SB 464 Guide: California's New Mandatory Pay Data Penalties for 2026

Labor & Employment Law Update

By Milt Castro on February 2, 2026

Effective January 1, 2026, Senate Bill 464 (SB 464) has fundamentally transformed California's annual pay data reporting framework for employers. The Civil Rights Department (CRD), California's enforcement agency, now has the authority to levy mandatory fines without judicial discretion.

Potential penalties have increased significantly—starting at $100 per employee for a first violation and $200 per employee for subsequent failures—which can easily exceed $50,000 in the aggregate for mid-sized organizations.

The law also introduces new technical requirements, including the immediate separation of demographic data from personnel files and the reporting of additional employee categories such as "intermittent" status and annual "weeks worked." And importantly, a "good faith" effort to comply is no longer a valid defense. In short, California's SB 464 leaves no room for administrative error.

With the **May 13, 2026, deadline** for filing 2025 data approaching, it is critical for management to maintain an accurate and up-to-the-minute understanding of these obligations. A proactive approach is now essential to avoid costly compliance failures.

Can California Pay Data Reporting Apply to Out-of-State Employers?

Yes. A common misconception is that an out-of-state headquarters or a minimal remote presence in California exempts an employer from the state's pay data reporting mandates. Not so.

In reality, California determines coverage based on nationwide headcount, not the size of the California workforce. Any organization with 100 or more employees nationwide and at least one employee in California ***is*** considered a covered employer under SB 464. That said, a covered employer does *not* have to (and should not) report its entire nationwide workforce. SB 464 only requires reporting pay data for **California-based employees**, even when coverage is based on a national headcount.

Expanded Data Fields, Required Separation of Records

The 2026 filing cycle (covering 2025 data) introduces three new data fields that are optional for 2026 but mandatory for 2027. These new fields require more granular mapping of human resources information system (HRIS) data than in prior years:

- **Exemption Status:** Whether each employee is exempt or non-exempt under the FLSA.
- **Employment Type:** Full-time, part-time, or "intermittent"—those working periodically or without a regular schedule.
- **Weeks Worked:** Total annual weeks worked, including paid leave time, such as vacation, sick leave, or holidays.

Additionally, as of January 1, 2026, employers must store all demographic data used for these reports—race, ethnicity, and sex—separately from regular personnel files. This requirement is designed to mitigate "implicit bias" claims by ensuring that managers and decision-makers do not have ready access to sensitive demographic data during routine employment actions.

<u>Note</u>: While the 2026 cycle utilizes the traditional 10 EEO-1 job categories, SB 464 mandates a major shift for the 2027 filing cycle (covering 2026 data). Starting January 1, 2027, California will abandon EEO-1 categories in favor of 23 occupation-specific classifications from the U.S. Bureau of Labor Statistics' Standard Occupational Classification (SOC) system.

Mandatory Penalties, "Good Faith" Not Good Enough

SB 464 eliminates much of the judicial discretion that previously existed in pay data reporting enforcement. Beginning with the 2026 cycle, if the CRD petitions a court on an employer's non-filing, the court **must** impose civil penalties:

- $100 per employee for an initial violation;
- $200 per employee for subsequent violations.

For a mid-sized employer with 500 employees, a single missed filing now carries a mandatory **$50,000 penalty**. 100 employees? **$100,000 penalty**. And so on.

Notably, SB 464 creates a form of strict liability: an employer's "good faith" effort to comply—blaming things like technical difficulties, misunderstandings, or administrative errors—can no longer mitigate penalties. If a report is not filed, the penalties apply, regardless of intent.

In sum, California now demands full, timely, and accurate reporting, with no legal shield for late, incomplete, or missing submissions.

Employer Action Items

Preparation for the upcoming reporting season involves more than just routine data collection. Employers should conduct a systematic review of workforce classifications, HRIS data structures, and record-keeping practices. Implementing these practice tips will help streamline compliance:

1. **Confirm Coverage.** Calculate your total nationwide headcount. If it equals or exceeds 100 and you have even one California employee, you must file by May 13, 2026.
2. **Audit Exemption Designations.** Review all "exempt" versus "non-exempt" labels in your HRIS to ensure they align with actual duties, as this data will now be part of your permanent state-filed records.
3. **Separate Demographic Records.** Immediately move demographic reporting data into a secure, separate digital or physical location to comply with SB 464's new personnel file restrictions.
4. **Execute a "Dry Run".** A mock filing serves to highlight systemic gaps or errors. Pay special attention to the calculation and integration of paid leave weeks.
5. **Prepare for the 2027 SOC Transition.** Because there is no direct mapping between the old EEO-1 categories and the new 23 SOC job categories, start re-evaluating internal job descriptions now to avoid a manual re-classification crisis in early 2027.

   Note: The 10 traditional job categories remain in effect for the May 13, 2026 deadline.