



To be returned to:  
Employment Development Department  
Analysis Resolution and Correspondence Organization  
Attention: Specialized Coverage Unit  
PO Box 2068  
Rancho Cordova, CA 95741-2068  
Phone: 888-745-3886

Employer Account Number \_\_\_\_\_  
**Employer to Complete:**  
FEIN \_\_\_\_\_  
Legal Name \_\_\_\_\_  
Address \_\_\_\_\_

**SELECTION OF FINANCING METHOD BY A NONPROFIT ORGANIZATION DESCRIBED IN SECTION 501(c)(3) OF THE INTERNAL REVENUE CODE**

Services performed in the employ of certain nonprofit organizations are subject to the mandatory provisions of the [California Unemployment Insurance Code \(CUIC\)](#) for both Unemployment Insurance (UI) and State Disability Insurance (SDI) purposes.

The CUIC provides that nonprofit organizations exempt from federal income tax under Section 501(a) of the [Internal Revenue Code](#) as an organization described in Section 501(c)(3) of the Internal Revenue Code may elect to reimburse the Unemployment Insurance Fund for the cost of benefits paid (reimbursable method), rather than be assigned a tax rate and paying under the contribution rate (experience rating/tax-rated) method.

- I. Have you been issued a ruling by the Internal Revenue Service (IRS) exempting you from federal taxes as a nonprofit organization?  
 Yes                       No                       Applied For

If you answered "yes," please enter the section of the Internal Revenue Code under which your exemption is issued:

Section \_\_\_\_\_ of the Internal Revenue Code

**Attach a copy of your exemption letter. If the exemption letter is being applied for, attach a copy of the IRS Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code, Form 1023. Send a copy of the exemption letter to the above address when received from the IRS. Failure to submit a copy of your IRS exemption letter within six (6) months will result in a retroactive change of financing to the tax-rated method (experience rating/tax-rated method) and an assessment for UI contributions due for past quarters.**

- II. Method of financing for UI (check only one):
- A. Payment of contributions by the regular contribution rate (experience rating/tax-rated) method.
- B. Prorated cost of benefits paid under Section 803(b)(1) of the CUIC (reimbursable method). Your election will take effect on the first day of the calendar quarter in which the election is filed.

If you elect to finance the cost of UI benefits under method "B," you may terminate your election during January of any year after it has been in effect for five (5) complete calendar years. The Employment Development Department (EDD), under Section 803 of the CUIC, may terminate the election of any entity delinquent in the payment of advances or reimbursements required by the Director under this section. After any such termination, the entity may again make an election pursuant to this section, but only if it is not delinquent in the payment of contributions and not delinquent in the payment of advances or reimbursements required by the Director. Please refer to the *Potential Liability for Unemployment Insurance Benefits When Electing the Reimbursable Method of Financing Under the California Unemployment Insurance Code (CUIC)*, [DE 1378F](#), for potential liability under method "B."

**NOTE:** Wage-earner contributions for SDI are still due even if method "B" is approved for financing UI benefits. Also, California Personal Income Taxes are required to be withheld from workers' wages and remitted to the EDD.

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|--------------------|--|--------------|---------------------|
| <b>DECLARATION</b> | I certify under penalty of perjury that the above information is true, correct, and complete, and that these actions are not being taken to receive a more favorable Unemployment Insurance rate. I further certify that I have the authority to sign on behalf of the above business. |              |                     |
|                    | <b>Signature</b>   |              | <b>Date</b>         |
|                    | <b>Name</b>  | <b>Title</b> | <b>Phone Number</b> |