

e-Alert

11.9.21

California Updates ABC Test Exemptions

Background

The three-pronged exercise commonly known as the "[ABC test](#)" is used to determine whether a worker should be classified as an employee or independent contractor.

Summary

Existing law exempts certain occupations and business relationships from the application of the ABC test. Under an amended law, effective January 1, 2022, California will designate the following professions as [exceptions](#) to the ABC test:

- **Licensed Manicurists:** Already exempted under the existing law, this exemption has been extended to January 1, 2025.
- **Construction Trucking Services:** Already exempted under the existing law, this exemption has been extended to January 1, 2025.
- **Data Aggregators:** The amended law clarifies this exemption to apply to the association between a data aggregator and a "research subject" if certain conditions are satisfied. The condition includes that any consideration paid for the feedback provided, if prorated to an hourly rate, should be equal to or greater than minimum wage.
- **Insurance-related Services:** The amended law expands this already exempted category to include claims adjusters and third-party administrators of claims

This content is provided with the understanding that HR Knowledge is not rendering legal advice. While every effort is made to provide current information, the law changes regularly and laws may vary depending on the state or municipality. The material is made available for informational purposes only and is not a substitute for legal advice or your professional judgment. You should review applicable laws in your jurisdiction and consult experienced counsel for legal advice. If you have any questions regarding this content, please contact [HR Knowledge](#).

within the insurance and financial service industries.

- **Manufactured Housing Salespersons:** Existing law exempts a manufactured housing salesperson from the ABC test, subject to the legal obligations governing the occupation. The update clarifies that employers should not consider the statutorily imposed duties of a manufactured housing dealer as considerations in the multifactor test.

If an exemption to the ABC test applies, employers must refer to the expanded multifactor method, also known as the ["Borello Test"](#) to determine the employee's correct classification.

Employer Next Steps

- Employers should review the updates that become effective in 2022 to ensure their workers are classified correctly based on the ABC test updates.
- If you are a Full-Service or Virtual HR client and would like additional guidance on how to classify your workforce, please [email us](#).

The People Simplifying HR

For almost twenty years, HR Knowledge has made it our mission to demystify the complex and daunting process of HR management. We do more than just provide the level of service and technology you'd expect from an industry leader. We combine unparalleled passion for service with our decades of HR, payroll, and benefits experience to provide our clients with personalized and actionable advice that is second—to—none. From managed payroll to employee benefits to HR support, we can help your organization thrive, grow, and reduce operating costs—no matter what industry you serve. Whether you're interested in our Full-Service solution or just need your employee handbook written, HR Knowledge can help you minimize risk while staying on top of compliance regulations. The bottom line? We're not just another cloud-based technology company that also does HR, #WeAreHR. [Get the scoop](#) on how we can help you simplify HR.



@WEAREHRK

This content is provided with the understanding that HR Knowledge is not rendering legal advice. While every effort is made to provide current information, the law changes regularly and laws may vary depending on the state or municipality. The material is made available for informational purposes only and is not a substitute for legal advice or your professional judgment. You should review applicable laws in your jurisdiction and consult experienced counsel for legal advice. If you have any questions regarding this content, please contact [HR Knowledge](#).