



STATE OF HAWAII
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS
UNEMPLOYMENT INSURANCE DIVISION

Princess Keelikolani Building, 830 Punchbowl Street, Room 437, Honolulu, Hawaii 96813

**INSTRUCTION SHEET FOR FORM UC-336
ELECTION BY FAMILY-OWNED CORPORATION TO BE EXCLUDED FROM
COVERAGE UNDER SECTION 383-7(20), HAWAII REVISED STATUTES**

Instructions

WHO IS ELIGIBLE?

You are eligible to elect exclusion from coverage under Section 383-7(20) if your business is a family-owned private corporation organized for profit and:

1. The corporation has, as its only employees, individuals of a family, related by blood, marriage or legal adoption; and
2. each employee owns at least fifty percent (50%) of the shares issued by the corporation.

Note: Individuals that own one hundred percent (100%) of the shares are not eligible.

WHAT YOU SHOULD CONSIDER BEFORE ELECTING EXCLUSION FROM COVERAGE

1. The exclusion from coverage is irrevocable for five (5) years.
2. In the event your business closes, wages paid to you by this corporation during the period of this election cannot be used to establish a claim for unemployment benefits.
3. You are still liable for Federal Unemployment Taxes (FUTA).
4. Your FUTA tax liability as an excluded corporation may be more than the combined State UI and FUTA tax liability of a covered corporation. This is because you no longer qualify for a 5.4% FUTA tax credit afforded employers covered under Hawaii State Unemployment Insurance (SUI) laws. As a result, your FUTA tax rate will increase from .8% to 6.2% of the first \$7,000 paid to each of your employees.

For example: In calendar year 2015, a Hawaii employer paid \$58,600 of taxable wages to two employees. The employer has a Hawaii SUI tax rate of .6% and is required to pay .6% of the taxable wages of \$58,600 or \$351.60 in SUI taxes and \$5.86 of the .01% E&T tax. In addition, the employer must pay FUTA taxes at only .8% of the FUTA taxable wage base of \$7,000 or \$112 for two employees, for a total tax liability of \$469.46 (\$351.60+\$5.86+\$112.). If the employer elects exclusion from Hawaii SUI, the employer will not be liable for the \$357.46 in SUI taxes, but must pay FUTA taxes at 6.0% of \$7,000 or \$420, a total tax of \$840 for both employees, resulting in a tax increase of \$370.54.

REPORTING REQUIREMENTS

1. Upon request, you will be required to furnish the department a copy of Form 940, "Employer's Annual Federal Unemployment (FUTA) Tax Return," that you filed with the Internal Revenue Service.
2. You are also required to report the following changes that affect your eligibility for exclusion from coverage within five (5) working days from the date of change:
 - a. Date that the corporation hired employees other than 50% owners;
 - b. Date that any owner owns less than 50% of shares issued by the corporation; and
 - c. Date that any owner is not a family member related by blood, marriage, or legal adoption.

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TERMINATION OF YOUR EXCLUSION

After five (5) years, you may request, in writing, termination of your exclusion from coverage.

The Delivery Information section below lists various delivery options. Please select the most convenient method and submit the completed form accordingly.

Please remember to sign and date the form before submitting it.

If you require assistance in completing this form or if you need further information, please contact the appropriate office listed below:

Delivery Information

Delivery by U.S. Mail, In-Person, or via Fax

Department of Labor and Industrial Relations, Unemployment Insurance Division

| OAHU HAWAII | | MAUI | KAUAI |
|---|---|--|--|
| Employer Services Section 830 Punchbowl Street, #437 Honolulu, Hawaii 96813 Ph: (808) 586-8913/586-8914 FAX: (808) 586-8929 | 1990 Kinoole St., # 101 Hilo, HI 96720-5293 Ph: (808) 974-4095 FAX: (808) 974-4085 | 54 S. High St., # 201 Wailuku, HI 96793-2198 Ph: (808) 984-8410 FAX: (808) 984-8444 | 4370 Kukui Grove St., #3-214 Lihue, HI 96766 Ph: (808) 274-3025 FAX: (808) 274-3046 |



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**FORM UC-336 ELECTION BY FAMILY-OWNED CORPORATION TO BE
EXCLUDED FROM COVERAGE UNDER SECTION 383-7(20), HAWAII
REVISED STATUTES**

1. Complete the following items:

| | |
|------------------------------|---|
| a. Employer's Account Number | b. Federal Employer Identification Number |
| c. Employer's Name | |
| d. Employer's Address | |

2. Provide in the space below, the name and social security number of **all employees of the corporation**, the percent of shares owned, and how these employees are related. You are also required to submit a copy of the corporation's Articles of Incorporation, corporate exhibit, etc.

| Employee's Name | Social Security # | % of Shares Owned | Relationship |
|-----------------|-------------------|-------------------|--------------|
| | | | |

3. Upon request, you will be required to furnish the Department with a copy of Form 940, "Employer's Annual Federal Unemployment (FUTA) Tax Return," that you filed with the Internal Revenue Service.

4. The election for exclusion and certification must be signed by all employees of the corporation.

The undersigned elects exclusion from coverage under Section 383-7(20), Hawaii Revised Statutes, and certifies that the information provided herein are true and correct. The undersigned also understands that in accordance with the Federal Unemployment Tax Act (FUTA), the Department will provide information to the Internal Revenue Service to insure that FUTA taxes are properly paid.

Employee No. 1

Employee No. 2

| | |
|------------|------------|
| Signature | Signature |
| Print Name | Print Name |
| Title | Title |
| Date | Date |

| | | | |
|---|-------------|-------|------|
| UNEMPLOYMENT INSURANCE DIVISION USE ONLY | Approved by | Title | Date |
|---|-------------|-------|------|