SPECIALIZED COVERAGE (ELECTIVE COVERAGE FOR EXEMPT WORKERS)

Under provisions in the California Unemployment Insurance Code (CUIC), employers may elect Unemployment Insurance (UI) and/or State Disability Insurance* (SDI) coverage for their exempt employees. The Employment Development Department (EDD) refers to these elections as Specialized Coverage.

Specialized Coverage requirements:

- Requests must be in writing, filed with and approved by the EDD.
- The election must remain in effect for at least two complete calendar years unless the election is for a minor child. Elective coverage for a child terminates on the child’s 18th birthday, at which time the child is mandatorily subject to both UI and SDI.
- Termination requests must be in writing, filed with the EDD during January, and will be effective January 1 of the year filed (if more than two complete calendar years have passed since the effective date of the election). Requests postmarked after January 31 will be denied unless “good cause” for the late filing is evident.

Elections for coverage will be denied if any of the following conditions exist:

- The intent is to discontinue the business within eight calendar quarters (two years).
- The regular trade, business, or occupation of the employing unit is seasonal in its operations (this does not apply to public entities).
- The employing unit has failed to file a return or to pay contributions within the time required by the CUIC and there are unpaid contributions owed.
- The entity or officer or agent or person having charge of the affairs of the employing unit has been convicted within the last eight consecutive calendar quarters (two years) of violations specified in Chapter 10 (commencing with Section 2101) of the CUIC.

SPECIALIZED COVERAGE CODE SECTIONS AND WHO MAY ELECT

<table>
<thead>
<tr>
<th>CUIC Section</th>
<th>Type of Entity</th>
<th>Type of Coverage Offered</th>
<th>Required and Informational Forms</th>
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<tbody>
<tr>
<td>701</td>
<td>Employing units that do not qualify as “employers” under the CUIC (wages paid in any calendar quarter have not exceeded $100).</td>
<td>UI and SDI</td>
<td>DE 1378</td>
</tr>
<tr>
<td>702</td>
<td>Employing units who employ exempt workers, such as statutorily exempt workers, may request coverage for all services in one or more distinct places of business.</td>
<td>UI and SDI</td>
<td>DE 1378</td>
</tr>
<tr>
<td>702.1</td>
<td>Nonprofit employers who employ exempt workers. The election requires a written petition signed by a majority of the exempt workers.</td>
<td>UI and SDI</td>
<td>DE 1378J DE 1378K</td>
</tr>
<tr>
<td>702.5</td>
<td>Sole proprietors, or partners in partnership, may request coverage for exempt family members (spouse, registered domestic partner, parents, natural or adopted children under 18) who perform services in one or more distinct places of business. For partnerships, the relationship that created the family exemption must apply to all partners.</td>
<td>SDI only</td>
<td>DE 1378N DE 1378P</td>
</tr>
<tr>
<td>702.6</td>
<td>California employers may elect coverage for California residents whose services are covered under the unemployment compensation laws of another state that does not have a SDI program. (For employees who are part of a labor organization, the election must be the result of a negotiated agreement. For employees not part of a labor organization, the election must be a result of a written petition signed by the majority of the employees.)</td>
<td>SDI only</td>
<td>DE 1378N DE 1378P</td>
</tr>
<tr>
<td>703</td>
<td>Employers may elect coverage for California residents working outside California whose services are not in employment and who are not mandatorily covered by the laws of any other state or the federal government.</td>
<td>UI and SDI</td>
<td>DE 1378</td>
</tr>
</tbody>
</table>

*Includes Paid Family Leave (PFL).
CUIC Section | Public Entities, School Districts, and Indian Tribes*  
(Covered by law for UI but not for SDI) | Type of Coverage Offered | Required and Informational Forms
---|---|---|---
709 | Local public entities and Indian tribes may elect coverage for all employees (including those who have elected UI coverage). This requires an election by the appropriate governing board on its own motion or pursuant to a written petition signed by a majority of the employees. | SDI only (UI coverage mandatory) | DE 1378L  
DE 1378M
710 | Public entities and Indian tribes may elect coverage for employees excluded from mandatory UI coverage. For public entities, the UI financing method in effect for covered employees will be extended to employees included in the election. Indian tribes* may make separate elections for itself and for each subdivision, subsidiary, or business enterprise wholly owned by that tribe. | UI only | DE 1PE  
DE 1378
710.4 | Public school employers may elect coverage for:  
• Employees who are part of an appropriate bargaining unit. The election must be the result of a negotiated agreement.  
• Management and confidential employees.  
• Unrepresented employees (who are not part of an appropriate bargaining unit). | SDI only (UI coverage mandatory) | DE 1378N  
DE 1378P
710.5 | Public agency employers may elect coverage for:  
• Employees who are part of an appropriate bargaining unit. The election must be the result of a negotiated agreement  
• Management and confidential employees.  
• Unrepresented employees (who are not part of an appropriate bargaining unit). | SDI only (UI coverage mandatory) | DE 1378N  
DE 1378P
710.6 | Indian tribes* may elect coverage for:  
• All employees employed in one or more distinct establishments or places of business.  
• Employees who are part of an appropriate bargaining unit. The election must be the result of a negotiated agreement.  
• Management and confidential employees.  
• Unrepresented employees (who are not part of an appropriate bargaining unit). | SDI only (UI coverage mandatory) | DE 1378N  
DE 1378P
710.9 | Community college districts may elect coverage for:  
• Employees who are part of an appropriate bargaining unit. The election must be the result of a negotiated agreement.  
• Management and confidential employees.  
• Unrepresented employees (who are not part of an appropriate bargaining unit).  
• Academic employees. | SDI only (UI coverage mandatory) | DE 1378N  
DE 1378P

*As described by Section 3306(u) of the Internal Revenue Code.

ADDITIONAL INFORMATION

For further assistance, please contact the Taxpayer Assistance Center at 888-745-3886 or visit the nearest Employment Tax Office listed in the California Employer’s Guide (DE 44) or on the EDD website at www.edd.ca.gov/Office_Locator/.

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.

This information sheet is provided as a public service and is intended to provide nontechnical assistance. Every attempt has been made to provide information that is consistent with the appropriate statutes, rules, and administrative and court decisions. Any information that is inconsistent with the law, regulations, and administrative and court decisions is not binding on either the Employment Development Department or the taxpayer. Any information provided is not intended to be legal, accounting, tax, investment, or other professional advice.