

Subject Employee classification

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Summary

This bill would decouple the state from a federal worker classification provision for purposes of state withholding requirements. The federal provision—section 530 of Public Law 95-600—provides a safe harbor for potentially incorrect employment status determinations by employers, by allowing certain workers to not be classified as employees for employment tax purposes if the employer had a “reasonable basis” for not treating them as such. Reasonable basis is determined under section 530 by judicial precedent, past IRS audits, or industry practice.

Effective date: Tax years in 2025 and thereafter.