

CALIFORNIA

California Updates Employment Status and Reimbursement Rules for Vehicle Use

On Oct. 11, 2025, the governor approved [Senate Bill \(SB\) 809](#), which reaffirmed that mere ownership of a vehicle—personal or commercial—used by a person providing labor or services for remuneration does not make that person an independent contractor. The law took effect on **Jan. 1, 2026**.

Background

In 2019, California adopted [Assembly Bill 5](#), which established the process for determining whether a worker should be classified as an employee or independent contractor for purposes of the California Labor Code, the Unemployment Insurance Code, workers' compensation and the California Industrial Welfare Commission's wage orders. Assembly Bill 5 adopts the California Supreme Court's decision in [Dynamex Operations West Inc. v. Superior Court of Los Angeles](#) and replaced a multifactor test with a three-pronged standard called the ABC test. The law shifts responsibility to employers to demonstrate that independent contractors are correctly classified.

California's ABC test establishes the standard for most employers to determine whether a worker is an employee or an independent contractor. Until Jan. 1, 2025, subcontractors providing construction trucking services for which a contractor's license was not required were exempted from the ABC test.

Overview of SB 809

SB 809 adds Sections 2750.9, 2775.5 and 2802.2 to the California Labor Code.

Section 2750.9

Section 2750.9 establishes the Construction Trucking Employer Amnesty Program, which allows eligible construction contractors to avoid civil and statutory penalties associated with the misclassification of drivers as independent contractors if the contractor enters into a settlement agreement with the labor commissioner (or with a union or city attorney that is approved by the labor commissioner) before Jan. 1, 2029. The settlement agreement must contain certain provisions regarding driver classification, including reclassifying

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Sectioned Information

Oct. 11, 2025

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Jan. 1, 2026

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misclassified drivers; paying necessary restitution and unpaid taxes for the misclassification period; securing workers' compensation coverage for reclassified drivers; and agreeing to classify future drivers performing the same work as employees.

The program is not available for construction contractors who, at the time of their application, have either a pending civil lawsuit against them alleging or involving misclassification of construction drivers that was filed on or before Dec. 31, 2025, or a final penalty assessed by the California Economic Development Department for failure to file returns or reports for employees.

The labor commissioner will establish an application process for the program.

Section 2775.5

Section 2775.5 modifies the California Labor Code to state that a worker's ownership of a vehicle used to perform labor or services does not, by itself, make that worker an independent contractor unless the worker's relationship with the hiring entity satisfies the ABC test. This section also clarifies that employers are required to reimburse employees for the use, upkeep and depreciation of a truck, tractor, trailer or other commercial vehicle that the employee owned and used for work.

Section 2802.2

Section 2802.2 reaffirms an employer's duty to reimburse employees for necessary work-related expenses, including costs associated with the use of personal and commercial vehicles. The new section clarifies that in the construction trucking industry, a commercial motor vehicle driver who owns a truck, tractor, trailer or other commercial vehicle used in the discharge of their duties as an employee must be reimbursed for its use, upkeep and depreciation, regardless of whether the vehicle is owned by the driver as an individual or through a corporate entity. Reimbursement may be provided as a flat-rate reimbursement that is no less than the actual costs incurred by the employee or as a per-mile reimbursement that is no less than the IRS rate for the time services were provided.

Employer Takeaway

Employers must comply with worker classification requirements to avoid legal risks. Misclassifying workers can lead to severe financial consequences and costly lawsuits. Employers should evaluate their contractor relationships, especially for drivers or anyone using a personal vehicle, to determine whether those individuals are properly classified. Employers should also review and update reimbursement policies for employees who use personal and commercial vehicles for work.