



FOR IMMEDIATE RELEASE
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LAW TO CRACKDOWN ON ILLEGAL TAX SCHEME

On January 1, 2006, a new Rhode Island law will close a loophole where employers avoid paying their fair share of the RI Unemployment Insurance (UI) tax. RI Public Law 05-290 eliminates the practice of "SUTA (State Unemployment Tax Act) Dumping," a tax evasion scheme involving the manipulation of an employer's UI tax rate to reduce their UI taxes. Typically, SUTA Dumping occurs when a business transfers payroll out of an existing company or organization to a new or different organization that has a lower UI tax rate solely or primarily to reduce their UI taxes.

Adelita S. Orefice, Director of the Rhode Island Department of Labor and Training, stated "SUTA Dumping is a national issue and our law was changed to conform to the requirements of federal Public Law 108-295, the SUTA Dumping Prevention Act of 2004, passed by the U.S. Congress in August 2004." Rhode Island joins many other states that are taking action to close similar loopholes in their laws to prevent SUTA Dumping.

Ray Filippone, Assistant Director of Income Support, summarized the main provisions of the new federal law:

1. It requires a transfer of the UI tax rate when employees are shifted from one employer to another, if the two companies have common ownership, management or control;
2. It requires that meaningful, civil, and criminal penalties be imposed against persons that knowingly violate the provisions of this legislation, or who advise others to do so; and
3. It requires that procedures be established to identify potential violators.

"Only a small percentage of employers are involved in SUTA Dumping," stated Director Orefice. "However, if left unchecked, the actions of those few could result in higher UI taxes for all employers. We are determined to do whatever it takes to prevent that from happening."

Please direct questions regarding this law change or any other Rhode Island UI tax issue to the Division of Taxation's Employer Tax Unit at (401) 222-3696, or visit their web sites at: www.uitax.ri.gov or www.tax.state.ri.us.

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