

Employer Mandatory Payroll Deductions/Taxes

This information is for guidance purposes only. The employer should obtain professional payroll and accounting services to ensure proper mandatory payroll tax deductions and employer-only required payroll taxes.

It is also recommended that the employer refer to both the federal and State tax requirements and withholding rate requirements.

1. Federal: Internal Revenue Services - [Understanding Employment Taxes](#).
2. California: Franchise Tax Board - [CA State Payroll Taxes Overview](#).
3. California: Department of Industrial Relations - [Workers Compensation](#).

Federal Mandatory Payroll Tax

1. Federal Income Tax must be withheld from the employee's wages. This is a shared cost between the employee and employer.
2. Social Security and Medicare Taxes must be withheld from the employee's wages. This is a shared cost between the employee and employer.
3. Federal Unemployment Tax (FUTA) is an employer-only paid tax. It is not withheld from the employee's wages.

California Mandatory Payroll Tax

1. State Disability Insurance (SDI) {also provides Paid Family Leave (PFL)} is withheld from employee wages. This is not a shared cost.
2. State Personal Income Tax (PIT) is withheld from employee wages. This is not a shared cost.
3. Unemployment Insurance (UI) is an employer-only paid tax.
4. Employment Training Tax (ETT) is an employer-only paid tax.

Workers Compensation Insurance

1. Employers are required to have WC Insurance even if they have only one employee.
2. This insurance is to pay compensation benefits if an employee is injured or becomes ill because of work. It is to provide basic benefits, including medical care, temporary disability benefits, permanent disability benefits, supplemental job displacement benefits, a return-to-work supplement, and death benefits.

Eligible Payroll Taxes for Reimbursement under CEGP Grant Funding

Payroll taxes that may be eligible for reimbursement under the CEGP grant program shall be costs that are the direct responsibility of the employer. These costs can include the employer's portion of the shared costs and the costs that are 100% employer costs.

Employers can not claim costs that are shared tax costs or 100% tax costs deducted from the employees income.

Deductions are subject to annual revisions.

	Shared Costs	100% Employer	100% Employee
Federal			
Income Tax ¹	X		
Social Security Tax ² (6.2%)	X		
Medicare Tax (1.45%)	X		
Unemployment Tax (FUTA)		X	
CA State			
Personal Income Tax ³ (PIT)			X
Disability Insurance (SDI) (1.2%)			X
Unemployment Insurance ⁴ (UI) (3.4%)		X	
Employment Training Tax (ETT) (.01%)		X	
Workers' Compensation		X	

¹ Tax rate based on employee's wages.

² Social Security has a wage base limit of \$176,100 for 2025

³ Tax rate based on employee's wages.

⁴ Maximum tax of \$7,000/employee.

Employment of a Spouse

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Below is a summary of what the provider needs to consider when employing a spouse/family member. It is recommended that the employer consult with both HR and tax professionals to ensure the employment requirements are being adhered to.

Points To Consider:

1. Federal: If the spouse is under the direction of the provider, he is considered an employee, and is subject to federal FICA (Social Security and Medicare) withholdings. However they are not subject to FUTA (Federal Unemployment Tax Act).
2. CA: If spouse is determined to be an employee after applying the ABCs of Independent Contractors, they are excluded from paying Unemployment Insurance (UI), Employment Training Tax (ETT), and State Disability Insurance* (SDI) coverage. **However, the wages paid to the family member are subject to Personal Income Tax (PIT) withholding and are reportable as PIT wages.**
3. CA: Workers Comp Insurance is required even if families are under the provider's employment.
4. CA: Minimum wage requirements do not apply to spouses/parents (or children under the age of 18 years).

Overall, the provider still needs to report the income of her spouse, and needs to withhold and report income tax.