

INSTRUCTIONS FOR REPORTING WAGES AND CONTRIBUTIONS FOR EMPLOYERS WHO HAVE ELECTED UNEMPLOYMENT AND DISABILITY INSURANCE COVERAGE UNDER SECTION 708(a) OF THE UNEMPLOYMENT INSURANCE CODE

REPORTABLE COMPENSATION FOR UNEMPLOYMENT INSURANCE (UI)

Regardless of actual earnings from the business, reportable “wages” are determined by the Department to give the maximum UI benefits. Since employers do not receive “wages,” the Legislature has provided an arbitrary basis for collecting contributions and paying benefits under elective coverage. Contributions are to be 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 \$10,635 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 \$7,090 (two-thirds of the normal quarterly reportable “wages” of \$10,635).
- (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 \$1,773 (one-half of the normal monthly reportable “wages” of \$3,545). If you performed services on one-half or more of the number of your normal working days in the month, generally, the full \$3,545 is reportable for that month.

An exception to this general rule would occur where you drew unemployment insurance or disability insurance benefits for some part, but less than all, of a calendar month. If such circumstances arise, you should request the nearest Employment Tax Office 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

Unemployment insurance contributions are due on the first \$7,000 in “wages” reported for each covered individual. Unemployment insurance contributions are to be reported on your *Payroll Tax Deposit* (DE 88) and paid at your regular employment contribution rate. Disability insurance premiums required under your election are to be reported on a *Quarterly Premium Notice for Disability Insurance Elective Coverage* (DE 3DI) (sent under separate cover).

PREPARING THE PAYROLL TAX DEPOSIT

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

1. Prepare one *Quarterly Wage and Withholding Report* (DE 6) to report the **total** “subject wages” for each worker that is subject to both unemployment insurance taxes and disability insurance contributions. **DO NOT** report your elective coverage wages on this DE 6.
2. Prepare another *Quarterly Wage and Withholding Report* (DE 6) to report the **total** reportable “wages” for each individual covered under your election whether or not all of these “wages” are taxable. On top of the DE 6 enter the phrase “UI only Section 708(a)” to properly identify these wages as subject to unemployment insurance taxes only.
3. To calculate the unemployment insurance contribution, on the DE 88 use the total wages reported on both of the above two (2) DE 6s.
4. To calculate the Disability Insurance contribution, “Item D,” on the DE 88 use **only** the wages reported on the first DE 6 showing wages subject to both UI and DI.

REPORTABLE COMPENSATION FOR DISABILITY INSURANCE (DI)

The premiums (includes Paid Family Leave [PFL] contributions) for 2008 will be based on 2006 net profit as reported to the Internal Revenue Service on Schedule SE by April 16, 2007.

Refer to form DE 3DI-I for an explanation of the computation of amounts due for 2008 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 your local Employment Tax Office or call the Elective Coverage Unit at (916) 654-6288.

BENEFIT ELIGIBILITY

Eligibility for unemployment insurance and disability insurance (includes PFL benefits) benefits under this elective coverage agreement does not begin with the commencement date of coverage. Generally, a minimum of seven months must elapse from the commencement date of coverage before a valid claim may be filed based solely on your election.

TERMINATION OF ELECTIVE COVERAGE

An elective agreement under Section 708(a) 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 with the Department during January of that year.

Under the provisions of Section 704.1, the Department 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 four thousand six hundred dollars (\$4,600) on his or her Internal Revenue Service 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 owing by the employing unit or self-employed individual, except when the elective coverage agreement has been in effect for less than two complete calendar years.
- (7) The employing unit or any officer or agent of or 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). 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.

The Department may terminate the unemployment insurance coverage if the employer no-longer qualifies as an employer for one complete calendar year.

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 Department.

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.