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California Governor Newsom Signs AB 5 Into Law, Effective January 1, 2020

September 23, 2019

On September 18, California Governor Gavin Newsom signed AB 5 into law, and the new law will become effective on January 1, 2020. AB 5 codifies the "ABC test" from the landmark *Dynamex* case to determine whether a service provider is an independent contractor or employee.

AB 5 adds section 2750.3 to the California Labor Code, which expressly adopts the ABC test set forth in *Dynamex* for purposes of the Labor Code, Unemployment Insurance Code and the Wage Orders.

Immediate reaction and recommendations

As mentioned in our previous alert, this is not cause for panic. The California courts already changed the independent contractor test for California service providers with the Dynamex decision, and with AB 5, the test is being expanded to claims under the Labor Code and Unemployment Insurance Code, rather than only claims under the Wage Orders. There are specific exemptions to the ABC test for which the old Borello standard would still apply. Companies should evaluate their independent contractor classifications for California service providers in light of the new law.

Please feel free to contact us with any questions about AB 5 or any questions regarding worker classification matters.

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Key Contacts

Ann Bevitt London	abevitt@cooley.com +44 (0) 20 7556 4264
Wendy Brenner Palo Alto	brennerwj@cooley.com +1 650 843 5371

Leslie Cancel San Francisco	lcancel@cooley.com +1 415 693 2175
Helenanne Connolly Reston	hconnolly@cooley.com +1 703 456 8685
Joshua Mates San Francisco	jmates@cooley.com +1 415 693 2084
Gerard O'Shea New York	goshea@cooley.com +1 212 479 6704
Michael Sheetz Boston	msheetz@cooley.com +1 617 937 2330
Summer Wynn San Diego	swynn@cooley.com +1 858 550 6030

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