

FINAL BILL REPORT

SB 6414

C 28 L 96

Synopsis as Enacted

Brief Description: Providing for federal income tax withholding from unemployment compensation benefits.

Sponsors: Senators Pelz and Newhouse; by request of Employment Security Department.

Senate Committee on Labor, Commerce & Trade

House Committee on Commerce & Labor

Background: Currently, unemployment insurance benefits are subject to federal income tax; however, income tax payments are not withheld from a claimants weekly benefits. This has resulted in numerous complaints at both a state and federal level from claimants that face a substantial tax bill in April of each year and possible penalties from the IRS if they are unable to meet their tax liabilities.

In order to address this problem, federal legislation was enacted in 1994 requiring the states to deduct federal income tax payments from unemployment insurance benefits if the claimant so desires. Employment security departments of the states are required to conform to federal guidelines, effective December 31, 1996.

Summary: The Employment Security Department is required to inform unemployment insurance claimants that unemployment insurance is subject to federal income tax and that claimants may choose to have their federal income tax deducted from their unemployment benefits.

The Commissioner of Employment Security is directed to comply with all procedures of the United States Department of Labor and the Internal Revenue Service in regard to deducting and transferring income taxes.

Votes on Final Passage:

Senate	42 0
House	95 0

Effective: December 31, 1996