

Business and Economy

Top 10 California Laws and Regulations for 2026

WITH 2026 now upon us, so is a slew of new laws and regulations that affect California businesses.

Every year, laws passed by the state Legislature and signed into law by the governor take effect, and 2025 was a busy legislative session in Sacramento. The end result is another wave of new legislation that California employers need to stay on top of. Here's what California employers should be aware of.

1. Protected leave expanded

AB 406, which took effect Oct. 1, 2025, adds new categories of protected absences. The law amends both the state's paid sick leave law – the Healthy Workplaces, Healthy Families Act – and Government Code section 12945.8, which governs unpaid job-protected leave.

The new law added two reasons for which employees can take protected time off:

- To appear in court as a witness to comply with a subpoena or court order, including if the employee is a crime victim.
- To serve on an inquest jury or trial jury.

As of Jan. 1, the law also extends job-protected leave for employees or family members who are victims of certain serious crimes (the law identifies 14 qualifying crimes).

Covered workers may now take protected leave to attend court or administrative proceedings related to those crimes, such as arraignments, pleas, sentencing hearings, parole hearings and other proceedings where victims' rights are at issue.

2. New AI-in-hiring rules

As of Oct. 1, 2025, any California employer that uses artificial intelligence or other automated tools in recruiting, hiring, promotion and related human resources decisions must ensure that the tools don't discriminate against protected classes.

The new regulations, promulgated by California's Civil Rights Department, cover any "automated decision system," which the rules broadly define as:

- Artificial intelligence,
- Machine learning,
- Algorithms,
- Statistics, and
- Other data-processing techniques.

If your firm uses AI or another data-driven system in hiring, you'll want to beef up record-keeping and set testing procedures to ensure compliance.

3. New notification requirements

The Workplace Know Your Rights Act added a new notification requirement for California employers. The new law requires employers to annually distribute a notice that informs them about:

- Workers' compensation,
- Immigration inspection rights,
- The right to organize/unionize, and
- Constitutional protections during law enforcement interactions at work.

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Paid Family Leave Program Expands

The law states that employees covered by the National Labor Relations Act may petition the PERB if the NLRB has expressly or impliedly ceded jurisdiction. PERB is authorized to:

- Hear unfair practices charges,
- Conduct union elections,
- Certify bargaining representatives, and
- Order certain remedies, among other things.

The NLRB has sued to stop the law from taking effect, arguing that it is preempted by the National Labor Relations Act.

5. Employment contract repayment provisions

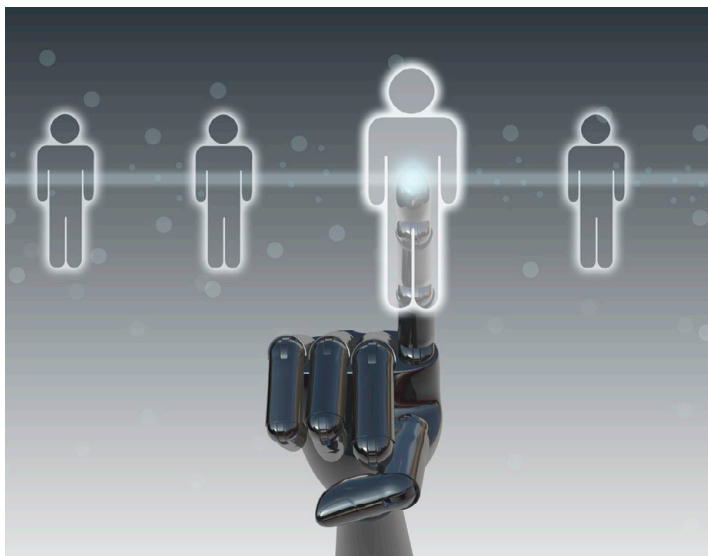
A new law bars employers from including or requiring workers to sign employment-related contracts that impose financial penalties, repayment obligations or fees if the employment ends before a specific date.

AB 692 addresses issues that arise when employers provide signing bonuses, tuition assistance and other benefits and require employees to return the funds if their employment ends prematurely.

6. Wage judgment penalties

On Jan. 1, 2026, SB 261 expanded the potential liabilities for employers that fail to pay a final wage judgment. Under the new law, if an employer fails to pay a final judgment within 180 days after the appeal period ends, a court may impose penalties up to three times the amount of the unpaid judgment.

Courts are also required to award “reasonable” attorneys’ fees and costs to the plaintiffs who prevail in cases that are either brought by them, the labor commissioner or a local district attorney.



AI GUARDRAILS: *Employer that uses artificial intelligence or other automated tools in recruiting, hiring, promotion and related human resources decisions must ensure that the tools don't discriminate against protected classes.*

7. Minimum wage change

The state's minimum wage increased to \$16.90 an hour on Jan. 1, 2026. Additionally, the minimum salary requirement for a full-time exempt employee (meaning they are exempt from overtime rules) increased to \$70,304.

Keep in mind that many local jurisdictions — counties and cities — may have higher minimum wages than the state. Also, fast food employees have their own minimum wage of \$20 an hour. Additionally, for fast food workers to qualify as exempt, they must earn twice the fast-food minimum wage.

8. Personnel record retention

Effective Jan. 1, SB 513 amended Labor Code section 1198.5 by expanding what documents qualify as a “personnel record” to which current and former employees have the right to inspect and copy.

The new law adds education and training records to the definition of personnel records if the employer maintains them.

For HR, the new category may include:

- Training certificates
- Internal or external course completion records
- Vendor-provided training documentation
- Skill or competency tracking records
- Certifications related to job duties

9. Paid Family Leave program expands

California's Paid Family Leave program provides up to eight weeks of partial wage replacement for employees who are caring for ill family members, bonding with a new child or handling a military-related exigency.

Starting in July 2028, the new law, SB 590, expands these benefits to cover employees who care for a “designated person,” who may be related by blood or with whom the employee has a relationship that is equivalent to a family relationship.

To qualify, the employee, when requesting benefits, must:

- Identify the designated person, and
- Attest under penalty of perjury either how they are related by blood to the designated person or how their relationship is equivalent to a family relationship.

10. Pay transparency and equal pay

SB 642 expanded the statute of limitations to bring a civil action for violations of California's Equal Pay Act to three years after the last date the cause of action occurs from the prior two years. It also requires that an employee is entitled to seek and obtain relief for the entire time during which the violation took place, up to six years.

The legislation also amended the law, which had prohibited employers from paying employees of the “opposite sex” differently for the same job and with the same experience. To account for non-binary genders, the law changed “opposite sex” to “another sex.”

New Retirement Contribution Limits for 2026

THE INTERNAL Revenue Service has released new limits for certain retirement accounts for the coming year.

Keep in mind that this update is for informational purposes only, so please consult with an accounting or tax professional before making any changes to your 2026 tax strategy. You can also contact your financial professional, who may be able to provide you with information about the pending changes.

Individual Retirement Accounts

Traditional IRA contribution limits are up \$500 in 2026 to \$7,500. Catch-up contributions for those over age 50 are up \$100 to \$1,100, bringing the total limit to \$8,600.

Remember, once you reach age 73, you must begin taking required minimum distributions from a Traditional IRA in most circumstances. Withdrawals are taxed as ordinary income and, if taken before age 59½, may be subject to a 10% federal income tax penalty.

Roth IRAs

The income phase-out range for Roth IRA contributions increases to \$153,000-\$168,000 for single filers and heads of household, a \$3,000 increase. For married couples filing jointly, the phase-out will be \$242,000-\$252,000, a \$6,000 increase. Married individuals filing separately see their phase-out range remain at \$0-10,000.

To qualify for the tax-free and penalty-free withdrawal of earnings, Roth 401(k) distributions must meet a five-year holding requirement and occur after age 59½. Tax-free and penalty-free withdrawals can also be taken under certain other circumstances, such as the owner's death.

Workplace retirement accounts

Those with 401(k), 403(b), 457 plans, and similar accounts will see a \$1,000 increase for 2026, the limit rising to \$24,500. Those aged 50 and older will continue to have the ability to contribute an extra \$8,000, bringing their total limit to \$32,500. Those aged 60 to 63 may enjoy a higher catch-up contribution of \$11,250, raising their total contribution limit to \$35,750.

Once you reach age 73, you must begin taking required minimum distributions from your 401(k) or other defined-contribution plans in most circumstances. Withdrawals are taxed as ordinary income and, if taken before age 59½, may be subject to a 10% federal income tax penalty.

SIMPLE accounts

A \$500 increase in limits for 2026 gives individuals contributing to this incentive match plan a \$17,000 stoplight. Pursuant to the SECURE Act 2.0, certain applicable plans have an increased limit of \$18,100.

Much like a traditional IRA, once you reach age 73, you must begin taking required minimum distributions from a SIMPLE account in most circumstances. Withdrawals are taxed as ordinary income and, if taken before age 59½, may be subject to a 10% federal income tax penalty.

As a reminder, this article is for informational purposes only. Consult with an accounting or tax professional before making any changes to your 2026 tax strategy.

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Cal/OSHA Updates Confined Spaces Regulation



UPDATED CAL/OSHA confined spaces regulations for construction took effect Jan. 1, creating a standalone set of rules that separate construction requirements from general industry standards.

The rules clarify procedures for entry permits, rescue operations and emergency medical response related to permit-required confined spaces. The changes were adopted by the California Occupational Safety and Health Standards Board and approved by the Office of Administrative Law.

Here are the changes:

- The revised rules apply specifically to confined spaces in construction and are now separate from general industry confined space standards enforced by Cal/OSHA.
- Employers are required to identify all confined spaces at a construction site and evaluate which of those spaces are permit-required confined spaces.
- Such employers are known as “entry employers;” the definition of which has been broadened to include any employer whose employees enter or may enter a permit-required confined space, even if that employer did not create the space.
- Entry employers must implement a written permit-required confined space program at the construction site.
- A “permit-required confined space” is defined as one that may contain a hazardous atmosphere, present an engulfment hazard, have inwardly converging walls or sloped floors, or contain any other recognized serious safety or health hazard. Employers are required to communicate when a new confined space is discovered or created.
- A “competent person” must conduct an initial survey of the work area to identify confined spaces when work begins and when new confined spaces are discovered or created.
- The definition of “confined space” aligns with federal

standards and includes spaces that are large enough for bodily entry, have limited means of entry or exit, and are not designed for continuous occupancy.

- Definitions for terms such as hazardous atmosphere, lockout, tagout and minimum explosive concentration are updated.
- Employers must maintain documentation related to confined space identification, permits and procedures, which may require changes to job-site recordkeeping practices.

Construction employers may want to review and update their confined space programs, training and inspection processes to ensure compliance with the revised regulations now in effect.

Types of confined spaces

- Tanks
- Underground vaults
- Water and sewer pipes
- Storage bins
- Pits
- Silos
- Boilers
- Hoppers

If you have any questions regarding any of these articles or have a coverage question, please contact your broker at:

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