

## California Premium Pay Must Be Reported as Wages



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On May 23, 2022 the California Supreme Court issued its decision in *Naranjo v. Spectrum Security Services, Inc.* The Court determined two separate issues. First, the Court considered whether missed meal and rest break premiums constitute “wages” that must be reported on wage statements during employment in accordance with Labor Code section 226 and paid within statutory deadlines such as when an employee leaves the job as set forth in Labor Code section 203. The Court answered this question in the affirmative, reversing the appellate court’s decision. The Court reasoned that “[a]lthough the extra pay is designed to compensate for the unlawful deprivation of a guaranteed break, it also compensates for the work the employee performed during the break period.” Because the missed break premiums are designed to compensate an employee for work performed during a break, the premium payment, equal to one hour of pay at the employee’s regular rate, constitutes wages for purposes of Labor Code sections 203 and 226.

Second, the Court determined the applicable prejudgment interest rate applicable to amounts due for failure to provide meal and rest breaks. The Court affirmed the appellate court’s decision and found that the 7% default rate set by the state constitution applies to amounts due for failure to provide meal and rest breaks.

As a result of the decision in *Naranjo*, employers need to be mindful that premium pay for missed breaks must be delineated on employee paystubs and paid out at the time of separation. If not, employers may be subject to penalties under both Labor Code sections 203 and 226 for inaccurate wage statements and waiting time penalties.

For more information about the *Naranjo* decision’s effect on employers, California employers should consult with counsel.

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