

## ELECTIVE COVERAGE FOR EMPLOYERS AND SELF-EMPLOYED INDIVIDUALS

Under the provisions of the California Unemployment Insurance Code (**CUIC**), employers may elect Unemployment Insurance (UI) and State Disability Insurance\* (SDI) or only Disability Insurance (DI) coverage for themselves. Self-employed individuals, who are not employers, may only elect SDI coverage for themselves.

Qualifying employers include:

- Sole proprietors.
- Partnerships.
  - One or any number of general partners may elect to be covered (only the general partners in a Limited Partnership [LP] and a Limited Liability Partnership [LLP] may elect coverage).
- Co-ownerships.
  - A spouse electing coverage must participate in the management and control of the business. A spouse working in a co-ownership who does not participate in its management and control is an exempt family employee, not an employer or self-employed individual. For more information on elective coverage for exempt family employees, refer to the *Information Sheet: Specialized Coverage, DE 231SC*.
- Managing members of a Limited Liability Company (LLC) treated as a sole proprietor for federal income tax purposes.
- Any employing unit of eligible employees who are part of a labor organization pursuant to section 702.6 of the CUIC.

A table describing the types of individuals eligible for elective coverage, the types of coverage available, and the forms required to apply for coverage is shown on page 2 of this form.

### Elective Coverage Requirements

- Requests must be in writing, filed with and approved by the Employment Development Department (EDD).
- Coverage must remain in effect for two complete calendar years unless the individual meets the criteria for early termination under section 704.1 of the CUIC.
- Termination requests must be in writing, filed with the EDD on or before January 31, and will be effective January 1 of the year filed (if more than two complete calendar years since coverage was elected).

### Applying for Elective Coverage

If you have any questions regarding your eligibility, contact the Disability Insurance Elective Coverage (DIEC) Unit at 1-916-654-6288.

To obtain an application, access the EDD website at [www.edd.ca.gov/Payroll\\_Taxes/Forms\\_and\\_Publications.htm](http://www.edd.ca.gov/Payroll_Taxes/Forms_and_Publications.htm) or contact the Taxpayer Assistance Center at 1-888-745-3886.

\*Includes Paid Family Leave (PFL).

### Conditions for Denial of Coverage

If **ANY** of the following conditions exists, the election will not be approved (section 704 of the CUIC):

- The intent is to discontinue the business within eight calendar quarters (two years).
- The regular trade, business, or occupation of the employing unit or self-employed individual is seasonal in its operation.
- The employing unit or self-employed individual has failed to make a return or pay contributions within the time required by the CUIC, and there are unpaid contributions owing to the EDD by the employing unit or self-employed individual.
- The entity or individual requesting the election has been convicted within the last eight consecutive calendar quarters (two years) of violations specified in chapter 10 of the CUIC (beginning with section 2101).
- The individual is not normally and continuously engaged in a regular trade, business, or occupation.
- The self-employed individual is currently unable to perform his or her regular and customary work due to injury or illness.
- The major portion of the self-employed individual's remuneration is not derived from his or her trade, business, or occupation.
- The self-employed individual is unable to provide a copy of his or her Internal Revenue Service (IRS) **Schedule SE**, as reported on or before April 15 of the preceding year, showing a net profit of at least \$4,600 or to certify to an average net profit of at least \$1,150 per quarter, since becoming self-employed or for the preceding four quarters, whichever period is less.
- A prior elective coverage agreement has been terminated by the EDD or by means of a written application for termination and the individual has not completed a waiting period of 18 consecutive months from the date of termination.

The EDD may terminate an elective coverage agreement if any of the “Conditions for Denial of Coverage” exists or if **ANY** of the following conditions for termination exists:

- 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.
- 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.
- The individual’s participation in the management and control of the business ceases.

**ADDITIONAL INFORMATION**

For further assistance, please contact the Taxpayer Assistance Center at 1-888-745-3886 or visit the nearest Employment Tax Office listed in the *California Employer’s Guide*, **DE 44**, and on the EDD website at [www.edd.ca.gov/Office\\_Locator/](http://www.edd.ca.gov/Office_Locator/). Additional information is also available through the EDD’s no-fee payroll tax seminars and online courses. View the in-person and online course offerings on the EDD website at [www.edd.ca.gov/Payroll\\_Tax\\_Seminars/](http://www.edd.ca.gov/Payroll_Tax_Seminars/).

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 1-888-745-3886 (voice) or TTY 1-800-547-9565.

**ELECTIVE COVERAGE AND WHO CAN ELECT**

<b>Individuals to Be Covered</b>	<b>UI and DI</b>	<b>DI Only</b>	<b>UI Only</b>	<b>Forms Required</b>
Individual who is an employer	Offered under section 708(a) of the CUIC.	Offered under section 708(b) of the CUIC.	Not offered	<a href="#">DE 1378A</a> (UI and DI) <a href="#">DE 1378DI</a> (DI only)
Self-employed individuals	Not offered	Offered under section 708.5 of the CUIC.	Not offered	DE 1378DI
Eligible employee of labor organization	Not offered	Offered under section 702.6 of the CUIC.	Not offered	DE 1378DI

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.