

QUESTIONS

If you have questions about the family exemption under the PA UC Law, you may –

- Send an email to the department at uc-news@pa.gov.
- Call the Employer Contact Center at 1-866-403-6163 from 8 AM to 4:30 PM Monday through Friday.

ADDITIONAL INFORMATION

For information about the PA UC program, including information about UC taxation and benefits, visit the department's UC website at www.uc.pa.gov.

*Employers are required to file quarterly reports electronically. To file reports and pay UC taxes electronically, visit the department's UC Management System (UCMS) at www.uctax.pa.gov.



pennsylvania

DEPARTMENT OF LABOR & INDUSTRY
OFFICE OF UNEMPLOYMENT COMPENSATION TAX SERVICES

www.uc.pa.gov

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FAMILY EMPLOYMENT COVERAGE AND EXEMPTION UNDER PENNSYLVANIA UNEMPLOYMENT COMPENSATION LAW



THE FAMILY EXEMPTION

Section 4(l)(4)(5) of the Pennsylvania Unemployment Compensation Law (PA UC Law) excludes the following services from “employment”:

- Services performed by an individual in the employ of his son, daughter or spouse, and
- Services performed by a child under the age of 18 in the employ of his father or mother.

In addition to blood relatives, the exemption also applies to:

- Stepchildren and their parents
- Foster children and their parents
- Adopted children and their parents

If a worker’s services do not constitute “employment” the worker is not an “employee” covered by the PA UC Law. His or her remuneration should not be included on the Employer’s Report for Unemployment Compensation (Form UC-2) and Employer’s Quarterly Report of Wages Paid to Each Employee (UC-2A).*

THE EMPLOYER’S BUSINESS STRUCTURE AFFECTS THE EXEMPTION.

If the employer is a sole proprietor, the exemption applies if the worker has an exempt family relationship to the proprietor.

If the employer is a partnership, the exemption applies only if the worker has the required family relationship with all of the partners.

If the employer is a corporation or limited liability company (LLC), the exemption is not applicable. A corporation is an artificial entity that does not have family relationships with any individuals. Under Pennsylvania law, an LLC is treated as a corporation for purposes of UC taxation.

The following are examples of circumstances where the family exemption does, and does not, apply.

EXAMPLE 1

The employer is a sole proprietor who employs his spouse, his 20-year-old son, his 17-year-old daughter and his mother. The son would be a covered employee because he is not under the age of eighteen (18). The spouse, daughter and mother of the proprietor would be exempt from PA UC coverage. However, the daughter would be a covered employee if she continues to work for her father after she reaches her eighteenth birthday.

EXAMPLE 2

A daughter and her mother form a partnership. The partnership employs the spouse of the daughter, and the daughter’s father who is the mother’s spouse. The father / spouse is exempt from PA UC coverage, because he has an exempt family relationship with each

partner. The daughter’s spouse is a covered employee under the PA UC Law. While he is the spouse of one of the partners, he is the son-in-law of the other partner, which is not a relationship that is included in the family exemption.

EXAMPLE 3

An individual and her brother form a partnership that employs the spouse of each of the partners. The spouses are covered employees for PA UC purposes because they do not have an exempt family relationship with both partners. Their relationship with the other partner, brother-in-law and sister-in-law, respectively, is not included in the family exemption.

EXAMPLE 4

A corporation employs the spouse of its 100 percent shareholder and president. The spouse is a covered employee under the PA UC Law. Although the spouse has an exempt family relationship with the corporation’s principal, the corporation is the employer, not the principal.

EXAMPLE 5

The employer is a sole proprietor who employs his spouse’s 16-year-old daughter from a previous marriage. Even though the spouse’s daughter is not a biological child of the proprietor, she is the proprietor’s stepchild and is under 18 years of age. Therefore, she is not a covered employee for PA UC purposes.