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SB-355 Judgment debtor employers: Employment Development Department. (2025-2026)

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Date Published: 09/12/2025 02:00 PM

ENROLLED SEPTEMBER 12, 2025

PASSED IN SENATE SEPTEMBER 09, 2025

PASSED IN ASSEMBLY SEPTEMBER 08, 2025

AMENDED IN ASSEMBLY JUNE 26, 2025

AMENDED IN SENATE APRIL 02, 2025

AMENDED IN SENATE MARCH 28, 2025

CALIFORNIA LEGISLATURE— 2025–2026 REGULAR SESSION

SENATE BILL

NO. 355

Introduced by Senator Pérez
(Coauthors: Senators Rubio and Strickland)
(Coauthor: Assembly Member Ortega)

February 12, 2025

An act to add Section 96.9 to the Labor Code, relating to employment.

LEGISLATIVE COUNSEL'S DIGEST

SB 355, Pérez. Judgment debtor employers: Employment Development Department.

Existing law establishes in the Department of Industrial Relations the Division of Labor Standards Enforcement under the direction of the Labor Commissioner and authorizes the Labor Commissioner to investigate employee complaints and recover civil penalties for violations of labor law, as prescribed. Existing law requires an employer who pays wages to a resident employee for services performed either within or without this state, or to a nonresident employee for services performed in this state, to deduct and withhold from those wages a sum which is substantially equivalent to the amount of tax reasonably estimated to be due under the Personal Income Tax Law resulting from the inclusion in the gross income of the employee of the wages which were subject to withholding. Existing law requires the Employment Development Department to have the powers and duties necessary to administer the reporting, collection, refunding to the employer, and enforcement of taxes required to be withheld by employers, as described above.

This bill would require, within 60 days of a final judgment being entered against an employer requiring payment to an employee or to the state, as specified, the judgment debtor employer to provide documentation to the Labor Commissioner that the judgment

is fully satisfied, a certain bond has been posted, or the judgment debtor entered into an agreement for the judgment to be paid in installments, as prescribed, and is in compliance with that agreement. The bill would make a judgment debtor employer who fails to comply with that provision liable for a civil penalty. The bill would require, if a judgment debtor employer does not comply with that provision, the Labor Commissioner to provide written notice to the judgment debtor employer that the Labor Commissioner will submit the unsatisfied judgment to the Tax Support Division of the Employment Development Department as a notice of potential tax fraud, as prescribed, and that the civil penalty is due within 90 days of the notice.

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: no

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 96.9 is added to the Labor Code, to read:

96.9. (a) Notwithstanding any other law, within 60 days of a final judgment being entered against an employer requiring payment to an employee or to the state pursuant to Section 98.2, the judgment debtor employer shall provide documentation to the Labor Commissioner that any of the following is true:

(1) The judgment is fully satisfied.

(2) The bond required by subdivision (a) of Section 238 has been posted.

(3) The judgment debtor has entered into an agreement for the judgment to be paid in installments pursuant to subdivision (b) of Section 238 and is in compliance with that agreement.

(b) A judgment debtor employer who fails to comply with subdivision (a) shall be liable for a civil penalty of two thousand five hundred dollars (\$2,500) in a citation issued by the Labor Commissioner.

(c) (1) If a judgment debtor employer does not comply with subdivision (a), the Labor Commissioner shall, no later than 30 days from the passing of the deadline set forth in subdivision (a), provide written notice to the judgment debtor employer that the Labor Commissioner will submit the unsatisfied judgment to the Tax Support Division of the Employment Development Department as a notice of potential tax fraud, and that the civil penalty prescribed by subdivision (b) is due within 90 days of the notice required by this subdivision.

(2) The Labor Commissioner shall provide the written notice required by paragraph (1) by first-class mail at the last known address of the judgment debtor listed with the division.

(d) If the judgment debtor employer does not both comply with subdivision (a) and pay the civil penalty prescribed by subdivision (b) within 90 days from the date of the notice required by subdivision (c), the Labor Commissioner shall, within 30 days, provide to the Employment Development Department a notice that includes both of the following:

(1) A summary of the final judgment.

(2) 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.