



new california law imposes requirements on contracts with freelance workers

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As readers of this blog are likely aware, California generally uses a three-part test, known as the ABC test, to determine whether workers are classified as employees or independent contractors under the Wage Orders and California Labor Code. However, a notable exception exists for contracts for "professional services" as defined by Labor Code Section 2778, and assuming a multi-part test is met under the statute, includes such freelance professions as marketing and human resources professionals, travel agents, translators, and graphic designers.

Beginning January 1, 2025, the Freelance Worker Protection Act (SB 998) (the "Act") will impose additional requirements on all new or renewed contracts between hiring parties and "freelance workers" engaged to provide professional services within the meaning of Labor Code Section 2778.

Specifically, the Act will require that all such contracts be in writing, be retained by the hiring party for at least 4 years, and contain at least the following information:

- The name and mailing address of each party.
- An itemized list of the services to be provided by the freelance worker, including the value and the rate and method of compensation.
- The date on which the hiring party shall pay the compensation or the means by which the date shall be determined.
- The date by which a freelance worker shall submit a list of services rendered to the hiring party to ensure timely payment under the hiring party's internal processing deadlines.

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The Act also requires that a hiring party compensate a freelance worker either by the date provided for in the contract, or if no date is provided, within 30 days of completion of the freelance worker's contracted-for services. Additionally, once a freelance worker begins their services, the Act forbids a hiring party from requiring a freelance worker to either (1) accept less compensation or (2) provide additional goods or services as a condition of receiving timely compensation.

Lastly, the Act prohibits a hiring party from discriminating or taking any adverse action against a freelance worker who engages in certain actions consistent with the enforcement of the Act and provides that an aggrieved freelance worker or public prosecutor may bring a civil action to enforce the provisions of the Act, and if successful, can obtain such remedies as attorney's fees, injunctive relief, and under certain circumstances, a penalty of \$1000, as well as double the amount of unpaid compensation.

California employers desiring to ensure that their freelance contracts are in compliance with the Act should contact their trusted MSK Labor & Employment adviser.