



## State of California Employer Compliance Earned Income Tax Credit Notification

Did you know that employers in the State of California are required to notify all of their employees about the federal Earned Income Tax Credit (EITC)? Effective January 1, 2008, Assembly Bill 650, Stats. 2007, Ch. 606, (Lieu and Jones) requires any employer, who is subject to, and is required to provide unemployment insurance to employees in California, to notify all employees that they may be eligible for the EITC.

### Do We Need to Comply?

All employers are required to notify all of their California-based employees of the federal Earned Income Tax Credit (EITC). Per Revenue and Taxation Code 19852, an "employer" means any California employer who is subject to, and is required to provide, unemployment insurance to his or her employees, under the Unemployment Insurance Code.

### Employers' Compliance Obligations

Employers shall give notification within one week before or after, or at the same time, they provide employees with an annual wage summary (IRS Form W-2, 1099).

You must provide a written notification to your employees by either handing it directly to your employee or mailing it to your employee's last known address. Posting of this information on an employee bulletin board or intranet will not satisfy the notification requirement.

### California-Based Employers with Out-of-State Employees

California employers with employees being reported to another state for unemployment insurance (UI) would not have to notify those employees, because the employer is not subject to the California Unemployment Insurance Code (CUIC) and is not required to provide UI to his or her employees.

### Who Are Considered Employees?

Per Revenue and Taxation Code 19852, an "employee" means any person who is covered by unemployment insurance by his or her employer, pursuant to the Unemployment Insurance Code.

### Sample Notice

The following notice was sent to all ADP payroll clients in their W2 packages, and it is the employer's responsibility to distribute those notices to individual employees. You can find a copy of this notice on our website [here](#).

The California's State Department of Labor has provided a sample notice [here](#).

### Other States with Similar Requirements

In addition to California, several states have instituted laws requiring employers notify employees of their potential eligibility for getting reimbursements through the Federal Program Earned Income Tax Credit (EITC). These states are New Jersey, Illinois, Louisiana, Maryland and Texas. Employers in those states should review notices provided to them through their payroll provider to ensure compliance with all



applicable requirements. *If HR Knowledge is your payroll provider and you have employees in those states, please contact us.*

### **Key Points and Next Steps for Employers**

- Employers must provide written notices to all employees within one week before or after, or at the same time, they provide employees with an annual wage summary (IRS Form W-2, 1099).
- Employers must provide these notices by either handing them directly to employees or mailing them to your employees' last known address.
- Employers should utilize the sample notices provided at the links above and provide to each of their employees working in CA.

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