

HOUSE BILL ANALYSIS

HB 3024

Title: An act relating to exemptions from the enforcement of judgments.

Brief Description: Providing an exemption from the enforcement of judgments.

Sponsors: Representative Appelwick.

HOUSE COMMITTEE ON LAW & JUSTICE

Staff: Edie Adams (786-7180).

Background: When a creditor obtains a judgment against a debtor, the creditor may recover his or her judgment out of the debtor's real and personal property. The creditor may force the debtor to sell the property to repay the debt. A portion of a debtor's property is usually protected against judgment creditors through exemptions. Washington law provides a number of personal property exemptions and an exemption for the debtor's homestead.

In addition to the real and personal property exemptions, Washington provides exemptions from forced execution for certain types of retirement plans and individual retirement accounts. The pension plan exemption does not apply to employee benefit plans established by state or local governments for their employees or to plans established by the federal government for federal employees. The pension plan exemptions do not apply in an action for the collection of child support.

In 1997, Congress created two new types of IRAs--the Roth IRA and the Education IRA. The Roth IRA may be funded with after-tax money, but the account is allowed to grow without any taxation on the investment earnings of the account. Distributions from the Roth IRA are not taxed if the distribution is made for specified reasons or upon certain conditions. The Education IRA allows a person to invest \$500 per year into the fund for a beneficiary. Distributions to the beneficiary are subject to income tax on the investment earnings, but there is no penalty for distributions used to pay tuition, room, and board at a college or university.

Summary of Bill: The types of retirement accounts that are exempt from forced sale for the satisfaction of a debtor's obligations are expanded to include:

- the newly created Roth IRA;
- the newly created Education IRA;

- pre-paid tuition, room, and board for those who attend college at a Washington university, college, or community college; and
- state or local government employee retirement plans.

Fiscal Note: Not requested.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Office of Program Research