

SPECIALIZED COVERAGE (ELECTIVE COVERAGE FOR EXEMPT WORKERS)

Under provisions in the California Unemployment Insurance Code (CUIC), employers may elect Unemployment Insurance (UI) and/or State Disability Insurance* (SDI) coverage for their exempt employees. The Employment Development Department (EDD) refers to these elections as Specialized Coverage.

Specialized Coverage requirements:

- Requests must be in writing, filed with and approved by EDD.
- The election must remain in effect for at least two complete calendar years unless the election is for a minor child. Elective coverage for a child terminates on the child's eighteenth birthday, at which time the child is mandatorily subject to both UI and SDI.
- Termination requests must be in writing, filed with EDD during January, and will be effective January 1 of the year filed (if more than two complete calendar years have passed since the effective date of the election). Requests postmarked after January 31

will be denied unless "good cause" for the late filing is evident.

Elections for coverage will be denied if any of the following conditions exist:

- The intent is to discontinue the business within eight calendar quarters (2 years).
- The regular trade, business, or occupation of the employing unit is seasonal in its operations (this does not apply to public entities).
- The employing unit has failed to make a return or to pay contributions within the time required by the CUIC and there are unpaid contributions owed.
- The entity or officer or agent or person having charge of the affairs of the employing unit has been convicted within the last eight consecutive calendar quarters (2 years) of violations specified in Chapter 10 (commencing with Section 2101) of the CUIC.

SPECIALIZED COVERAGE CODE SECTIONS AND WHO MAY ELECT

CUIC Section	Type of Entity	Type of Coverage Offered	Forms Required
701	Employing units that do not qualify as "employers" under the CUIC (wages paid in any calendar quarter have not exceeded \$100).	UI and SDI	DE 1378
702	Employing units who employ noncovered workers, such as statutorily exempt workers, may request coverage for all services in one or more distinct places of business.	UI and SDI	DE 1378
702.1	Nonprofit employers who employ noncovered workers. The election requires a written petition signed by a majority of the noncovered workers.	UI and SDI	DE 1378
702.5	Sole proprietors, or partners in a partnership, may request coverage for exempt family members who perform services (spouse, registered domestic partner, parents, natural or adopted children under 18). For partnerships, the relationship that created the family exemption must apply to all partners.	SDI only	DE 1375C DE 1378J DE 1378K
702.6	California employers may elect coverage for California residents whose services are covered under the unemployment compensation laws of another state that does not have a DI program. (For employees who are part of a labor organization, the election must be the result of a negotiated agreement.)	SDI only	DE 1378
703	Employers may elect coverage for California residents working outside California whose services are not in employment and who are not mandatorily covered by the laws of any other state or the federal government.	UI and SDI	DE 1375 DE 1378

*Includes Paid Family Leave (PFL).

CUIC Section	Public Entities, School Districts, and Indian Tribes* (Covered by law for UI but not for SDI)	Type of Coverage Offered	Forms Required
709	Employers may elect coverage for all employees (including those who have elected UI coverage). This requires an election by the appropriate governing board on its own motion or pursuant to a written petition signed by a majority of the employees.	SDI only (UI coverage mandatory)	DE 1378L DE 1378M
710	Employers may elect coverage for employees excluded from mandatory UI coverage. For public entities, the UI financing method in effect for covered employees will be extended to employees included in the election. Indian tribes* may make separate elections for itself and for each subdivision, subsidiary, or business enterprise wholly owned by that tribe.	UI only	DE 1PE DE 1378
710.4	School employers may elect coverage for: <ul style="list-style-type: none"> • Employees who are part of an appropriate bargaining unit. The election must be the result of a negotiated agreement. • Management and confidential employees. • Unrepresented employees (who are not part of an appropriate bargaining unit). 	SDI only (UI coverage mandatory)	DE 1378N DE 1378P
710.5	Public entity employers may elect coverage for: <ul style="list-style-type: none"> • Employees who are part of an appropriate bargaining unit. The election must be the result of a negotiated agreement. • Management and confidential employees. • Unrepresented employees (who are not part of an appropriate bargaining unit). 	SDI only (UI coverage mandatory)	DE 1378N DE 1378P
710.6	Indian tribes* may elect coverage for: <ul style="list-style-type: none"> • All employees employed in one or more distinct establishments or places of business. • Employees who are part of an appropriate bargaining unit. The election must be the result of a negotiated agreement. • Management and confidential employees. • Unrepresented employees (who are not part of an appropriate bargaining unit). 	SDI only (UI coverage mandatory)	DE 1378N DE 1378P

*As described by Section 3306(u) of the Internal Revenue Code.

ADDITIONAL INFORMATION

For further information, you may visit the nearest Employment Tax Office, listed in the *California Employer's Guide* (DE 44) and on our Internet site at 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.