

State Disability Withholding to Increase, April 1; 104 % Increase in Actual Dollars Withheld

(March 6) A state-mandated increase in withholding for State Disability Insurance (SDI) goes into effect, April 1. The requirement amounts to a 104 percent increase in actual dollars withheld from some MTA employees' wages.

The California Employment Development Department (EDD) ordered the hike in SDI withholding to ensure the disability fund's ability to pay higher benefits, according to a spokesperson for the umbrella agency, Health and Human Services.

Weekly benefits increased

Senate Bill 656, signed last year by Governor Gray Davis, raised SDI benefits to a maximum of \$490 a week. SDI pays benefits for non-job-related injuries or illnesses. Workers Compensation covers on-the-job injuries.

Under the revised EDD regulation, the employee wage base for withholding was raised from \$31,767 to \$46,327. The withholding rate was raised from .005 percent to .007 percent. The first paycheck to be affected for most MTA employees is scheduled April 21.

The amount withheld from the old wage base of \$31,767 at .005 percent totals \$158.84. The amount withheld from the new wage base of \$46,327 at .007 percent will total \$324.29. The difference in actual dollars withheld is \$165.45 – or 104 percent.

Two tax rates in 2000

During the first three months of 2000, however, the old .005 percent withholding rate remains in effect. That means wages earned in January, February and March will be taxed for SDI at .005 percent. Wages earned during the rest of the year will be taxed at .007 percent until the maximum of \$46,327 is reached. Wages over that amount are not subject to SDI withholding.

For more information about SDI withholding, employees may contact the local Employment Tax Customer Service Office listed in the telephone directory white pages under "Employment Development Department, Payroll Tax Information" or access the EDD Internet web site at www.edd.ca.gov.

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