



CITY OF SACRAMENTO

ADMINISTRATIVE POLICY INSTRUCTIONS

Topic: Special Requirements For Reporting Independent Contractors Who Are Individuals (Sole Proprietors) Effective Date: 1/1/2001  
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## **SPECIAL REQUIREMENTS FOR REPORTING INDEPENDENT CONTRACTORS WHO ARE INDIVIDUALS (SOLE PROPRIETORS)**

### **1. SCOPE AND PURPOSE**

- 1.1 Scope: This Administrative Policy Instruction (API) addresses requirements to report to the State of California Employment Development Department (EDD) information about independent contractors who are individuals (sole proprietors). It applies to all City contracts with independent contractors who are individuals (sole proprietors), including contracts for supplies and services, construction, and professional services.
- 1.2 Purpose: To specify under what circumstances the City must comply with State-mandated requirements to report to the Employment Development Department information about independent contractors who are individuals (sole proprietors), and to describe the City process for complying with those requirements.

### **2. SPECIAL EDD REQUIREMENTS FOR REPORTING INDEPENDENT CONTRACTORS WHO ARE INDIVIDUALS (SOLE PROPRIETORS)**

Effective January 1, 2001, California Unemployment Insurance Code Section 1088.8 requires the City to report to the Employment Development Department (EDD) specific information about individuals (also known as sole proprietors) who are independent contractors providing services to the City. The City must report to the EDD within twenty (20) days of EITHER making payments of \$600.00 or more in any calendar year OR entering into a contract or contracts for \$600.00 or more (whichever is earlier) in any calendar year with an individual who is an independent contractor. This information is intended to be used to assist State and County agencies in locating parents who are delinquent in their child support obligations.

### **3. IDENTIFYING INDEPENDENT CONTRACTORS WHO ARE INDIVIDUALS (SOLE PROPRIETORS)**

Independent contractors who are individuals (rather than partnerships, corporations, limited liability companies, etc.) can generally be identified by their use of a Social Security number in lieu of Federal Tax I.D. number. To further facilitate identification of sole proprietors, an updated version of the City's standard professional services agreement will ask each consultant to identify itself by entity type (i.e., sole proprietor, partnership, corporation, etc.).

### **4. CONTRACT REPORTING**

To comply with the EDD reporting requirements without compelling each City department to maintain special records or prepare periodic reports, the City has developed a computer program. This program identifies and reports independent contractors who are individuals when either of the triggering events specified in Section 2 occurs. Because the reporting program works in conjunction with the City's financial system, the following procedures must be used for transactions with independent contractors who are individuals.

- 4.1 A Purchase Requisition must be submitted for all transactions of \$600 or more with independent contractors who are individuals. Send the Requisition to the Purchasing Office so that a City Purchase Order can be created. All transactions with independent contractors who are individuals, regardless of dollar amount, must be entered into the City's financial system within ten (10) working days after the contract or agreement is signed or the work is performed, whichever comes first. These transactions/contracts include City Agreements (CA's), City Manager Agreements (CM's), City Contracts (CO's) and any other agreement/contract that is established by a City department.
  
- 4.2 Payment Vouchers cannot be used to pay for goods or services provided to the City by independent contractors who are individuals when the value of those goods or services is \$600 or more.