

Date of Hearing: September 10, 2025

ASSEMBLY COMMITTEE ON LABOR AND EMPLOYMENT

Liz Ortega, Chair

AB 1514 (Committee on Labor and Employment) – As Amended July 2, 2025

SUBJECT: Labor contracts

SUMMARY: Extends the sunset on the AB 5 exemption of licensed manicurists who meet specified conditions to January 1, 2029, while requiring reporting of licensed manicurists' misclassification claims and other violations of the labor code to the Legislature. Also extends the sunset on the AB 5 exemption of commercial fishers from January 1, 2026, to January 1, 2031, while maintaining reporting requirements on unemployment insurance (UI) claims of commercial fishers by the Employment Development Department (EDD). Specifically, **this bill:**

- 1) Extends the sunset on the AB 5 exemption of licensed manicurists who meet specified conditions to January 1, 2029.
- 2) Requires the EDD and the Division of Labor Standards Enforcement (DLSE) to report to the Legislature by June 1, 2026, the annual number of allegations of misclassification or other violations of the labor code involving licensed manicurists since January 1, 2020, including the number of investigations undertaken, the number of workers impacted, and the number and outcomes of enforcement actions initiated.
- 3) Extends the sunset on the AB 5 exemption of commercial fishers from January 1, 2026, to January 1, 2031.
- 4) Continues reporting requirements relating to UI claims of commercial fishers by the EDD but changes the reporting dates from March 1st of each year to June 30th of each year.

EXISTING LAW:

- 1) Provides that for purposes of the Labor Code and the Unemployment Insurance Code, where another definition of "employee" is not otherwise specified, and for the wage orders of the Industrial Welfare Commission (IWC), a person providing labor or services for remuneration shall be considered an employee unless the hiring entity satisfies the 3-part ABC test:
 - a. The person 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 person performs work that is outside the usual course of the hiring entity's business.
 - c. The person is customarily engaged in an independently established trade, occupation, or business of the same nature as that involved in the work performed. (Labor Code §2775)
- 2) Exempts from the application of the ABC test, and instead, applies the definition of an employee as set forth in *S. G. Borello & Sons, Inc. v. Department of Industrial Relations* (1989) (*Borello*), to specified occupations and business relationships, including the use of professional services under certain circumstances. (Labor Code §2778)

- 3) Exempts, until January 1, 2025, from the ABC test, the services provided by licensed manicurists, provided that the individual meets the following criteria:
 - a. Sets their own rates, processes their own payments, and is paid directly by clients.
 - b. Sets their own hours of work and has sole discretion to decide the number of clients and which clients for whom they will provide services.
 - c. Has their own book of business and schedules their own appointments.
 - d. Maintains their own business license for the services offered to clients.
 - e. If the individual is performing services at the location of the hiring entity, then the individual issues a Form 1099 to the salon or business owner from which they rent their business space. (Labor Code §2778(L))
- 4) Exempts, until January 1, 2026, a commercial fisher working on an American vessel from the ABC test for employment status. (Labor Code §2783(g)(4))
- 5) Defines “commercial fisher” as a person who has a valid, unrevoked commercial fishing license issued pursuant to Article 3 (commencing with Section 7850) of Chapter 1 of Part 3 of Division 6 of the Fish and Game Code. (Labor Code §2783(g)(1))
- 6) Requires the EDD, each March 1, to issue an annual report to the Legislature on the use of UI in the commercial fishing industry. This report shall include, but not be limited to, all of the following:
 - a. Reporting the number of commercial fishers who apply for UI benefits.
 - b. The number of commercial fishers who have their claims disputed.
 - c. The number of commercial fishers who have their claims denied.
 - d. The number of commercial fishers who receive UI benefits. (Labor Code §2783(g)(3))

FISCAL EFFECT: According to the Senate Appropriations Committee,

- Administrative costs to the Department of Industrial Relations (DIR) have yet to be determined, but could exceed \$150,000 annually (Labor Enforcement and Compliance Fund).
- The Franchise Tax Board (FTB) indicates that this bill would not change the way income or franchise tax is calculated under current law. However, it could change income and expense amounts report to FTB, which would have an unknown impact on General Fund revenues (see Staff Comments).
- EDD would incur minor and absorbable costs to implement its provisions of the bill.

COMMENTS: The California Supreme Court’s *Dynamex* decision was issued in 2018 but debate over worker misclassification and the state and federal government’s role in confronting it continues to garner attention. Worker misclassification is not a new concept. In fact, a 2000 study commissioned by the U.S. Department of Labor found that nationally between 10% and 30% of audited employers misclassified workers.¹ In addition, as our workplaces and the nature of the employee-employer relationship evolves, new opportunities for misclassification have emerged. In 2017, California’s Employment Development Department Tax Audit Program conducted 7,937 audits and investigations, resulting in assessments totaling \$249,981,712, and identified nearly *half a million* unreported employees.²

In codifying the ABC test as established in the *Dynamex* decision, AB 5 exempted certain professions and business relationships from its coverage, and instead, applied the multi-factor employment test established in *Borello*. Licensed manicurists with a high degree of control over their work were exempted until January 1, 2022, and that sunset was extended subsequently. In addition, commercial fishers were exempted from the ABC test for employment until January 1, 2023, and then until January 1, 2026, in AB 2955 (Committee on Labor and Employment).

According to the author, “AB 1514 extends the sunset on the licensed manicurists’ exemption from AB 5 for three years while including important reporting requirements by the EDD and the DLSE on labor violations in the industry to help stakeholders and policymakers develop the appropriate regulatory framework for this profession and better protect these workers from misclassification and wage theft. In addition, the bill extends the sunset on the AB 5 exemption for commercial fishers by five years in recognition of the fact that the commercial fishing industry is integral to our state’s food security and work for thousands of people and helps support restaurants in California and across the world with sustainably sourced seafood.”

Arguments in Support

The California Wetfish Producers Association is in support and states, “California’s commercial fisheries not only provide a vital, sustainable source of high quality food, but also support thousands of jobs, directly and indirectly, from the independent fishermen on the boats to workers at processing and cold storage facilities, truckers, shippers and restaurant workers. The exemption applies only to fishing vessel crew; all individuals working on shore in support of fisheries are employees under the law; however, removing the exemption for our crews would not only harm those crew, but would also subsequently harm workers in fish processing and fishery support industries on shore who also depend on our fisheries. Any loss of competitiveness would jeopardize our role in the food supply and economy, with consequences for all workers who depend on and support the fishing industry.”

¹ See the National Employment Law Project’s (NELP) Fact Sheet “Independent Contractor Misclassification Imposes Huge Costs on Workers and Federal and State Treasuries,” <https://www.nelp.org/publication/independent-contractor-misclassification-imposes-huge-costs-on-workers-and-federal-and-state-treasuries-update-2017/>.

² Employment Development Department 2018 Annual Report on Fraud Deterrence and Detection Activities, https://edd.ca.gov/About_EDD/pdf/Fraud_Deterrence_and_Detection_Activities_2018.pdf.

Arguments in Opposition

LanguageLine Solutions is opposed unless amended and seeks an exemption from AB 5 for interpreters. They state, “California has the largest limited English proficient (LEP) population in the country, with over 25% of residents speaking a language other than English at home. The state is also home to an estimated 3 million individuals who are deaf or hard of hearing. Ensuring access to qualified interpreters is vital for compliance with federal and state language access laws, including Title VI of the Civil Rights Act of 1964, the Americans with Disabilities Act (ADA), and Section 1557 of the Affordable Care Act.

The existing interpreter exemption in AB 2257 is unworkable. It fails to account for dual-role linguists, professionals who provide both interpretation and translation, forcing them to operate under conflicting legal standards. Moreover, the exemption does not reflect the structure of the language services industry. Companies like LanguageLine are not referral agencies, we recruit and vet linguists, ensure regulatory compliance for our clients, and assume liability.”

Related and Prior Legislation

SB 527 (Alvarado-Gil) of 2025 would exempt a sports coach for an elementary or secondary private school or local education agency from AB 5. The bill died in the Senate Labor, Public Employment and Retirement Committee.

AB 224 (Rubio) Chapter 298, Statutes of 2024 extended the exemption for newspaper distributors and carriers from the ABC test under *Dynamex* (AB 5) until January 1, 2030 and instead applied the *Borello* test, and required newspaper distributors and carriers to submit specified information to the Labor Workforce and Development Agency.

AB 2955 (Committee on Labor and Employment) Chapter 443, Statutes of 2022 extended from January 1, 2023, to January 1, 2026, the sunset date on the exemption from the application of the ABC test for commercial fishers working on an American vessel.

AB 1561 (Committee on Labor and Employment) Chapter 422, Statutes of 2022 extended from January 1, 2022 to January 1, 2025, the sunset date on the exemption from the application of the ABC test for licensed manicurists and construction trucking subcontractors. This bill also clarified the scope of the exemption previously granted to a data aggregator and a research subject who willingly engages with a data aggregator to provide individualized feedback, as specified, and clarified that the exemption previously granted to occupations in the insurance industry also extends to an individual providing claims adjusting or third party administration work.

AB 1506 (Kalra) Chapter 328, Statutes of 2021 extended for three years an existing exemption for newspaper distributors and carriers from the ABC Test and required them to submit specified information to the LWDA on the number of carriers for which the publisher or distributor paid and did not pay payroll taxes for, as well as the wage rates and information to demonstrate compliance of their carriers with the *Borello* test.

AB 2257 (Gonzalez) Chapter 38, Statutes of 2020 recast and clarified the business-to-business referral agency, and professional services exemption from the ABC test for employment status and exempted additional occupations and business relationships.

AB 323 (Rubio) Chapter 341, Statutes of 2020 extended the exemption for newspaper distributors and carriers from the ABC test from January 1, 2021 to January 1, 2022, and required an assessment of the effectiveness of contracts to conduct outreach and marketing to specified communities.

AB 170 (Gonzalez) Chapter 415, Statutes of 2019 provided an exemption for newspaper distributors and carriers from the ABC test, as specified, until January 1, 2021.

AB 5 (Gonzalez) Chapter 296, Statutes of 2019 codified the decision of the California Supreme Court in *Dynamex Operations West, Inc. v. Superior Court of Los Angeles (2018)* requiring that employers prove that their workers can meet a 3 part (ABC) test in order to be lawfully classified as independent contractors, and exempted from the test certain professions and business-to-business relationships.

REGISTERED SUPPORT / OPPOSITION:

Support

California Westfish Producers Association
Pacific Coast Federation of Fishermen's Associations (PCFFA)
Professional Beauty Federation of California (PBFC)

Opposed Unless Amended

Association of Language Companies
California Civil Liberties Advocacy
Languageline Solutions

Analysis Prepared by: Megan Lane / L. & E. /