

**APPLICATION FOR UNEMPLOYMENT AND DISABILITY
INSURANCE ELECTIVE COVERAGE FOR EMPLOYEES
EXCLUDED UNDER THE CALIFORNIA UNEMPLOYMENT
INSURANCE CODE (CUIC)**

Return this form to:
Employment Development Department
Taxpayer Assistance Center
Attention: Specialized Coverage Desk
PO Box 2068
Rancho Cordova, CA 95741-2068
888-745-3886

This form is not an application for an account number. Submit a *Commercial Employer Account Registration and Update Form, DE 1*, to obtain an account number. If you are a nonprofit organization, please refer to question 14.

Complete this form only if all of the following exists:

- **Your employees are engaged in employment excluded under the CUIC.**
- **A majority of your employees who are engaged in excluded employment want to be covered by the provisions of the CUIC and you agree to such coverage. All employees in any establishment or location must be covered by the election.**
- **You and your employees want this coverage to be effective for at least two complete calendar years after the effective date of this agreement.**

1. Business Name: _____ (Phone) _____

2. Business Address: _____ (Street) _____ (City) _____ (State) (ZIP Code) _____

3. Mailing Address: _____ (Street) _____ (City) _____ (State) (ZIP Code) _____

4. Type of Organization: Individual Partnership: General Limited
Corporation: Domestic Foreign Other _____

Limited Liability Company (LLC) treated for federal income tax reporting purposes as:
Disregarded Entity Partnership Corporation

5. Indicate Owner(s), Corporation Officer(s), Partner(s), Member(s), etc. (Use additional sheets if necessary.)

FIRST and LAST NAME	TITLE	RESIDENCE ADDRESS

6. Check the box for any type of service you want to include under elective coverage:

- Domestic services in a private home where such individual receives less than \$1,000 cash remuneration in a calendar quarter (Section 629 of the CUIC). (An individual who receives at least \$750 in cash remuneration is mandatorily covered for disability insurance under Section 2606.5 of the CUIC).
- Services as a transcriber of depositions, court proceedings, and hearings performed away from the office of the person, firm, or association obligated to produce a transcript of these proceedings (Section 630 of the CUIC).

Services described in Section 634.5 of the CUIC:

- In the employ of a church, convention or association of churches, or an organization operated primarily for religious purposes and is operated, supervised, controlled, or principally supported by a church or convention of churches.
- By a duly ordained, commissioned, or licensed minister or member of religious order.

<i>Do Not Write in This Space</i>	
Account Number _____	_____
Statistical Code _____	_____
Subject Quarter _____	_____
Send Forms _____	Sent Forms _____
Classified By _____	Date _____

- Persons receiving rehabilitation or compensative work in a program of either:
 - (A) Rehabilitation for persons whose earning capacity is impaired by age, physical or mental deficiency or injury.
 - (B) Providing compensative work for persons who because of their impaired physical or mental capacity cannot be absorbed in the competitive labor market.
- Services performed by an individual receiving work relief or work training in a program financed by any federal agency, agency of a state or political subdivision thereof, or Indian tribe.
- Services by a ward or an inmate of a custodial or penal institution.
- Services by individuals under 18 years of age delivering or distributing newspapers or shopping news to ultimate consumers.
- Services by an individual selling newspapers and magazines at a fixed price to ultimate consumers if the compensation is based on retention of the excess of sales price over cost from supplier.
- Persons participating in a national service program carried out using assistance provided under Section 12571 of Title 42 of the **United States Code**.
- Services for any unemployment system established by a law of the United States (Section 635 of the CUIC).
- Domestic services in a local college club or local chapter of a college fraternity or sorority if the remuneration paid is less than \$1,000 cash remuneration in a calendar quarter (Section 639 of the CUIC).
- Casual labor not in the course of the employing unit's trade or business (Section 640 of the CUIC).
- Services for an organization exempt from income tax if remuneration for such service is less than \$50 in any calendar quarter (Section 641 of the CUIC).
- Services performed in the employ of a school, college, or university if such service is performed (Section 642 of the CUIC).
 - (A) By a student enrolled and regularly attending classes at such school, college, or university.
 - (B) By a spouse of such student in a program to provide financial assistance to such student. (To be excluded, the spouse must have been advised that employment would not be covered for unemployment compensation purposes at commencement of services.)
- Services performed as a student nurse, who is enrolled and regularly attending classes in a nurses' training school, in the employ of a hospital or nurses' training school (Section 645 of the CUIC).
- Services performed as an intern, who has completed a four years' course in medical school, in the employ of a hospital (Section 645 of the CUIC).
- Services by a student under the age of 22 in a program combining academic instruction and work experience (Section 646 of the CUIC).
- Services performed for a hospital by a patient of such hospital (Section 647 of the CUIC).
- Services on other than an American vessel or aircraft and the service therewith is performed outside the United States (Section 648 of the CUIC).
- Services performed as a real estate, mineral, oil and gas, or cemetery broker or as a real estate, cemetery or direct sales salesperson, or a yacht broker or salesman, by an individual meeting the following conditions (Section 650 of the CUIC):
 - (A) The salesperson is licensed under specific provisions of the **Business and Professions Code** or the **Harbors and Navigation Code** or is engaged in the business of primarily in-person demonstration and sales of consumer products (including services or other intangibles) in the home or sales to any buyer for resale in the home or otherwise than from a retail or wholesale establishment.
 - (B) Substantially all of the remuneration for the services is directly related to sales rather than to the number of hours worked.
 - (C) The services are performed under a written contract expressly providing that the individual will not be treated as an employee for state tax purposes.

7. Is your business seasonal? Yes No. If "Yes," during what months do you operate? _____

8. Do you expect to remain in business for the next eight calendar quarters? Yes No

9. Indicate the number of different locations at which your activities are conducted in California. _____

List the addresses of the locations covered by this application. _____

10. (a) Do you have any employees in California that you do not want included in this coverage? Yes No

If "Yes," what work do they do? _____

(b) Do these employees perform services at the same establishment or location as those in Item 9? Yes No

If "No," identify the establishment or location at which the services are performed. _____

11. How many employees will be covered by this agreement? _____

Disregard Items 12 and 13 if deductions from your employees' wages are already required for State Disability Insurance (SDI) purposes.

12. SDI deductions should not be made from your employees' wages for the purpose of paying contributions until your application has been approved. If deductions have already been made, list the beginning date _____ and the amount \$ _____ .

13. Were such SDI deductions made on all employees covered by this application? Yes No

14. Is this a nonprofit organization? Yes No

If "Yes," is it exempt under Section 501(c)(3) of the **Internal Revenue Code**? Yes No

If "Yes," submit the *Selection of Financing Method by a Nonprofit Organization Described in Section 501(c)(3) of the Internal Revenue Code, DE 1SNP*, form.

15. On what date do you wish elective coverage to commence? First day of current quarter First day of next quarter

The undersigned hereby elects and makes application, under the CUIC, to become an employer subject to the CUIC with respect to all employment as set forth in this elective coverage agreement. It is understood that upon approval of this election by the Director the undersigned will be subject to the CUIC as of the date specified in the approval and will continue to be subject for at least two complete calendar years after the effective date of this agreement and thereafter until this elective coverage is terminated as provided by the CUIC.

I declare that this application has been examined by me and, to the best of my knowledge and belief, is true and correct and made in good faith under the provisions of the CUIC, and that I have posted the Notice to Employees Elective Coverage Application for Unemployment Insurance – State Disability Insurance, DE 1375, in a prominent place on my premises.

This declaration must be signed by one or more persons shown under Item 5. If the application is a partnership all partners must sign the application. If there are more than three partners, attach a separate sheet bearing the signatures and addresses of such additional partners. (If necessary, attach a separate sheet with the additional signatures.)

Signed _____ Date _____

Print Name _____

Signed _____ Date _____

Print Name _____

**INFORMATION CONCERNING EXCLUDED SERVICES AND ELECTIVE COVERAGE
UNDER SECTIONS 702 AND 702.1 OF THE CALIFORNIA UNEMPLOYMENT INSURANCE CODE (CUIC)**

SECTION 702

The effect of elective coverage under Section 702 of the CUIC is to extend Unemployment Insurance (UI) and State Disability Insurance (SDI)* coverage to all employees at a distinct establishment or separate place of business whose services do not constitute employment.

Elective coverage under Section 702 of the CUIC does not apply to those specific family members whose services are excluded under Section 631 of the CUIC. Elective coverage for these services may be covered for SDI purposes only under Section 702.5 of the CUIC. The election can be made through the Application for Elective Coverage of State Disability Insurance, [DE 1378J](#).

Employers electing coverage under Section 702 of the CUIC are required to contribute to the UI and Employment Training Tax (ETT) funds in the same manner as employers covered on a mandatory basis. They are also required to deduct contributions from wages paid employees as specified in Sections 984 to 988 of the CUIC.

Coverage cannot become effective until approved in writing by the Director. At that time, the employer should begin withholding SDI contributions from wages paid to its employees.

Example:

Mr. Brown operates a real estate sales business in Los Angeles. All of the salesmen are licensed real estate salesmen meeting all the requirements to be excluded under Section 650. He also operates a branch office in San Diego and the services of the salesmen there are also excluded under Section 650 of the CUIC. The salesmen in San Diego want to be covered and those in Los Angeles do not. This can be accomplished by filing an application for elective coverage under Section 702 of the CUIC and specifying on the application it is intended to cover only the salesmen at the San Diego office and that coverage is not wanted for the Los Angeles office.

SECTION 702.1

The effect of elective coverage under Section 702.1 of the CUIC is to extend UI and DI coverage to services in the employ of nonprofit corporations, community chests, funds, or foundations of the type described in Section 608, where some or all of these services are exempt under Sections 629, 630, 634.5, 635, and 639 to 648 of the CUIC.

Coverage cannot become effective until approved in writing by the Director. At that time, the employer shall begin withholdings SDI contributions from wages paid its employees.

Any services excluded under Section 634.5 of the CUIC may be excluded from the elective coverage, except services mandatorily included in "employment" for SDI purposes under Section 2606 of the CUIC (particularly nonprofit hospitals).

Employers electing coverage under Section 702.1 of the CUIC may contribute to the UI and ETT Funds in the same manner as employers covered on a mandatory basis or they have the option of electing the reimbursable method of financing coverage permitted under Section 803 of the CUIC. The election for financing method is done by submitting the *Selection of Financing Method by a Nonprofit Organization Described in Section 501(c)(3) of the Internal Revenue Code*, DE 1SNP, form.

Elective coverage under Section 702.1 of the CUIC may be terminated by the Department regardless of the length of time it has been in effect, if the employer elects the reimbursable method of financing for UI under Section 803 of the CUIC and is delinquent in reimbursing the Department.

Examples:

1. A children's museum is a nonprofit corporation formed to encourage children's interest in wildlife and nature. The services of most of its staff are in "employment" under Section 608 of the CUIC. It does, however, have some "work-training" employees whose services are otherwise excluded under Section 634.5(e) of the CUIC. An election under Section 702.1 of the CUIC would enable the nonprofit corporation or museum to provide UI-DI coverage to these employees also. The method of financing previously selected with respect to the employees covered on a mandatory basis under Section 608 of the CUIC would also be applicable to the employees under elective coverage.
2. A church employs a pastor, an assistant pastor, a handyman-gardener who performs services in and around the church, and a housekeeper who cooks and keeps house for the pastor and his assistant at the residence provided by the church and located across the street. The services of all these individuals are excluded under Section 634.5(a)(1) of the CUIC. The church may elect to cover all of their employees; all except for the pastors; all employees at the church location; all employees at the church except for the pastors; or all employees at the residence location.
3. A nonprofit hospital, specified in Section 2606 of the CUIC, employs student nurses and interns in addition to its regular staff. The services of the student nurses and interns are excluded from UI coverage in accordance with Section 645 of the CUIC. Their services are, however, covered for DI purposes. The hospital may, under Section 702.1 of the CUIC, elect to cover them for UI purposes also.

* Includes Paid Family Leave (PFL).

DEFINITION OF A RELIGIOUS ORGANIZATION

Section 634.5(a) of the CUIC excludes services performed for a nonprofit organization (which is described in Section 501(c)(3) of the **Internal Revenue Code**) from UI and DI if the services are performed in the employ of:

- (1) A church or convention or association of churches.
- (2) An organization which is operated primarily for religious purposes and which is operated, supervised, controlled, or principally supported by a church or convention or association of churches.

Accordingly, religious oriented schools that operate within the corporate entity of the church are excluded from UI and DI under Section 634.5(a)(1) of the CUIC.

Separately incorporated, religious oriented schools, which are nonprofit organizations as described in Section 501(c)(3) of the **Internal Revenue Code**, must meet both of the tests contained in Section 634.5(a)(2) of the CUIC. To be considered exempt, the organization must:

- (1) Be operated primarily for religious purposes, and
- (2) Be operated, supervised, controlled, or principally supported by a church or association of churches.

Separately incorporated, religious oriented schools are subject to the provisions of the CUIC if they are not operated as stated in Section 634.5(a)(2) of the CUIC.

TERMINATION OF ELECTIVE COVERAGE

This agreement may be terminated by filing a request for termination during January of any year following two complete calendar years of coverage after the effective date of this agreement.

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

1. The employing unit or self-employed individual is not normally or 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 employing unit or self-employed individual has failed to make a return or report, or to pay contributions within the time required and there is an unpaid amount of contributions owing by the employing unit or self-employed individual.
5. The employing unit or self-employed individual, or a representative thereof, is found to have filed a false statement in order to be considered eligible for elective coverage.
6. The employing unit, any officer, agent of, 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 of the CUIC). 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.

PIT WITHHOLDING AND PIT WAGES

Please see the *California Employer's Guide*, [DE 44](#), to comply with subject PIT withholding and reportable PIT wages.

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.