

CALIFORNIA DEPARTMENT OF CHILD SUPPORT SERVICES

P.O. Box 419064, Rancho Cordova, CA 95741-9064



March 22, 2001

CSSIN NO: 01-05

TO: ALL IV-D DIRECTORS
ALL DISTRICT ATTORNEYS
ALL COUNTY ADMINISTRATIVE OFFICERS

Reason for this Transmittal

- State Law or Regulation Change
 Federal Law or Regulation Change
 Court Order or Settlement Change
 Clarification requested by One or More Counties
 Initiated by DCSS

SUBJECT: IMPLEMENTATION OF THE INDEPENDENT CONTRACTOR REGISTRY

This letter is to inform you of the implementation of the Independent Contractor Registry. Senate Bill 542, Chapter 480 of the Statutes of 1999 added Section 1088.8 to the California Unemployment Insurance Code (UIC). Pursuant to UIC Section 1088.8, anyone filing Federal 1099-MISC forms for services performed by independent contractors must also notify the Employment Development Department (EDD) of prescribed information effective January 1, 2001. Information obtained from the Independent Contractor Registry will be used for purposes of establishing, modifying, or enforcing child support obligations. The Independent Contractor Registry will also be used as a locate source through the California Parent Locator Service. This is the equivalent of the New Employee Registry for independent contractors. The Independent Contractor Registry is a useful new tool to collect support from people who previously could avoid their responsibility to support their children.

Reporting Requirements

Any business or government entities (service-recipient) required to file Federal 1099-MISC forms for services performed by an independent contractor (service-provider) must report.

A "service-recipient" is defined by UIC Section 1088.8(b)(1) as any individual, person, corporation, association, partnership, or agent thereof, doing business in this State, deriving trade or business income from sources within this State, or in any manner in the course of trade or business subject to the laws of this State.

A "service-provider" is defined by UIC Section 1088.8(b)(2) as an individual who is not an employee of the business or government entity for California purposes and who receives compensation or executes a contract for services performed for that business or government entity either in or outside of California.

The service-recipients use Form DE542, "Report of Independent Contractor(s)," to report independent contractors providing services. In order to minimize the burden on service-recipient firm, EDD designed Form DE542 to follow 1099 reporting requirements as closely as possible and to be easy to fill out.

The report must be submitted annually within 20 days of either making payments totaling \$600 or more or entering into a contract for \$600 or more with an independent contractor in any calendar year, whichever occurs first. Service-recipients entering into contracts for \$600 or more must file a DE542 within the 20 days of entering into the contract itself rather than wait until that amount has been paid. In addition, EDD will accept forms for any independent contractor whether they have reached the \$600 limit or not, so a service-recipient does not have to track costs by service-providers. For service-recipients with multiple contracts with an independent contractor, only one DE542 needs to be filled out each year.

The following information about the independent contractor (service-provider) must be submitted by the service-recipient to EDD:

- First name, middle initial, last name
- Social security number
- Address
- Start date of contract
- Amount of contract
- Contract expiration date (if applicable)
- Ongoing contract (if applicable)

The Process

- A service-recipient submits a DE542 via hardcopy or magnetic media to EDD reporting an independent contractor.
- EDD processes the data, then submits it to the Health and Human Services Agency Data Center to update the Independent Contractor Registry.
- EDD matches parents that owe back child support on the IRS Intercept file against the Independent Contractor Registry and forwards the information to the California Parent Locator Service (CPLS).
- The CPLS sends matching information to the appropriate Local Child Support Agency (LCSA). CPLS will be issuing a separate letter providing details about the file structure for information directed to the LCSAs shortly.
- The LCSA reviews the match information, and if a match is made, must establish a wage assignment following standard wage assignment guidelines pursuant to Family Code (FC) Section 1673(b).
- In the event that the obligor requests a hearing, the court and the LCSA must provide a hearing and provide remedies (if applicable) under standard appeals guidelines pursuant to FC Sections 5270 and 5271.

Current Status

EDD anticipates the first match processed and results sent to counties in March.

EDD's Independent Contractor Information

EDD has done extensive outreach to educate service-providers about the new requirements. LCSAs may receive calls about the reporting requirements. The following information may help you respond to those calls:

- EDD Independent Contractor Hotline: (916) 657-0529
- EDD Independent Contractor Reporting Website: <http://www.edd.ca.gov/txicr.htm>

If you have any questions or concerns regarding this matter, please contact Wesley Higashi at (916) 464-5364.

Sincerely,

JOAN OBERT
Assistant Deputy Director
Technology Services Division

cc: Margaret Johnson, EDD
Bruce Kaspari, DOJ
Debra Harvey, DOJ