

Instructions for Reporting Wages and Contributions for Employers who have elected Unemployment and Disability Insurance coverage under Section 708(a) of California's Unemployment Insurance Code (CUIC)

REPORTABLE COMPENSATION "WAGES" FOR UNEMPLOYMENT INSURANCE (UI)

The Employment Development Department (EDD) determines maximum UI benefits based on reportable "wages." Since employers do not receive "wages," the Legislature has provided an arbitrary basis for collecting wage information and contributions, and for paying benefits under elective coverage. Compensation is reported based upon services performed as provided in the following examples:

- (a) If you performed no services during the entire calendar quarter, no "wages" or contributions are reportable.
- (b) If you performed services for the entire calendar quarter, "wages" of \$11,675 per quarter are required to be reported.
- (c) If you performed services for only two months of the calendar quarter, the reportable "wages" would be \$7,783 (two-thirds of the normal quarterly reportable "wages" of \$11,675).
- (d) If you performed services on less than one-half of the number of your normal working days in one month of the calendar quarter, the reportable "wages" for that month would be \$1,946 (one-half of the normal monthly reportable "wages" of \$3,892). If you performed services on one-half or more of the number of your normal working days in the month, generally, the full \$3,892 is reportable for that month.

An exception to this general rule would occur if you received UI or Disability Insurance (DI) benefits for some part, but less than all, of a calendar month. If such circumstances arise, you should contact the Elective Coverage Unit at 916-654-6288 to compute the correct reportable "wages."

Conditions under which you may not have performed services for a complete calendar quarter may include: a disability, the interruption or closing of the business, or the fact that your elective coverage commenced later than the first day of the calendar quarter.

TAXABLE "WAGES" FOR UNEMPLOYMENT INSURANCE

The UI contributions are due on the first \$7,000 in "wages" reported for each covered individual and are reported on your *Payroll Tax Deposit* (DE 88) and paid at your regular employment contribution rate. The DI premiums required under your election are to be reported on a *Quarterly Premium Notice for Disability Insurance Elective Coverage* (DE 3DI), which is mailed to you separately.

PREPARING THE PAYROLL TAX DEPOSIT (DE 88) AND QUARTERLY CONTRIBUTION RETURN AND REPORT OF WAGES (CONTINUATION) (DE 9C)

Complete Items A through G on your DE 88 in accordance with the instructions. Wages should be reported as follows:

1. Report the total "**subject wages**" for each worker that is subject to both UI taxes and DI contributions on the DE 9C. **DO NOT** report your elective coverage wages on this DE 9C.
2. Report the total "**reportable wages**" for each individual covered under your UI election, whether or not all of these "wages" are taxable, on a **second separate DE 9C**. On top of the DE 9C, enter the phrase "**UI only Section 708(a)**" to properly identify these wages as subject to UI taxes only.
3. Use the total wages reported on both of the DE 9Cs to calculate the UI contribution on the DE 88.
4. Use **only** the wages reported on the first DE 9C showing wages subject to both UI and DI to calculate the DI contribution, "Item D," on the DE 88.

REPORTABLE COMPENSATION FOR DISABILITY INSURANCE (DI)

The premiums for 2012, which include Paid Family Leave (PFL) contributions, will be based on 2010 net profit as reported to the Internal Revenue Service (IRS) on Schedule SE by April 15, 2011.

Refer to form *Disability Insurance Elective Coverage (DIEC) Rate Notice and Instructions for Computing Annual Premiums* (DE 3DI-I) for an explanation of the computation of amounts due for 2011 and future years.

Any adjustment of the reportable income credits and premiums due to disability must be noted on the DE 3DI quarterly report. If you have any questions regarding computing or adjusting the premium base and premiums, contact the Elective Coverage Unit at 916-654-6288.

BENEFIT ELIGIBILITY

Eligibility for UI, DI, and PFL benefits under this elective coverage agreement does not begin with the commencement date of coverage. Generally, several months must elapse from the commencement date of coverage before a valid claim may be filed.

TERMINATION OF ELECTIVE COVERAGE

An elective agreement under Section 708(a) of the CUIC must remain in effect for not less than two complete calendar years or until you are no longer engaged in your business. The elective agreement may be terminated effective January 1 of any calendar year following the required two-year period if notice of termination is filed in writing with the EDD during January of that year.

Under the provisions of Section 704.1 of the CUIC, the EDD may terminate your elective coverage agreement if it is found that any of the following conditions exist:

1. The employing unit or self-employed individual is not normally and continuously engaged in a regular trade, business, or occupation.
2. The employing unit or self-employed individual has discontinued the regular trade, business, or occupation.
3. The regular trade, business, or occupation of the employing unit or self-employed individual is seasonal in its operations.
4. The major portion of the self-employed individual's remuneration is not derived from his or her trade, business, or occupation.
5. The self-employed individual reports a net profit of less than \$4,600 on his or her IRS Schedule SE for a third consecutive year.
6. 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 owed (except when the elective coverage agreement has been in effect for less than two complete calendar years).
7. The employing unit, self-employed individual, or any officer or agent of a person having charge of the affairs of the employing unit 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 the sentence is imposed but execution thereof is suspended.

You will be notified in writing of any cancellation and will have 30 days to file a Petition for Review of the termination of elective coverage. The termination shall not affect the liability of the employing unit for any contributions due, owing or unpaid to the EDD.

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.