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California Paid Family Leave – What You Need To Do As Of January 1, 2004

On September 23, 2002, former Governor Davis signed legislation authorizing paid family leave for California employees. This legislation allows eligible employees to receive family temporary disability insurance (FTDI) for a period of six (6) weeks during any twelve (12) month period. The legislation applies to all California employers and employees who are subject to the State Disability Insurance (SDI) program. Although the FTDI benefits will not be available for eligible employees until July 1, 2004, employers will be required to comply with the legislation's employee notification and payroll deduction requirements as of January 1, 2004.

Notification

Prior to January 1, 2004, the Director of the Employment Development Department (EDD) must provide every covered employer with a notice explaining the FTDI benefits. Covered employers must provide this notice to each new employee hired on or after January 1, 2004, and to each employee leaving work on or after July 1, 2004, due to pregnancy, non-occupational sickness or injury, or the need to provide care for any sick or injured family member or new child. The notice provides employees with information regarding eligibility requirements and the monetary amount of potential benefits. You can find a copy of the notice at www.edd.ca.gov./direp/de2511. The notice is available in English, Spanish, Chinese and Vietnamese.

Payroll Deductions

The FTDI program is a component of the SDI program, and funded through mandatory employee contributions. Beginning January 1, 2004, employers are required to deduct the paid family leave contributions from the wages of the employees who are covered by the SDI program. The paid family leave requires an increase in the SDI contributions of 0.08 percent (.0008) for the calendar years 2004 and 2005. Accordingly, the total SDI withholding rate for 2004 will be 1.18%. The paid family leave does not increase the maximum wage cap for SDI contributions. The maximum taxable wage in 2004 is $68,829. In 2005, it will increase to $79,418. Wages above these caps are exempt from the paid family leave insurance. Based on the rate of 1.18%, the maximum withholding for SDI, including paid family leave contributions, for 2004 is $812.18. In 2006 and beyond, the cost of the paid family leave insurance will be incorporated into the base SDI rate.

Although the FTDI program does not expand employees' rights under either federal or state leave laws, it does cover a more broad range of employees. The FTDI program does not limit coverage based on an employee's actual hours worked or the size of the employer. Thus, if you have employees who pay into the SDI program, it is imperative that beginning January 1, 2004, you comply with the notification and payroll deduction requirements described above.

Clients interested in obtaining more information regarding their obligations under the FTDI program should contact any member of the Firm's Labor and Employment Practice Group.

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For more information about this issue, please contact a member of the Labor and Employment Law Practice Group in one of our offices.

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