

# INFORMATION CONCERNING DISABILITY INSURANCE ELECTIVE COVERAGE\* (DIEC) UNDER SECTIONS 708(b) AND 708.5 OF THE CALIFORNIA UNEMPLOYMENT INSURANCE CODE (CUIC)

***Do not send any payment with this application. Contributions are not payable in advance.***

You will receive a written notice of the approval or denial of your application.

If your elective coverage agreement is approved, instructions will be sent to you for filing your returns and paying the premiums due. Your agreement is subject to the requirements and conditions outlined below.

## **PLEASE RETAIN THIS PAGE FOR REFERENCE.**

### **PERSONS ELIGIBLE TO ELECT COVERAGE**

- Section 708(b) of the CUIC provides that an individual who is an employer under Section 675 of the CUIC, or two or more individuals who have so qualified, may elect coverage. Each individual who applies must provide evidence of an annual net profit of at least \$4,600 or average \$1,150 per quarter if in business for less than one year.
- Section 708.5 of the CUIC provides that self-employed individuals who receive the major portion of their remuneration from the trade, business, or occupation in which they are self-employed, may elect coverage. Annual net profit must be at least \$4,600 or average \$1,150 per quarter if in business for less than one year.

Sole proprietors, general partners, managing members of Limited Liability Companies (LLC) treated as sole-proprietors for federal income tax purposes, and members of LLCs treated as partnerships for federal income tax reporting purposes are eligible to apply for coverage. It is not required that all active general partners or members be included in the election. An active general partnership also includes a husband and wife co-ownership in which both spouses are active in the operation and management of the business. Limited partners and corporate officers are considered to be employees subject to the compulsory provisions of the CUIC, the same as all other employees, and are not eligible to elect self-coverage.

### **CONDITIONS FOR DENIAL OF COVERAGE**

Section 704 of the CUIC provides that an election under Section 708(b) or Section 708.5 of the CUIC shall not be approved if it is found that any of the following conditions exist:

- (a) The self-employed individual is currently unable to perform his or her regular and customary work due to injury or illness.
- (b) The employing unit or self-employed individual is **not** normally and continuously engaged in a regular trade, business, or occupation.
- (c) The employing unit or self-employed individual intends to discontinue the regular trade, business, or occupation within eight calendar quarters.
- (d) The regular trade, business, or occupation of the employing unit or self-employed individual is seasonal in its operations.
- (e) The major portion of the self-employed individuals remuneration is not derived from his or her trade, business, or occupation.
- (f) The self-employed individual is unable to provide a copy of his or her Internal Revenue Services (IRS) Schedule SE for 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.
- (g) The employing unit or self-employed individual has failed to make a return or to pay contributions within the time required, pursuant to the CUIC and there is an unpaid amount of contributions owing by the employing unit or self-employed individual.
- (h) Section 704(h) (1) and (2) of the CUIC: (1) A prior elective coverage agreement entered into pursuant to Section 708 or 708.5 has been terminated by the department under Section 704.1 or by means of a written application for termination as required by this division, and the individual has not completed a waiting period of 18 consecutive months from the date of termination. (2) The waiting period for reinstatement to the elective coverage program may be waived for any individual who becomes eligible for coverage after being terminated under paragraph (1), (2), (4), or (5) of subdivision (a) of Section 704.1, upon receipt by the department of an application for coverage to be effective the first day of the quarter in which the application is received.
- (i) 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 has been convicted within the preceding eight consecutive calendar quarters of any violation under Chapter 10 (commencing with Section 2101). For the purposes of this subdivision, a plea or verdict of guilty or a

\*Includes Paid Family Leave

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 for execution thereof is suspended.

- (j) For purposes of this section, IRS Schedule SE is defined as IRS Form 1040 Schedule SE, or in the case of statutory employees under the Internal Revenue Code, it shall be defined as IRS Form 1040 Schedule C, or the California Income Tax Return, when accompanied by IRS Form W-2.

Elections filed under Section 708.5 of the CUIC are subject to verification by the Employment Development Department (EDD) that the individual is in fact self-employed rather than an employee of another individual or firm. If an individual filing an application for coverage under Section 708.5 of the CUIC as a self-employed individual has any knowledge of a prior ruling issued by the EDD concerning his or her status, reference to such ruling should be made on the application form and, if possible, a copy of the ruling attached.

## **COST OF COVERAGE**

You will receive notification of the following year's premium rate, reportable "income credits," and premiums payable with your fourth quarter premium notice. You may estimate the cost of coverage using form *Disability Insurance Elective Coverage (DIEC) Rate Notice and Instructions for Computing Annual Premiums* (DE 3DI-I) or call the phone number shown on the front of your application for assistance.

## **QUARTERLY REPORT REQUIRED**

The *Quarterly Premium Notice for Disability Insurance Elective Coverage* (DE 3DI) must be filed each quarter whether or not premiums are due. This notice is normally mailed by the last day of the calendar quarter. The DE 3DI and premiums are due on the first day of the following calendar quarter and become delinquent if not paid on or before the last day of that month. **Failure to receive a DE 3DI does not relieve you of the responsibility to pay your premiums on time.** Submitting the DE 3DI with disability information is not a claim for benefits. Contact your local Disability Insurance benefit office for claim information.

## **REPORTABLE COMPENSATION**

**Any adjustment of the reportable income credits and premiums due to Disability Insurance (DI) or Paid Family Leave (PFL) must be noted on the DE 3DI. If you have any questions regarding computing or adjusting the reportable income credits and premiums, contact your local Employment Tax Office or call the Elective Coverage Unit at 916-654-6288.**

## **BENEFIT ELIGIBILITY**

The EDD determines eligibility for DI and PFL benefits pursuant to the CUIC and authorized regulations. **Generally, a minimum of several months must elapse from the commencement date of coverage before a valid claim may be filed based solely on income credits reportable under your election.** Eligibility is dependent on a number of factors including: proof of a claimant's eligibility, filing of a timely claim for benefits, and filing and payment of all required reports and amounts due. Weekly DI or PFL benefits are payable under elective coverage regardless of whether the claimant continues to receive any compensation from his or her business.

The DI benefits cover both work related and non-occupational injuries and illness. For DI benefit information, see the pamphlet *Disability Insurance Provisions* (DE 2515) or contact your local DI field office at 800-480-3287.

## **CANCELLATION/TERMINATION OF ELECTIVE COVERAGE**

A participant may cancel his or her elective coverage agreement as of January 1 of any calendar year, and only if the agreement has been in effect for two complete calendar years, by filing a letter with the EDD requesting termination on or before January 31 of that year.

**The EDD may terminate your elective coverage agreement if it is found that any of the "Conditions for Denial of Coverage" exist or you meet one of the following conditions for termination of coverage by the EDD found in Section 704.1 of the CUIC:**

- **Section 704.1(a)(5):** The self-employed individual reports a net profit of less than \$4,600 on his or her IRS Service Schedule SE for a third consecutive year.
- **Section 704.1(a)(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.

**You will be given written notification of the EDD's termination of your elective coverage agreement 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 self-employed individual for any premiums due, owing or unpaid to the EDD. Termination by the EDD may affect your ability to draw DI benefits.