

SENATE BILL REPORT

SB 6414

As Passed Senate, January 26, 1996

Title: An act relating to the voluntary withholding of federal income tax from unemployment insurance benefit payments.

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

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

Brief History:

Committee Activity: Labor, Commerce & Trade: 1/9/96, 1/22/96 [DP].
Passed Senate, 1/26/96, 42-0.

SENATE COMMITTEE ON LABOR, COMMERCE & TRADE

Majority Report: Do pass.

Signed by Senators Pelz, Chair; Heavey, Vice Chair; Deccio, Franklin, Fraser and Newhouse.

Staff: Patrick Woods (786-7430)

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 of Bill: The Employment Security Department is required to provide unemployment insurance claimants with the following information: (a) unemployment insurance is subject to federal income tax; (b) 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.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on December 31, 1996.

Testimony For: The bill is needed in order to comply with federal regulations and will provide unemployment claimants with the opportunity to have their federal income tax deducted directly from their unemployment benefits.

Testimony Against: None.

Testified: Dale Ziegler, ESD (pro); Clif Finch, AWB (pro); Jeff Johnson, WSLC, AFL-CIO (pro).