

ELECTIVE COVERAGE FOR EMPLOYERS AND SELF-EMPLOYED INDIVIDUALS

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

Qualifying employers include sole proprietors, managing members of an LLC, partnerships, and husband/wife co-ownerships. One or any number of general partners may elect to be covered (only the general partners in a limited partnership may elect coverage). In a husband/wife co-ownership, a spouse electing coverage must participate in the management and control of the business. A spouse working in a husband/wife co-ownership who does not participate in its management and control is an exempt family employee, not an employer or self-employed individual. Refer to Information Sheet: *Specialized Coverage* (DE 231SC) regarding elective coverage for exempt family employees.

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.

DISABILITY INSURANCE ELECTIVE COVERAGE REQUIREMENTS

- Requests must be in writing, filed with and approved by the Employment Development Department (EDD). Applications can be obtained from your local Employment Tax Office (ETO) or by calling the Taxpayer Assistance Center at 1-888-745-3886. You may also download an application from our Web site, <http://www.edd.ca.gov>.
- Coverage must remain in effect for two complete calendar years unless the individual meets the criteria for early termination under CUIC Section 704.1.
- Termination requests must be in writing, must be filed with EDD during January, and will be effective January 1 of the year filed (if more than two complete calendar years since coverage was elected).

If **ANY** of the following "Conditions for Denial of Coverage" exists, the election will not be approved (CUIC, Section 704):

- 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 EDD by the employing unit or self-employed individual.

* Includes Paid Family Leave (PFL).

- 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 all of 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 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 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.

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

If you have questions, you may visit your local ETO, listed in the California Employer's Guide (DE 44) and on our Web site at <http://www.edd.ca.gov/taxrep/taxloc.htm#taxloc>. You may also call us toll-free at 1-888-745-3886.

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

Individuals to Be Covered	UI and DI	DI Only	UI Only	Forms Required
Employers who are sole proprietors, general partners, husband/wife co-owners, or managing members of an LLC	Offered under CUIC Section 708(a)	Offered under CUIC Section 708(b)	Not offered	DE 1378A - (UI and DI) DE 1378DI - (DI only)
Self-employed individuals	Not offered	Offered under CUIC Section 708.5	Not offered	DE 1378DI