

# Complying with California's CalSavers Mandate: What You Need to Know

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**If** you are a small-business owner in California, you already have a lot on your plate. From managing employees to tracking expenses and keeping up on your federal, state, and local estimated tax payments, the last thing you need is another complex regulation.

The good news is this: If you have at least one employee, other than yourself or your spouse, California's CalSavers mandate is a regulation you can't afford to overlook. This state-run retirement savings program is designed to help your employees save for their future without imposing an extra financial burden on you or your business. But, as you're already well aware, compliance alone can be a burden.



In this SWC singlette, we try to ease that burden by bringing you up to speed on CalSavers and guiding you through the steps to achieve compliance. Whether you're new to the program or simply need a refresher, we have you covered!

## CalSavers Fundamentals

CalSavers is a retirement savings plan for workers whose employers don't offer a workplace retirement plan, and for self-employed individuals and others who want to save extra toward retirement. Employees contribute to a Roth IRA (individual retirement account) that belongs to them but is administered by the state.

Designed to be easy for employers and simple for employees, CalSavers is professionally managed by private sector financial firms with oversight from a public board, chaired by the State Treasurer. There are no fees for employers, and employees manage their accounts directly with CalSavers.

## Determining Whether the Mandate Applies to You

Initially, the CalSavers mandate applied only to employers with five or more California W-2 employees who did not offer retirement plans to their employees. Beginning in 2025, the threshold dropped to employers with one employee. Newly eligible employers (newly-established businesses or employers who recently hired at least one employee) are required to join the program by Dec. 31 of the calendar year in which they become eligible.

Your business is exempt from participation in the CalSavers program only if one or more of the following conditions apply:

- You or you and your spouse are your business's only employee(s). Sole proprietors, self-employed individuals, or other businesses entities that don't employ any individuals other than the owners of the business are exempt.
- Your business offers its employees a qualified retirement plan.

### Fulfilling Your Employer Responsibilities

By law, mandated California employers must register and facilitate program activities by Dec. 31 of the year they become eligible. To comply with the mandate, take the following steps:

1. [Register your business](#). You will need your company's Federal Employer Identification Number or Tax Identification Number (EIN/TIN), your CA payroll tax number, and your CalSavers access code. If you don't have an access code or can't locate it, click the Request link below the Access code box on the registration page.
2. Add employee information for all employees, regardless of whether they are full-time, part-time, or short-term. After you register, you'll be prompted to submit information for each employee. This will begin the automatic enrollment process. Employees will then have 30 days to decide to participate or opt out. If they do not make a selection, they will be enrolled in the program automatically.
3. Remit and report employee contributions. After you add employee information and the 30-day opt out period ends, you'll begin facilitating payroll deductions each payroll period through bank transfer. These deductions will be added to the employee's account and invested according to their selections.

As an employer, you are prohibited from making any contributions to any employee account other than your own. Accounts are funded solely through the employee's payroll contributions. These are Roth IRA accounts and are subject to contribution and participant income limits applicable to all other Roth IRA accounts.

Employers have no liability for an employee's decisions to participate in the program, for their investment decisions, or for the performance of those investments.

### Employee Responsibilities

Employees aged 18 years or older must begin funding the plan, or opt-out, by their first paycheck issued 30 days after the employee notification.

For employees who do not opt out, the employer must collect, remit, and report contributions for each payroll period. An employee's initial default contribution rate is five percent (5%) the first year the employee is enrolled, increasing by one percent (1%) each year, up to eight percent (8%). Employees choose how their money is invested and have the option to opt out at any time or pay lower or higher contribution rates.

### Penalties for Noncompliance

Employers who fail to comply with the program requirements are subject to a \$250 per employee penalty after receiving a notice of noncompliance. The penalty is increased to \$500 per employee if the employer does not comply within 180 days. For more about complying with the CalSavers

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mandate, see our blog post, "[Complying with CalSavers – California's Retirement Savings Mandate for Employers.](#)"

Running a small business can be a daunting endeavor in any state, but in California, the challenge is often compounded by the number and complexity of regulations. Here at SWC, we can help ease that burden by advising you on managing the financial aspects of your business, so you can focus more time, energy, and expertise on innovation and growth. And, if you'd like, we can even serve as a savvy business consultant, helping you to grow your business and make it more profitable. [Contact us](#) to schedule a consultation.

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