

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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