



Information Sheet

Taxes Paid by an Employer

An employer may pay an employee's share of Social Security and Medicare (taxes imposed under the Federal Insurance Contributions Act [FICA]), State Disability Insurance* (SDI), and federal and state income taxes without taking any money from the employee's salary. These payments might be considered extra wages, depending on the type of employer.

Household or Agricultural Employer

When a household or agricultural employer pays Social Security and Medicare (FICA) taxes and doesn't take it from an employee's wages, the extra amount is not an increase to the employee's wages when figuring out taxes for Unemployment Insurance (UI), Employment Training Tax (ETT), and SDI.

When a household or agricultural employer pays SDI without taking it out from the employee's wages, the extra amount is considered an increase to the employee's wages when figuring out taxes for UI, ETT, and SDI.

Household and agricultural employers don't have to take out Personal Income Tax (PIT) from employee's wages. Any FICA and SDI payments made by the employer without taking it out from the employee's wages should be:

- Included in your employee's wages when reporting PIT.
- Included on the [Wage and Tax Statement \(Form W-2\) \(PDF\)](#) (irs.gov).
- Reported by the employee as taxable income on their personal tax returns.

All Other Employers

An employee's wages will increase if an employer pays their employees' share of FICA and SDI without taking it out from their wages. Their wages will increase by the amount of FICA and SDI paid. The amount the employer paid is subject to UI, ETT, SDI, and is:

- Reportable as PIT wages.
- Subject to PIT withholding.
- Included on Form W-2.
- Reported by the employee as taxable income on their personal tax returns.

*Includes Paid Family Leave (PFL).

How to Determine Total Subject Wages

Subject wages are wages reported and used to determine the amount of UI and SDI* a person will receive when filing a claim for benefits. When determining total subject wages for UI, ETT, and SDI, use this formula:

$$\text{Formula: } \frac{S}{(1 - R)} = W$$

S = Actual amount of salary paid, without deductions.

R = Rate of tax or taxes paid.

W = The employee's reportable wage (total subject wages).

Rate Table (R)			
	2023	2024	2025
SDI Only	.0090	.0110	.0120
FICA Only	.0765	.0765	.0765
FICA and SDI	.0855	.0875	.0885
Note: The rate used in the formula will change whenever the FICA or SDI tax rate changes.			

How to Complete Form W-2

When an employer fills out the Form W-2:

- State wages should include the number shown in the Rate Table, along with your calculations using the total subject wages formula.
- Show that SDI amounts were withheld from an employee's pay.

Voluntary Plan Disability Insurance

If the employer has an approved Voluntary Plan Disability Insurance (VPDI) instead of SDI, the amounts paid into the plan by the employer does not increase wages to an employee. The VPDI amount on Form W-2 should be zero.

Examples on How to Calculate Wages

Here are some examples showing the possible reporting calculations for employers.

Employer Pays Both the Employee's Share of Social Security and Medicare (FICA) and State Disability Insurance (SDI)

Example 1:

Household or Agricultural Employers

- Salary paid to your employee in the first quarter of 2025 is \$1,000.
- Payments made for FICA for your employees are not included when calculating Unemployment Insurance (UI), Employment Training Tax (ETT), and SDI taxes.

How to Calculate Wages	
Total Subject Wages	<ol style="list-style-type: none">1. Use the SDI Only rate .0120, shown on the Rate Table.2. Complete the calculation: $\\$1,000 \div (1 - .0120)$ $= \\$1,012.15$ <p>Total subject wages of \$1,012.15 must be reported on the <i>Quarterly Contribution Return and Report of Wages (Continuation)</i> (DE 9C) or the <i>Employer of Household Worker(s) Quarterly Report of Wages and Withholdings</i> (DE 3BHW).</p>
PIT Wages	<p>To calculate PIT wages, you will need to use the factor rate, which is $1 + ([\text{total subject wages} \div \text{actual salary paid}] \times \text{FICA and SDI rate shown on the Rate Table})$.</p> <p>Factor Rate</p> $1 + ([\$1,012.15 \div \$1,000] \times .0885) = 1.089575$ <ol style="list-style-type: none">1. Use the factor rate 1.089575.2. Complete the calculation: $\\$1,000 \times 1.089575 = \\$1,089.58$ <p>The PIT wages of \$1,089.58 must be reported on the DE 9C or DE 3BHW and included as wages on an employee's Form W-2.</p>

Example 2:

All Other Employers

- Salary paid to your employee in the first quarter of 2025 is \$1,000.

How to Calculate Wages	
Total Subject Wages	<ol style="list-style-type: none">1. Use the FICA and SDI rate .0885, shown on the Rate Table.2. Complete the calculation: $\\$1,000 \div (1 - .0885)$ $= \\$1,097.09$ <p>Total subject wages of \$1,097.09 must be reported on the DE 9C.</p>
PIT Wages	<ol style="list-style-type: none">1. Use the FICA and SDI rate .0885, shown on the Rate Table.2. Complete the calculation: $\\$1,000 \div (1 - .0885)$ $= \\$1,097.09$ <p>The PIT wages of \$1,097.09 are:</p> <ul style="list-style-type: none">• Subject to PIT withholding.• Must be reported on the DE 9C.• Included as wages on an employee's Form W-2.

Employer Pays Employee's Share of Social Security and Medicare (FICA) Only

Example 3: Household or Agricultural Employers

- Salary paid to your employee in the first quarter of 2025 is \$1,000.

How to Calculate Wages	
Total Subject Wages	<p>Payments made for FICA for your employees are not included when calculating the Unemployment Insurance (UI), Employment Training Tax (ETT), and State Disability Insurance (SDI) taxes.</p> <p>Total subject wages are \$1,000.</p> <p>Total subject wages of \$1,000 must be reported on the <i>Quarterly Contribution Return and Report of Wages (Continuation)</i> (DE 9C) or the <i>Employer of Household Worker(s) Quarterly Report of Wages and Withholdings</i> (DE 3BHW).</p>
PIT Wages	<p>To calculate Personal Income Tax (PIT) wages, you will need to use the factor rate, which is $1 + ([\text{total subject wages} \div \text{actual wages paid}] \times \text{FICA Only rate shown on the Rate Table})$.</p> <p>Factor Rate for 2025</p> $1 + ([\$1,000 \div \$1,000] \times .0765) = 1.0765$ <ol style="list-style-type: none"> Use the factor rate of 1.0765. Complete the calculation: $\\$1,000 \times 1.0765 = \\$1,076.50$ <p>The PIT wages of \$1,076.50 must be:</p> <ul style="list-style-type: none"> Reported on the DE 9C or DE 3BHW. Included as wages on the employee's Form W-2.

Example 4: All Other Employers

- Salary paid to your employee in the first quarter of 2025 is \$1,000.

How to Calculate Wages	
Total Subject Wages	<ol style="list-style-type: none"> Use the FICA Only rate .0765, shown on the Rate Table. Complete the calculation: $\\$1,000 \div (1 - .0765) = \\$1,082.84$ <p>Total subject wages of \$1,082.84 must be reported on the DE 9C.</p>
PIT Wages	<ol style="list-style-type: none"> Use the FICA Only rate .0765, shown on the Rate Table. Complete the calculation: $\\$1,000 \div (1 - .0765) = \\$1,082.84$ <p>The PIT wages of \$1,082.84 are:</p> <ul style="list-style-type: none"> Subject to PIT withholding. Must be reported on the DE 9C. Included as wages on the employee's Form W-2.

Employer Pays the Employee's State Disability Insurance (SDI) Only

Example 5:

For All Employers, Including Household and Agricultural Employers

- Salary paid to your employee in the first quarter of 2025 is \$1,000.

How to Calculate Wages	
Total Subject Wages	<ol style="list-style-type: none"> Use the SDI Only rate .0120, shown on the Rate Table. Complete the calculation: $\\$1,000 \div (1 - .0120)$ $= \\$1,012.15$ <p>Total subject wages of \$1,012.15 must be reported on the <i>Quarterly Contribution Return and Report of Wages (Continuation)</i> (DE 9C) or the <i>Employer of Household Worker(s) Quarterly Report of Wages and Withholdings</i> (DE 3BHW).</p>
PIT Wages	<ol style="list-style-type: none"> Use the SDI Only rate .0120, shown on the Rate Table. Complete the calculation: $\\$1,000 \div (1 - .0120)$ $= \\$1,012.15$ <p>The PIT wages of \$1,012.15 must be:</p> <ul style="list-style-type: none"> Reported on the DE 9C or DE 3BHW. Included as wages on the employee's Form W-2. <p>Note: For all employers except household and agricultural employers, PIT wages of \$1,012.15 are subject to PIT withholding.</p>

Federal and State Income Taxes Paid by an Employer

Example 6:

Federal and state income taxes paid by an employer, for an employee, are considered subject wages for Unemployment Insurance (UI), Employment Training Tax (ETT), SDI, and Personal Income Tax (PIT) purposes.

- Salary paid to your employee in the first quarter of 2025 is \$1,000.
- Federal and state income taxes paid for an employee are \$150 and \$50.

How to Calculate Wages	
Total Subject Wages	<ol style="list-style-type: none"> Calculate the federal and state income tax rates. Complete the calculation: <ul style="list-style-type: none"> Federal income tax: $\\$150 \div \\$1,000 = .15$ or 15% State income tax: $\\$50 \div \\$1,000 = .05$ or 5% Total federal and state income tax rates: $15\% + 5\% = 20\%$ or .20 $\\$1,000 \div (1 - .20) = \\$1,250$ <p>Total subject wages of \$1,250 must be reported on the <i>Quarterly Contribution Return and Report of Wages (Continuation)</i> (DE 9C).</p>
PIT Wages	<ol style="list-style-type: none"> Calculate the federal and state income tax rates. Complete the calculation: <ul style="list-style-type: none"> Federal income tax: $\\$150 \div \\$1,000 = .15$ or 15% State income tax: $\\$50 \div \\$1,000 = .05$ or 5% Total federal and state income tax rates: $15\% + 5\% = 20\%$ or .20 $\\$1,000 \div (1 - .20) = \\$1,250$ <p>The PIT wages of \$1,250 are:</p> <ul style="list-style-type: none"> Subject to PIT withholding. Must be reported on the DE 9C. Included as wages on the employee's Form W-2.

References

The [California Unemployment Insurance Code \(CUIC\)](http://leginfo.legislature.ca.gov/faces/codes.xhtml) (leginfo.legislature.ca.gov/faces/codes.xhtml) governs and defines reportable wages in California.

- **Section 935:** Excludes from wages for UI, ETT, and SDI purposes, payments made by household and agricultural employers for the employee's share of FICA.
- **Section 926:** The CUIC governs all other employers when determining wages subject to UI, ETT, and SDI.
- **Sections 13009, 13009.5, and 13020:** Household and agricultural employers are not required to withhold PIT from wages. However, these wages should be reported by the employees as taxable income on their personal income tax returns. Employers must report the wages as PIT subject wages.

More Information

- **Call:** The Taxpayer Assistance Center at 1-888 745-3886.
- **Website:** Visit the nearest [Employment Tax Office](http://edd.ca.gov/Office_Locator) (edd.ca.gov/Office_Locator).

The EDD is an equal opportunity employer/program. Auxiliary aids and services are available upon request to individuals with disabilities. Requests for services, aids, or alternate formats need to be made by calling 1-888-745-3886 (voice) or TTY 1-800-547-9565.

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