

# New small group eligibility guide

The purpose of this tool is to help verify that your client's small business qualifies for small group coverage, as defined under California small group law.<sup>1</sup>

All businesses require at least 2 documents: 1 to validate the business, a second to validate the employer/employee relationship, and potentially a third to validate ownership.<sup>2</sup>

In some cases, ADDITIONAL documentation may be needed to validate owners or officers.

**Please note:** Owner-only and Proprietor/Partner/Corporate Officer businesses are ineligible to enroll without W-2 employees. (A single owner or spouse does not constitute an employee.)

## ALL businesses are required to provide a DE 9C and/or payroll in order to validate the employer/employee relationship<sup>3</sup>

Type of business	Required to Validate Business	Required to Validate Business Ownership (for enrolling owners not appearing on the DE9C/Payroll, or appearing with low wages on DE9C/Payroll)
<b>Sole Proprietorship</b>	<ul style="list-style-type: none"> <li>• Business License</li> <li><b>OR</b></li> <li>• Fictitious business name filing</li> <li><b>OR</b></li> <li>• Schedule C <b>and</b> 1040 form</li> </ul>	<ul style="list-style-type: none"> <li>◦ Business license (with owner's name on the document)</li> <li>◦ Fictitious business name filing</li> <li>◦ Schedule C and 1040 form</li> </ul>
<b>Qualified Joint Venture</b>	<ul style="list-style-type: none"> <li>• Business License</li> <li><b>OR</b></li> <li>• Fictitious business name filing</li> <li><b>OR</b></li> <li>• Schedule C <b>and</b> 1040 form</li> </ul>	<ul style="list-style-type: none"> <li>◦ Jointly filed current 1040<sup>4</sup> and Schedule C/F</li> <li>◦ Business license</li> </ul>
<b>Corporation</b>	<ul style="list-style-type: none"> <li>• Active web confirmation<sup>5</sup></li> </ul>	<p><b>One or more of the following, listing enrolling corporate officers:</b></p> <ul style="list-style-type: none"> <li>◦ Articles of Incorporation</li> <li>◦ Articles of Incorporation with Action by Incorporator</li> <li>◦ Statement of Information</li> <li>◦ Election by a Small Business Corporation (2553)</li> <li>◦ Tax Form 1120 with Schedule 1125-E (for C Corporation)</li> <li>◦ Schedule K-1 1120S (for S Corporation)</li> </ul>
<b>Corporation – (Foreign)</b>	<ul style="list-style-type: none"> <li>• Active web confirmation<sup>5,6</sup></li> </ul>	<p><b>One or more of the following, listing enrolling corporate officers:</b></p> <ul style="list-style-type: none"> <li>◦ Statement and Designation by Foreign Corporation</li> <li>◦ Statement of Information (foreign)<sup>5</sup></li> <li>◦ Election by a Small Business Corporation (2553)</li> <li>◦ Tax Form 1120 with Schedule 1125-E (for C Corp)</li> <li>◦ Schedule K-1 1120S (for S Corp)</li> </ul>
<b>Partnership</b>	<ul style="list-style-type: none"> <li>• General Partnership Agreement<sup>7</sup> and Federal Tax ID Appointment Letter</li> <li><b>OR</b></li> <li>• Schedule K-1 (Form 1065)</li> <li><b>OR</b></li> <li>• Statement of Partnership Authority (filed)</li> </ul>	<p><b>One or more of the following, listing enrolling partners:</b></p> <ul style="list-style-type: none"> <li>◦ General Partnership Agreement<sup>7</sup> and Federal Tax ID Appointment letter</li> <li>◦ Schedule K-1 (Form 1065)</li> <li>◦ Statement of Partnership Authority (filed)</li> </ul>
<b>Limited Partnership (LP)</b>	<ul style="list-style-type: none"> <li>• Active web confirmation</li> </ul>	<p><b>One or more of the following, listing enrolling partners:</b></p> <ul style="list-style-type: none"> <li>◦ Certificate of Limited Partnership</li> <li>◦ Schedule K-1 (Form 1065)</li> </ul>
<b>Limited Partnership (LP) – (Foreign)</b>	<ul style="list-style-type: none"> <li>• Active web confirmation with jurisdiction<sup>8</sup></li> </ul>	<p><b>One or more of the following, listing enrolling partners:</b></p> <ul style="list-style-type: none"> <li>◦ Registration Form #LP-5 Application for Registration</li> <li>◦ Schedule K-1 (Form 1065)</li> <li>◦ Partnership Agreement</li> </ul>

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Type of business	Required to Validate Business	Required to Validate Business Ownership (for enrolling owners not appearing on the DE9C/Payroll, or appearing with low wages on DE9C/Payroll)
Limited Liability Partnership (LLP)	<ul style="list-style-type: none"> <li>Partnership Agreement and Federal Tax ID Appointment letter</li> </ul> <b>OR</b> <ul style="list-style-type: none"> <li>Schedule K-1 (Form 1065)</li> </ul> <b>OR</b> <ul style="list-style-type: none"> <li>State-certified application to register an LLP</li> </ul>	<b>One or more of the following, listing enrolling partners:</b> <ul style="list-style-type: none"> <li>Partnership Agreement and Federal Tax ID Appointment letter</li> <li>Schedule K-1 (Form 1065)</li> <li>State-certified application to register an LLP</li> </ul>
Limited Liability Partnership (LLP) – (Foreign)	<ul style="list-style-type: none"> <li>LLP-1 Registration Form &amp; Certificate of Good Standing</li> </ul> <b>OR</b> <ul style="list-style-type: none"> <li>Certificate of Qualification</li> </ul>	<b>One or more of the following, listing enrolling partners:</b> <ul style="list-style-type: none"> <li>Tax forms</li> <li>Partnership Agreement</li> </ul>
Limited Liability Company (LLC) – treated as Sole Proprietorship	<ul style="list-style-type: none"> <li>Active web confirmation</li> </ul>	<b>One or more of the following, listing enrolling LLC member:</b> <ul style="list-style-type: none"> <li>Articles of Organization with Operating Agreement</li> <li>Articles of Organization</li> <li>Statement of Information</li> <li>Business license</li> <li>Fictitious business name filing</li> <li>Schedule C and 1040 form</li> </ul>
Limited Liability Company (LLC) – treated as Corporation	<ul style="list-style-type: none"> <li>Active web confirmation</li> </ul>	<b>One or more of the following, listing enrolling LLC members:</b> <ul style="list-style-type: none"> <li>Articles of Organization with Operating Agreement</li> <li>Articles of Organization</li> <li>Statement of Information</li> <li>Election by a Small Business Corporation</li> <li>Tax Form 1120 with Schedule 1125-E</li> <li>Schedule K-1 (1120S)</li> <li>Meeting minutes (“new officers”)</li> </ul>
Limited Liability Company (LLC) – Treated as Partnership	<ul style="list-style-type: none"> <li>Active web confirmation</li> </ul>	<b>One or more of the following, listing enrolling LLC members:</b> <ul style="list-style-type: none"> <li>Articles of Organization with Operating Agreement</li> <li>Articles of Organization</li> <li>Schedule K-1 (Form 1065)</li> <li>Statement of Information</li> </ul>
Limited Liability Company (LLC) – (Foreign)	<ul style="list-style-type: none"> <li>Active web confirmation<sup>9</sup></li> </ul>	<b>One or more of the following, listing enrolling LLC members:</b> <ul style="list-style-type: none"> <li>If treated as a Sole Proprietorship - Refer to LLC treated as Sole Prop, above</li> <li>If treated as a Corporation - Refer to LLC treated as a Corporation, above</li> <li>If treated as a Partnership - Refer to LLC treated as a Partnership, above</li> </ul>
Church	<ul style="list-style-type: none"> <li>IRS letter 501c3</li> </ul> <b>OR</b> <ul style="list-style-type: none"> <li>Application for Recognition of Exemption (Form 1023)</li> </ul> <b>OR</b> <ul style="list-style-type: none"> <li>Active web confirmation (nonprofit)</li> </ul>	<b>The following, to validate exempt employees:</b> <ul style="list-style-type: none"> <li>Letter from church<sup>10</sup></li> </ul>
Nonprofit	<ul style="list-style-type: none"> <li>Active web confirmation (nonprofit)</li> </ul> <b>OR</b> <ul style="list-style-type: none"> <li>IRS letter 501c3</li> </ul> <b>OR</b> <ul style="list-style-type: none"> <li>IRS application for exempt status</li> </ul>	<b>All enrolling employees documented on DE9C or Payroll</b>

<sup>1</sup>California Small Group legal requirements include the California Small Group Reform Act of 1992 (AB 1672), as amended by AB 1083, set forth in the California Health and Safety Code starting with Section 1357.

<sup>2</sup>All enrolling proprietors, partners, or corporate officers not on payroll must be linked to the company, so more than 1 form may be submitted (for example, if multiple partners are listed on separate forms or business validations).

<sup>3</sup>Payroll may be submitted in lieu of a DE 9C for startup companies in business less than 6 months. Payroll may also be used for established companies that previously didn't have employees. Please refer to our Broker and Producer Guidelines or Internal Policy Guide for additional details. The New Employee Eligibility form may be submitted in lieu of payroll for employees hired in the last 30 days.

<sup>4</sup>If newly married, a marriage license may substitute for the 1040.

<sup>5</sup>From California Secretary of State Business website

<sup>6</sup>If awaiting CA SOS authorization to conduct business in CA and active web confirmation is not yet received, provide Statement and Designation by Foreign Corporation (filed) and Certificate of Good Standing, or Certificate of Qualification.

<sup>7</sup>If a Partnership Agreement isn't filed, additional documentation is required — business license or fictitious name statement.

<sup>8</sup>If the active web confirmation hasn't been received, these documents may be submitted instead — Registration Form #LP-5 Application for Registration and Certificate of Good Standing.

<sup>9</sup>If awaiting CA SOS authorization to conduct business in CA and active web confirmation is not yet received, provide Registration Form #LLC-5 and Certificate of Good Standing.

<sup>10</sup>The letter must be signed by a contact listed on the NGA and must be accompanied by the following information for all exempt employees — full name, date of hire, and number of hours worked each week (with a minimum of 20 hours).