



FOR RELEASE

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Labor Market Information

UI & TDI TAXES TO DECREASE IN 2007

Adelita S. Orefice, Director of the Department of Labor and Training, announced today that a reduction in the Unemployment Insurance (UI) taxable wage base will allow *employers* to save an estimated \$24 million in UI taxes next year. In addition, *employees* will see savings of over \$12 million in their Temporary Disability Insurance (TDI) taxes for 2007 due to a reduction in the TDI contribution rate.

"This is good news for both employers and employees, and reflects the continued strength of the RI economy," said Director Orefice. "Employers will see a reduction in the cost of doing business and workers will see a smaller deduction from their paychecks."

The taxable wage base on which employers pay Unemployment Insurance taxes for their employees will drop to \$14,000 for the 2007 tax year. The taxable wage base dropped because the Employment Security fund balance grew by \$20.1 million during the year. As of September 30, 2006, the Employment Security Fund held \$189.1 million in reserves. According to the law, if the Employment Security Fund balance is more than \$175 million but less than \$225 million on September 30th the taxable wage base will be \$14,000 for the next calendar year.

While the wage base limits the amount of wages that are taxable, tax rates for individual employers will also vary according to their experience with the Unemployment Insurance system. These rates will range from a low of 1.69% to a high of 9.79 % in 2007. Employers will be notified of their individual 2007 tax rates in December. The new employer rate will be 2.41% in 2007.

The *employee* contribution rate for TDI will be lowered to 1.3 percent in 2007, the result of a healthier reserve in the fund. The TDI fund had a balance of \$99.9 million as of September 30, 2006. This was an increase of almost \$8 million from the prior year.

This will mean lower payroll deductions for all employees covered by the TDI program in 2007. Most workers, those earning less than the taxable wage base, will pay 7.1 percent less for their TDI coverage in 2007. Those earning more than the taxable wage base will see a reduction of 4.4% in their TDI contributions.

The Temporary Disability Insurance (TDI) taxable wage base will be \$52,100 in 2007, up \$1,500 from the 2006 base of \$50,600. The maximum TDI contribution will be \$677.30 next year, a reduction of \$31.10 from the maximum contribution of \$708.40 in 2006.

"The increase in reserves in both funds can be attributed, in part, to higher tax receipts due to an expanding economy. In addition, UI benefit payments declined by \$6.8 million this year while TDI benefit payments remained stable over the year," said Raymond Filippone, Assistant Director for Income Support.

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