

INFORMATION CONCERNING ELECTIVE COVERAGE FOR STATE DISABILITY INSURANCE (SDI)
UNDER SECTION 702.5 OF THE CALIFORNIA UNEMPLOYMENT INSURANCE CODE (**CUIC**)
(EXCLUDED FAMILY EMPLOYMENT)

1. PERSONS ELIGIBLE TO ELECT COVERAGE

Section 702.5 of the CUIC states, in part: "Any employing unit for which services that do not constitute employment under Section 631 of the CUIC are performed, may file with the director a written election agreed to by both the employing unit and the individuals in its employ specified in Section 631, that all such services performed by such individuals in one or more distinct establishments or places of business shall be deemed to constitute employment by an employer for all the purposes of Part 2* . . . of this division."

Section 631 of the CUIC states: "Employment does not include service performed by a child under the age of 18 years in the employ of father or mother, or service performed by an individual in the employ of son, daughter or spouse, except to the extent that the employer and the employee have, pursuant to Section 702.5, elected to make contributions to the Unemployment Compensation Disability Fund."

2. APPLICATION FOR ELECTIVE COVERAGE

The employing unit and excluded family employees who wish to elect coverage must complete an *Application for Elective Coverage of Disability Insurance (Exempt Family Employment)*, **DE 1378J**, which is furnished by the Employment Development Department (EDD). In order for an employing unit to be properly registered for elective coverage, all questions on the DE 1378J must be answered. If the employing unit is already registered with the EDD and has one or more employer payroll tax account numbers with the EDD, it is important that these employer payroll tax account numbers be entered on the application. The employing unit must then send the completed application, with the signatures of the family employees to be covered, and the employer, to the EDD. The employing unit will then be notified by the EDD of approval or disapproval of the election.

3. COST OF COVERAGE

Employee contributions for SDI are required at the rate established for each year up to the annual taxable wage limit. On or before October 31 of each year, the EDD will notify all employers of the SDI rate for the following year.

4. TERMINATION OF ELECTIVE COVERAGE

Pursuant to Section 702 of the CUIC, an approved elective coverage agreement under Section 702.5 must remain in effect for no less than **two complete calendar years**. The elective coverage agreement may be terminated at the end of any calendar year following the required two-year period if notice of termination is filed with the EDD no later than January 31 of the following year.

*Includes Paid Family Leave (PFL)

4. TERMINATION OF ELECTIVE COVERAGE - CONTINUED

The EDD, under Section 704.1 of the CUIIC, may terminate elective coverage if it finds that any of the following conditions exist:

- The employing unit or self-employed individual has discontinued the regular trade, business, or occupation.
- The regular trade, business, or occupation of the employing unit or self-employed individual is seasonal in its operations.
- The employing unit or self-employed individual has failed to make a return or to pay contributions within the time required by this division and there is an unpaid amount of contributions owing by the employing unit or self-employed individual.
- The employing unit or self-employed individual, or a representative thereof, is found by the director to have filed a false statement in order to be considered eligible for elective coverage.
- The employing unit or any officer or agent of or person having charge of the affairs of the employing unit, or the self-employed individual is convicted on any violation pursuant to Chapter 10 (commencing with Section 2101). For the purposes of this paragraph, a plea or verdict of guilty, or a conviction following a plea of nolo contendere is deemed to be a conviction irrespective of whether an order granting probation or other order is made suspending the imposition of the sentence or whether sentence is imposed but execution thereof is suspended.

The two-year termination provisions will not apply to a minor son or daughter who reaches the age of majority, 18 years. When the minor child reaches the age of majority, the election is terminated and his/her services are then compulsorily **subject** to the CUIIC.

5. BENEFIT ELIGIBILITY

Eligibility for SDI benefits* is determined by the EDD pursuant to requirements of the CUIIC and authorized regulations. Eligibility is dependent on a number of factors including, but not limited to, the following:

- Proof of the claimant's disability.
- Filing of a timely claim for benefits.
- Sufficient wages in the base period.

6. PERSONAL INCOME TAX WITHHOLDING

The withholding of California Personal Income Tax is mandatory with certain exceptions (i.e., agricultural labor, household employment, etc.) of wages paid.

For additional information, please contact:

Employment Development Department
Analysis Resolution and Correspondence Organization
PO Box 2068
Rancho Cordova, CA 95741-2068
Phone: 888-745-3886

The EDD is an equal opportunity employer/program. Auxiliary aids and services are available upon request to individuals with disabilities. Requests for services, aids, and/or alternate formats need to be made by calling 888-745-3886 (voice) or TTY 800-547-9565.

*Includes Paid Family Leave (PFL)