you prepare your 2006 1099MISCs in January 2007, simply fill out a DE-542 for all independent contractors you may use in 2007 and send that to the state. If our office prepares your 1099-MISCs, we will automatically do that for you. If you then hire a **new** independent contractor, file a DE-542 during the year. Or, if our office prepares your 1099-MISCs, please fax or e-mail the data to our office during the year.