


EY Payroll NewsFlash Workforce Tax Services

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California will require state disability insurance contributions on all covered wages starting in 2024

Under [SB 951](#), enacted in 2022 and effective January 1, 2024, the contribution limit (wage cap) applicable to California's state disability insurance (SDI) tax is removed, resulting in SDI tax on all taxable wages.

California SDI taxes are paid by employees. For 2023, the contribution rate is 0.9% on annual wages up to \$153,164 for a maximum contribution of \$1,378.48. ([California Employment Development Department \(EDD\), 2023 contribution rates.](#))

California's SDI program provides both short-term disability and family leave benefits to covered employees.

Private insurance (voluntary plans)

In lieu of participating in California's SDI program, employers can apply to the EDD for approval of a voluntary short-term disability and family leave plan. A voluntary plan can be self-insured or provided by a third-party insurer.

Voluntary plans must:

- Offer the same benefits to employees as California SDI
- Provide at least one benefit that is better than those available under California SDI
- Not cost employees more than California SDI
- Be updated to match any increase in benefits that the California SDI program implements from legislation or approved regulations

More information about voluntary plans is available [here](#).

Ernst & Young LLP insights

Considering the increase in California SDI taxes that will apply starting in 2024 to employees earning more than the current SDI contribution limit, employers may want to evaluate if a voluntary plan can lower costs.

Contact us for more information

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