

## Instructions for Reporting Wages and Contributions for Employers Who Have Elected Unemployment and State Disability Insurance Coverage Under Section 708(a) of the California Unemployment Insurance Code (CUIC)

Section 708(a) of the [CUIC](http://leginfo.ca.gov/faces/codes.xhtml) (leginfo.ca.gov/faces/codes.xhtml) extends both Unemployment Insurance (UI) and State Disability Insurance (SDI) coverage to an individual who is an employer. To obtain coverage, the employer must file a written election for coverage, which cannot become effective until approved by the Employment Development Department (EDD). The employer must be regularly performing services for the business (section 708[a] of the CUIC). Coverage shall not be approved if the business is operated on a seasonal basis (section 704 of the CUIC).

Section 708(a) of the CUIC provides that, for the purposes of computing UI benefit rights only and regardless of actual earnings, the individual will be deemed to have received for each calendar quarter the highest amount of wages required to be entitled to the maximum benefit amount provided in section 1280 of the CUIC. Therefore, the highest amount of wages that can be reported for each calendar quarter in order to entitle the individual to the maximum UI benefits is \$11,674. For additional information, please refer to the Unemployment Insurance Benefit Table found in [A Guide to Benefits and Employment Services \(DE 1275A\) \(PDF\)](http://edd.ca.gov/pdf_pub_ctr/de1275a.pdf) (edd.ca.gov/pdf\_pub\_ctr/de1275a.pdf).

### Reportable Compensation “Wages” for UI

The EDD determines the maximum UI benefits a claimant receives based on the amount of reportable wages. Since employers do not receive wages, the Legislature has provided a basis for collecting wage information and contributions, and for paying benefits under elective coverage. Compensation is reported based upon services performed.

If services are performed during the calendar quarter, all income, or wages, earned are required to be reported. For UI wages only, if the individual (employer) performed no services **in all or part** of a quarter, wages should be reported as follows:

1. If no services were performed in a month, no wages are reportable for that month.
2. If services were performed on less than one-half of the number of normal working days in the month, the monthly wages of \$1,273 should be reported for the corresponding month.
3. If services were performed on one-half or more of the normal working days in the month and for one or more other months in the same calendar quarter criteria under 1 and/or 2 above are met, the monthly wages of \$2,545 should be reported plus the amounts required under 1 and/or 2 above for the corresponding months.
4. If services were performed during a calendar quarter on one-half or more of the number of normal working days in each month, the quarterly wages of \$7,634 should be reported.
5. The UI contributions will be paid at the employer’s regular contribution rate. No benefits will be paid based on wages reported under the election unless all contributions due under the election have been paid.

### Taxable Wages for UI

The UI contributions are due on the first \$7,000 in wages reported for each covered individual and are reported on your Payroll Tax Deposit (DE 88) and paid at your regular employment contribution rate.

### Preparing the Quarterly Contribution Return and Report of Wages (Continuation) (DE 9C) and Payroll Tax Deposit (DE 88)

Pursuant to section 1088(h) of the CUIC, all employers are required to submit tax returns and wage reports electronically effective January 1, 2018.

Employers are required to electronically file the DE 9C using e-Services for Business, Federal/State Employment Tax (FSET) program, or Magnetic Media to report wages as follows:

1. Report all wages on a single DE 9C.
2. Report the total **subject wages** for each worker that is subject to both UI taxes and SDI contributions with an “S” wage plan code.
3. Report the total **reportable wages** for each individual covered under your UI election, whether or not all of these wages are taxable, with an “R” wage plan code.

Pursuant to section 1110(g) of the CUIC, all employers are required to submit **payroll tax deposits** electronically effective January 1, 2018.

Employers can file and pay online with [e-Services for Business](http://edd.ca.gov/Payroll_Taxes/e-Services_for_Business.htm) (edd.ca.gov/Payroll\_Taxes/e-Services\_for\_Business.htm) to meet these requirements. e-Services for Business is a fast, easy, and secure way to file, pay, and manage your account 24 hours a day, 7 days a week.

**Note:** UI benefits are payable to covered employees who become unemployed through no fault of their own, are able to work, are available for work, and are actively seeking employment, and who have met all of the eligibility requirements of the law. (Section 1251 of the CUIC).

## Reportable Compensation for SDI

The premiums for 2022, which include Paid Family Leave (PFL) contributions, will be based on 2020 net profit as reported to the Internal Revenue Service (IRS) on Schedule SE by April 15, 2021.

Refer to the [Disability Insurance Elective Coverage \(DIEC\) Rate Notice and Instructions for Computing Annual Premiums \(DE 3DI-I\) \(PDF\)](http://edd.ca.gov/pdf_pub_ctr/de3dii.pdf) (edd.ca.gov/pdf\_pub\_ctr/de3dii.pdf) for an explanation of the computation of amounts due for 2022 and future years.

Any adjustment of the reportable income credits and premiums due to a disability must be noted on the *Quarterly Premium Notice Disability Insurance Elective Coverage* (DE 3DI) quarterly report. If you have any questions regarding computing or adjusting the premium base and premiums, contact the DIEC Unit at 1-888-745-3886.

## Benefit Eligibility

Eligibility for UI and SDI benefits under this elective coverage agreement does not begin with the commencement date of coverage. Generally, seven months must elapse from the commencement date of coverage before a valid claim may be filed.

## Termination of Elective Coverage

An elective agreement under section 708(a) of the CUIC 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 in writing with the EDD during January of that year.

Under the provisions of section 704.1(a) of the CUIC, the EDD 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 their trade, business, or occupation.
5. The self-employed individual reports a net profit of less than \$4,600 on their IRS 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 owed (except when the elective coverage agreement has been in effect for less than two complete calendar years).
7. The employing unit or self-employed individual, or a representative thereof, is found by the director to have filed a false statement in order to be considered eligible for elective coverage.
8. The employing unit or any officer or agent of a person having charge of the affairs of the employing unit 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 the sentence is imposed but execution thereof is suspended.

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 EDD.

The 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.