

California Employers Score A Rare Victory On Wage Statement Penalties

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[*Naranjo v. Spectrum Sec. Servs., Inc.*, 2024 WL 1979980 \(Cal. S. Ct. 2024\)](#)

Gustavo Naranjo, a security guard, filed a putative class action against his former employer, alleging violations of California Labor Code section 226 based upon the employer's failure to report missed-break meal premiums on employees' wage statements. Labor Code Section 226 imposes a penalty of up to \$4,000 per employee when an employer commits a "knowing and intentional failure ... to comply" with the wage statement law. The employer argued that even if it did have an obligation to report premium pay owed on employees' wage statements, this failure was not "knowing and intentional" under Section 226 because up until 2022, it remained an unsettled issue whether wage statements needed to include premium pay for missed meal breaks.

The inaccurate wage statements were issued between June 2004 and September 2007, though the question of whether premium pay had to be recorded on employee wage statements remained unsettled law until 2022 (the first time this employer was before the Court). Thus, the Court held that "[g]iven the uncertainty and confusion, it was not objectively unreasonable for [the employer] to believe [during this period] it had no obligation to report meal premiums as wages. Imposing liability under these circumstances would penalize [the employer] not for failing to apprise itself of its obligations, but for failing to predict how unsettled legal issues would be resolved many years down the line."

The Court held that if an employer "reasonably and in good faith believed" it provided the proper wage statements, it has not violated Section 226. Previously, some California courts had held that a violation is "knowing and intentional" if the employer is aware of the "factual predicate" underlying the violation — for instance, that it has not reported certain information on an employee's wage statement, even if "the employer believed in good faith that it had complied with the law."

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