

Residential Care Facilities

Residential care facilities include facilities for the elderly, adult residential facilities, and group homes, including small family homes, for children. They are licensed as community care facilities by the state Department of Social Services and provide 24-hour care, meals, support, and maintenance services to children, the elderly, and adults with intellectual and physical disabilities.

Typical employee services provided in the residential care industry include, but are not limited to:

- Administrators
- Cooks
- Drivers
- Caregivers
- Housekeepers
- Helpers
- Relief personnel
- Office staff

When is a Facility an Employer?

Under section 675 of the [California Unemployment Insurance Code \(CUIC\)](http://leginfo.legislature.ca.gov/faces/codes.xhtml) (leginfo.legislature.ca.gov/faces/codes.xhtml), a business becomes an employer when it employs one or more employees, and pays wages in excess of \$100 during any calendar quarter.

An employer must register with the Employment Development Department (EDD) within 15 days of becoming an employer. Employers are responsible for reporting wages paid to their employees, and paying Unemployment Insurance (UI) and Employment Training Tax (ETT) on those wages, as well as withholding and remitting State Disability Insurance (SDI) and Personal Income Tax (PIT) due on wages paid.

Who is an Employee?

For purposes of the CUIC, an employee may be one of the following:

- An individual who is an employee based on the standard that applies using the ABC test under section 621(b) of the CUIC, the *Borello* test*, or another applicable test; or

- An individual who is identified specifically or statutorily in the CUIC.

An employee may perform services on a permanent, temporary, or less than full-time basis. The law does not exclude services from employment that are commonly referred to as day labor, part-time help, casual labor, temporary help, probationary, or outside labor. Refer to [Information Sheet: Casual Labor \(DE 231K\) \(PDF\)](http://edd.ca.gov/pdf/pub_ctr/de231k.pdf) (edd.ca.gov/pdf_pub_ctr/de231k.pdf).

The ABC Test for Classifying Individuals

Per section 621(b) of the CUIC (referred to as the ABC test), any individual providing labor or services for remuneration has the status of an employee rather than an independent contractor, unless the hiring demonstrates all three of the following conditions:

- 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.

While the ABC test under section 621(b) of the CUIC contains the applicable criteria for most workers, there are exceptions to the ABC test that are defined in sections 2776 through 2784 of the [Labor Code](http://leginfo.legislature.ca.gov/faces/codes.xhtml) (leginfo.legislature.ca.gov/faces/codes.xhtml). If each section's factors are all satisfied, the *Borello* test* is used to decide whether the individual is an employee or independent contractor. Additionally, there are specific occupations which need the application of standards in the [California Business and Professions Code](http://leginfo.legislature.ca.gov/faces/codes.xhtml) (leginfo.legislature.ca.gov/faces/codes.xhtml).

For information on the ABC test, *Borello* test* and other ABC test exceptions, refer to [Information Sheet: Employment \(DE 231\) \(PDF\)](#) (edd.ca.gov/pdf_pub_ctr/de231.pdf) and visit the [Employment Status Portal](#) (labor.ca.gov/employmentstatus).

* Test established by the California Supreme Court in *S. G. Borello & Sons, Inc. v. Department of Industrial Relations* (1989) 48 Cal. 3d 341.

What are Wages?

Wages are all payments made to employees for personal services, whether paid by check, cash, or the reasonable cash value of noncash payments, such as meals and lodging.

Employer-provided meals and lodging are subject to UI, ETT, and SDI. Meals are subject to PIT withholding and reportable as PIT wages unless furnished for the employer’s convenience and on the employer’s premises.

If more than half of employees receive meals for the convenience of the employer, then all meals provided by the employer are considered for the employer’s convenience and are, therefore, not subject to PIT withholding. If fewer than half of employees receive meals for the convenience of the employer, then only those meals provided for the employer’s convenience are exempt from the PIT withholding requirement.

Lodging is also subject to PIT withholding and wage reporting purposes, unless provided on the employer’s premises, for the employer’s convenience, and as a condition of employment.

For additional information, refer to the following:

- [Information Sheet: Wages \(DE 231A\)\(PDF\)](#) (edd.ca.gov/pdf_pub_ctr/de231a.pdf)
- [Information Sheet: Types of Payments \(DE 231TP\) \(PDF\)](#) (edd.ca.gov/pdf_pub_ctr/de231tp.pdf)
- [Information Sheet: Personal Income Tax Wages Reported on the Quarterly Contribution Return and Report of Wages \(Continuation\) \(DE 9C\) \(DE 231PIT\)\(PDF\)](#) (edd.ca.gov/pdf_pub_ctr/de231pit.pdf)

Taxable Value of Meals and Lodging

The taxable values of meals and lodging should not be less than the reasonable estimated values stipulated by the contract of employment or in a union agreement. If the cash values are not stipulated in the hiring or union agreement, the taxable values are established by regulation. The taxable value of lodging is 66 2/3 percent of the ordinary rental value to the public, up to a maximum value per month and not less than a minimum value per week.

Visit [Rates, Withholding Schedules, and Meals and Lodging Values](#) (edd.ca.gov/en/payroll_taxes/rates_and_withholding) for current information.

Value of Meals						Value of Lodging	
Year	Day	BR.	LU.	DI.	UNID.	Max Per Month	Max Per Week
2024	\$14.85	\$3.05	\$4.55	\$7.25	\$5.35	\$1852	\$60.05
2023	\$13.85	\$2.85	\$4.25	\$6.75	\$4.95	\$1759	\$57.05
2022	\$12.95	\$2.65	\$4.00	\$6.30	\$4.65	\$1715	\$55.60
2021	\$12.45	\$2.55	\$3.85	\$6.05	\$4.45	\$1688	\$54.75
2020	\$12.05	\$2.45	\$3.70	\$5.85	\$4.30	\$1607	\$52.10

Note: These values apply to non-maritime employees only.
Lodging: 66 2/3 percent of ordinary rental value.

More Information

For further assistance, contact the Taxpayer Assistance Center at 1-888-745-3886 or visit the nearest [Employment Tax Office](#) (edd.ca.gov/Office_Locator).

More information is also available through our no-cost [payroll tax seminars](#) (seminars.edd.ca.gov/payroll_tax_seminars).

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

This information sheet is provided as a public service and is intended to provide nontechnical assistance. Every attempt has been made to provide information that is consistent with the appropriate statutes, rules, and administrative and court decisions. Any information that is inconsistent with the law, regulations, and administrative and court decisions is not binding on either the Employment Development Department or the taxpayer. Any information provided is not intended to be legal, accounting, tax, investment, or other professional advice.