

# FINAL BILL REPORT

## ESHB 1214

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C 249 L 91

*Synopsis As Enacted*

**Brief Description:** Providing for one hundred percent cash out for accumulated sick leave.

By House Committee on State Government (originally sponsored by Representatives Anderson, Spanel, Fraser, R. Johnson and Riley).

House Committee on State Government  
House Committee on Appropriations  
Senate Committee on Ways & Means

**Background:** The State operates a sick leave cash out program for state employees. Employees may receive compensation for sick leave in two ways. First, every January a state employee has the option of cashing in sick leave days earned in the previous year, as long as the employee's sick leave balance does not fall below 60 days. Reimbursement for sick leave is at a rate of one day's pay for four days of sick leave. Second, at the time of separation from state service due to retirement or death, an employee or the employee's estate receives reimbursement for sick leave at a rate of one day's pay for four days of accrued sick leave. Payment received for sick leave at the time of separation from service is not included in computing retirement benefits. No employee may receive compensation for any portion of sick leave accumulated at a rate in excess of one day per month.

In recent years, Voluntary Employee Beneficiary Associations (VEBAs) have been increasingly used by employers and employees to obtain federal income tax advantages. VEBAs can provide a way for an employee to pay for medical insurance premiums and other medical expenses. Under certain circumstances, the following are not subject to federal taxes: an employer's payments into a VEBA medical plan, the earnings of the VEBA, and payments from the VEBA to employees as reimbursement for medical expenses.

**Summary:** In lieu of cash remuneration for sick leave, the State may use equivalent funds for a medical benefits plan to be used by eligible employees for reimbursement of medical expenses. The Committee for Deferred Compensation is authorized to develop such a medical reimbursement plan. The committee may offer and administer the plan only if (1)

each employee has a choice either to receive the cash-out for sick leave or have equivalent funds placed into the benefits plan, and (2) a favorable opinion is received from the Internal Revenue Service indicating that employees incur no federal income tax liability on the funds placed in the benefits plan.

***Votes on Final Passage:***

House	98	0	
Senate	47	0	(Senate amended)
House	96	0	(House concurred)

***Effective:*** July 28, 1991