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December 6, 1989

COMPTROLLER'S MEMORANDUM NO. 1989-22

TO: Heads of Departments and Agencies

FROM: Russel S. Nagata, Comptroller

SUBJECT: Determining Employer-Employee Relationship

This memorandum is to inform you of the availability of a means of withholding employment taxes from the compensation your department or agency pays to individuals performing services for your department, when those individuals are retained under contract but have been determined to be working in an employer-employee relationship. Please refer to our Memorandum No. 1989-7, dated February 22, 1989, for background on the subject matter.

Attached is a copy of the authorization we have received from the Director of Personnel Services to use DPS Form 5 (Notification of Personnel Action) for the individuals referred to above.

For any individual for whom your department or agency utilizes the attached authorization, the Department of Personnel Services has indicated it will not procedurally approve the Form 5; therefore, the Form 5 may be forwarded from your department or agency directly to Central Payroll (and must be so forwarded to Central Payroll before the individual is added to the Payroll Change Schedule). Whenever two or more Forms 5 are forwarded to Central Payroll at one time, the Forms 5 must be batched by payroll number and must be alphabetized within each such batch. Please cover your Forms 5 with a brief transmittal to Central Payroll, to distinguish them from Forms 5 that require data entry.

In all other respects, payroll processing will occur for these individuals under normal payroll procedures, and the required withholding and remittance of employment taxes will be accomplished as part of the regular payroll processing.

RUSSEL S. NAGATA
Comptroller

Attachment