

Information Concerning Elective Coverage for State Disability Insurance and Paid Family Leave Under Section 702.5 of the California Unemployment Insurance Code (Excluded Family Employment)

1. Person Eligible to Elect Coverage

Section 702.5 of the [California Unemployment Insurance Code \(CUIC\)](#) (leginfo.legislature.ca.gov/faces/codes.xhtml) states, in part: Any employing unit for which services do not constitute employment under section 631 of the CUIC are performed, may file with the EDD a written election agreed to by both the employer and employees specified in section 631, that all services performed by individuals in one or more distinct place of business shall be deemed to constitute employment by an employer for all the purposes of Part 2 of this division.

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 parent, or service performed by an individual in the employ of their child, 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 employer and excluded family employees who wish to elect coverage must complete an [Application for Elective Coverage of Disability Insurance \(Excluded Family Employment\) \(DE 1378J\) \(PDF\)](#) (edd.ca.gov/siteassets/files/pdf_pub_ctr/de1378j.pdf) from the Employment Development Department (EDD). For an employer to properly register for elective coverage, all questions on the DE 1378J must be answered. If the employer is already registered with the EDD and has one or more employer payroll tax account numbers, include the employer payroll tax account numbers on the application. The employer must send the EDD the completed application with the signatures of the family employees to be covered, and the employer. The employer will be notified by the EDD of the election status.

3. Cost of Coverage

Employee contributions for State Disability Insurance (SDI) are needed at the rate established for each year. On or before October 31 of each year, the EDD will notify all employers of the SDI rate for the next year.

4. Termination of Elective Coverage

Pursuant to section 702 of the CUIC, an approved elective coverage agreement under section 702.5 of the CUIC must remain in effect for no less than **two complete calendar years**. The elective coverage agreement may be terminated at the end of any calendar year following the mandatory two-year period if a notice of termination is filed with the EDD no later than January 31 of the next year.

The EDD, under section 704.1 of the CUIC, may terminate elective coverage if it finds any of the following:

- The employing unit or self-employed individual is not normally and continuously engaged in a regular trade, business, or occupation.
- The employing unit or self-employed individual has discontinued the regular trade, business, or occupation.

- The regular trade, business, or occupation of the employing unit or self-employed individual is seasonal in its operations.
- The employing unit or self-employed individual has failed to make a return or to pay contributions within the time needed by Division 1 of the CUIC and there is an unpaid amount of contributions owed by the employing unit or self-employed individual.
- The employing unit or self-employed individual, or a representative thereof, is found by the EDD to have filed a false statement in order to be considered eligible for elective coverage.
- The employer or any person having charge of the affairs of the employer, or the self-employed individual, is convicted on any violation pursuant to Chapter 10 (commencing with section 2101) of the CUIC. 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 child who reaches the age of 18 years. When the minor child reaches the age of 18 years, the election is terminated and their services are then **subject** to the CUIC.

5. Benefit Eligibility

Eligibility for SDI benefits, including Paid Family Leave, is determined by the EDD pursuant to requirements of the CUIC and authorized regulations. Eligibility is dependent on several factors including, but not limited to:

- Proof of the customer's disability.
- Filing of a timely claim for benefits.
- Enough wages in the base period.

6. Personal Income Tax Withholding

Withholding of California Personal Income Tax from wages paid is mandatory, with certain exceptions (e.g., agricultural labor, household employment, etc.).

For more information, contact:

Employment Development Department
 Analysis Resolution and Correspondence Organization
 PO Box 2068
 Rancho Cordova, CA 95741-2068
 Phone: 1-888-745-3886

The EDD is an equal opportunity employer/program. Auxiliary aids and services are available upon request to individuals with disabilities. Requests for services, aids, or alternate formats need to be made by calling 1-888-745-3886 (voice) or TTY 1-800-547-9565.

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