

SENATE THIRD READING

SB 355 (Pérez)

As Amended June 26, 2025

Majority vote

SUMMARY

Requires an employer with a final wage theft judgment to provide documentation to the Labor Commissioner (LC) regarding satisfaction of the judgment; and subjects a judgment debtor employer that fails to comply to a civil penalty, as well as requires the LC to notify the Employment Development Department (EDD) of the employer's unsatisfied judgment as a notice of potential tax fraud.

Major Provisions

- 1) Requires a judgment debtor employer, within 60 days of a final wage theft judgment being entered against an employer requiring payment to an employee or to the state, to provide documentation to the LC that any of the following is true:
 - a) The judgment is fully satisfied.
 - b) The required bond has been posted.
 - c) The judgment debtor has entered into an agreement for the judgment to be paid in installments pursuant to existing law and is in compliance with that agreement.
- 2) Requires a judgment debtor employer who fails to comply with (1) above to be liable for a civil penalty of \$2,500 in a citation issued by the LC.
- 3) Requires, if a judgment debtor employer does not comply with (1) above, the LC to, no later than 30 days from the passing of the deadline set forth in (1) above, provide written notice to the judgment debtor employer that:
 - a) The LC will submit the unsatisfied judgment to the Tax Support Division of the EDD as a notice of potential tax fraud; and
 - b) The \$2,500 civil penalty is due within 90 days.
- 4) Requires the LC to provide the written notice required by (3) above by first-class mail at the last known address of the judgment debtor employer listed with the LC.
- 5) Requires, if the judgment debtor employer does not both comply with (1) above and pay the \$2,500 civil penalty within 90 days from the date of the LC's notice, the LC to, within 30 days, provide to the EDD a notice that includes both of the following:
 - a) A summary of the final judgment.
 - b) The names and identifying information of the persons or entities liable for payment of the judgment, including social security numbers, taxpayer identification numbers, and addresses.

COMMENTS

Wage theft is the most prevalent type of theft in the country, causing more economic loss than all other types of theft combined. Recent studies estimate that California workers lose more than \$2.3 to \$4.6 billion in stolen wages each year.¹ In California, workers can bring wage claims either through the LC or through a civil action in court.

However, even when workers prevail in their wage theft claims, they are more often than not unsuccessful in recovering the stolen money. A 2024 California State Auditor Report found that, between 2018 and 2023, the LC's Judgment Enforcement Unit was successful in collecting the entire amount owed in just 12 percent of the cases that were referred to the state for enforcement. A 2020 Legislative Analyst's Office report found that, for workers who filed wage claims in 2017, less than half who received an award for unpaid wages were able to collect any wages at all from their employer.

Existing law requires employers with unpaid wage theft judgments to cease business operations unless they have obtained a surety bond or reached an accord with an individual holding an unsatisfied final judgment. If an employer violates this requirement, they are subject to a civil penalty and the LC can file a lien on the employer's personal and real property, as well as issue a stop order.

California state payroll taxes and the EDD:

Wages in California are generally subject to all four of the state's payroll taxes:

- 1) Unemployment Insurance and Employment Training Tax are employer contributions and each have a taxable wage limit of \$7,000 per employee, per calendar year.
- 2) State Disability Insurance and Personal Income Tax are withheld from employees' wages and do not have a taxable wage limit, meaning that the tax is applied to all wages earned by an employee.

The EDD's Tax Branch works with employers to ensure that necessary payroll taxes and information are reported promptly and accurately, as well as verifies the reporting of wages and enforces the timely payment of taxes.

According to the Author

"SB 355 is a critical step in holding wage-theft/tax evaders accountable. Despite existing laws, unscrupulous employers continue to withhold wages and evade tax obligations, thus harming workers, law-abiding businesses, and the state's tax base. This bill strengthens enforcement by ensuring that employers who refuse to pay wage theft judgments face real consequences—including increased coordination between the EDD and the Labor Commissioner's Office for tax fraud investigations."

¹ Rutgers School of Management and Labor Relations, May 2024, "Wage Theft in California: Minimum Wage Violations, 2014-2023."
https://smlr.rutgers.edu/sites/default/files/Documents/Centers/WJL/California_MinimumWage_Study_May2024.pdf

The author adds that the bill will have a positive impact on underserved and marginalized communities, in that "Wage theft disproportionately impacts disadvantaged and immigrant communities, particularly in low wage job sectors where people of color, including Black and Latino workers, make up the majority of the workforce. These sectors include hospitality, construction car wash, garment, agriculture, and warehouse industries. Undocumented Californians are nearly three times more likely than documented Californians to experience minimum wage violations, often due to fear of retaliation. In fact, minimum wage violations alone in California contribute to a 22.9% increase in poverty rates among affected workers. These disparities highlight the devastating impact of wage theft, especially on our most vulnerable workers."

Arguments in Support

A coalition of labor unions and workers' rights organizations state in support that "SB 355 provides the LC with new enforcement tools to address the failure to pay wage judgments. First, it requires employers who have an outstanding Order, Decision or Award (ODA) to notify the LC if they have already paid the judgment, have posted bond, or have entered into an agreement to pay, after 60 days of an ODA becoming final. This simple requirement will clear up many cases that are already closed and are creating backlogs at the LC, saving the agency valuable resources.

Secondly, when an employer fails to pay an order, decision, or award for wage theft to a worker, it authorizes the LC to provide written notice to the judgment debtor employer that the LC will submit the ODA to the Tax Support Division of the EDD, which collects payroll tax, as a notice of potential tax fraud. The notice to the EDD is an important flag that there may be tax issues with the employer, either from failure to pay wages or misclassification of workers. This bill gives the LC a powerful deterrent for employers who fail to pay outstanding wage theft judgments in a timely fashion, ensuring that the state does not continue to lose out on expected revenue and workers no longer have to continue waiting for the pay they have earned."

Arguments in Opposition

None on file.

FISCAL COMMENTS

According to the Assembly Appropriations Committee:

- 1) Costs of approximately \$4 million in the first year and \$3.7 annually thereafter to the LC to issue and enforce citations against non-compliant employers (Labor Enforcement and Compliance Fund). Costs may be minimally offset by penalty revenue.
- 2) Minor and absorbable costs to EDD to receive notices about non-compliant employers from the LC. EDD notes that this bill does not require EDD to investigate a non-compliant employer, so EDD does not anticipate related enforcement costs.
- 3) Possible payroll tax revenue gain of an unknown amount, to the extent EDD identifies tax fraud by a non-compliant employer and recovers uncollected tax revenues (special fund).

VOTES**SENATE FLOOR: 38-0-2**

YES: Allen, Alvarado-Gil, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Choi, Cortese, Dahle, Durazo, Gonzalez, Grayson, Grove, Hurtado, Jones, Laird, McGuire, McNerney, Menjivar, Niello, Ochoa Bogh, Padilla, Pérez, Richardson, Rubio, Seyarto, Smallwood-Cuevas, Stern, Strickland, Umberg, Valladares, Wahab, Weber Pierson, Wiener

ABS, ABST OR NV: Limón, Reyes

ASM LABOR AND EMPLOYMENT: 7-0-0

YES: Ortega, Flora, Chen, Elhawary, Kalra, Lee, Ward

ASM APPROPRIATIONS: 15-0-0

YES: Wicks, Sanchez, Arambula, Calderon, Caloza, Dixon, Elhawary, Fong, Mark González, Ahrens, Pacheco, Pellerin, Solache, Ta, Tangipa

UPDATED

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