

INFORMATION CONCERNING ELECTIVE COVERAGE FOR STATE DISABILITY INSURANCE  
(SDI) UNDER SECTION 702.5 OF THE CALIFORNIA UNEMPLOYMENT INSURANCE  
CODE (CUIC) (EXEMPT FAMILY EMPLOYMENT)

1. PERSONS ELIGIBLE TO ELECT COVERAGE

Section 702.5 of the CUIC states: "Any employing unit for which services that do not constitute employment under Section 631 of the CUIC are performed, may file with the director a written election agreed to by both the employing unit and the individuals in its employ specified in Section 631, that all such services performed by such individuals in one or more distinct establishments or places of business shall be deemed to constitute employment by an employer for all the purposes of . . ." the Disability Insurance\* provisions of the law.

Section 631 of the CUIC states: "Employment does not include service performed by a child under the age of 18 years in the employ of father or mother, or service performed by an individual in the employ of son, daughter or spouse, except to the extent that the employer and the employee have, pursuant to Section 702.5, elected to make contributions to the Unemployment Compensation Disability Fund."

2. APPLICATION FOR ELECTIVE COVERAGE

The employing unit and exempt family employees who wish to elect coverage must complete the application form DE 1378J, which is furnished by the Department. In order for an employing unit to be properly registered for elective coverage, all the questions on this form must be answered. If the employing unit is already registered with the Department and has one or more account numbers with the Department, it is important that these employer numbers be entered on item number 5 of the application form. The employing unit must then send the completed application form with the signatures of the family employees to be covered and the employer to the Employment Development Department. The employing unit will then be notified by the Department of approval or disapproval of the election.

3. COST OF COVERAGE

Employee contributions for SDI are required at the rate established for each year up to the annual taxable wage limit. On or before October 31 of each year, the Department will notify all employers of the SDI rate for the following year.

4. TERMINATION OF ELECTIVE COVERAGE

An approved elective coverage agreement under Section 702.5 must remain in effect for not less than two complete calendar years. The elective coverage agreement may be terminated at the end of any calendar year following the required two-year period if notice of termination is filed with the Department not later than January 31 of the following year.

\* Includes Paid Family Leave (PFL) beginning January 1, 2004

#### 4. TERMINATION OF ELECTIVE COVERAGE - CONTINUED

The Department, 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 has discontinued the regular trade, business, or occupation.
- (2) The regular trade, business, or occupation of the employing unit or self-employed individual is seasonal in its operations.
- (3) 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.
- (4) 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 two-year termination provisions will not apply to a minor son or daughter who reaches the age of majority, 18 years. When the minor child reaches the age of majority, the election is terminated and his/her services are then compulsorily subject to the CUIC.

#### 5. BENEFIT ELIGIBILITY

Eligibility for SDI benefits\*\* is determined by the Employment Development Department pursuant to requirements of the CUIC and authorized regulations. Eligibility is dependent on a number of factors including, but not limited to, the following:

- a. Proof of the claimant's disability.
- b. Filing of a timely claim for benefits.

The amount of benefits payable then depends upon the amount of wages reported during an individual's "base period."

#### 6. PERSONAL INCOME TAX WITHHOLDING

The withholding of California Personal Income Tax is mandatory with the exception of wages paid for agricultural labor or domestic service in a private home.

\*\* Includes Paid Family Leave (PFL) beginning January 1, 2004