



December 13, 2019



Dear Employer,

On January 1, 2020, Assembly Bill 5 (AB 5) will go into effect and may impact whether your workers are treated as employees or as independent contractors under California law.

In 2018, the California Supreme Court adopted "the ABC test" in *Dynamex v. Superior Court*. Under the ABC test, a worker is considered an employee, and not an independent contractor, unless the hiring entity can demonstrate that it meets **all three** of the following requirements:

- A. The individual is free from the control and direction of the hiring entity in connection with the performance of the work, both under the contract for the performance of the work and in fact.
- B. The individual performs work that is outside the usual course of the hiring entity's business.
- C. The individual is customarily engaged in an independently established trade, occupation, or business of the same nature as that involved in the work performed.

AB 5 was signed into law to codify - or write into statute - the ABC test from the *Dynamex v. Superior Court* decision. Under AB 5, the "ABC test" must be used to determine the appropriate classification of workers in most occupations for purposes of the Labor Code, the Unemployment Insurance Code, and Industrial Welfare Commission (IWC) wage orders.

The state has launched a new website with information, including Frequently Asked Questions, to help you understand the ABC test, AB 5, and your obligations as an employer. Please visit Labor.ca.gov/employmentstatus, which contains information from various state entities, including:

- The **Employment Development Department (EDD)**, which is your resource for information about your obligations as a taxpayer. EDD has created payroll tax-related resources and is preparing payroll tax seminars to provide guidance for employers.
- The **Department of Industrial Relations - Division of Labor Standards Enforcement (DLSE)**, which is your resource for information about wage and hour laws.

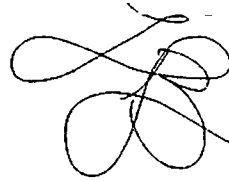
- The **Department of Industrial Relations - Division of Occupational Safety and Health (DOSH)**, which is your resource for more information about workplace health and safety laws.
- The **Department of Industrial Relations - Division of Workers' Compensation (DWC)**, which is your resource for more information on your workers' compensation obligations.

We hope you find this information helpful as this new law takes effect in California.

Sincerely,



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Employment Development Department



LILIA GARCÍA-BROWER
Labor Commissioner
Division of Labor Standards Enforcement



DOUGLAS PARKER
Chief
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GEORGE PARISOTTO
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