

SENATE BILL REPORT

SB 5986

As Passed Senate, March 9, 1999

Title: An act relating to duty connected death benefits under the law enforcement officers' and fire fighters' retirement system, plan 1.

Brief Description: Paying duty connected death or disability benefits.

Sponsors: Senators Goings, Benton, Bauer, Costa and Rasmussen.

Brief History:

Committee Activity: Ways & Means: 2/23/99, 2/25/99 [DP].
Passed Senate, 3/9/99, 49-0.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Loveland, Chair; Bauer, Vice Chair; Brown, Vice Chair; Fairley, Fraser, Honeyford, Kline, Kohl-Welles, Long, McDonald, Rasmussen, Rossi, B. Sheldon, Snyder, Spanel, Thibaudeau, West, Winsley, Wojahn, Zarelli.

Staff: Pete Cutler (786-7454)

Background: The Law Enforcement Officers and Fire Fighters' Retirement System, Plan 1 (LEOFF 1) provides a survivor benefit to members' surviving spouses and children. If the member dies in active service, the surviving spouse receives a monthly retirement allowance equal to 50 percent of an active member's final average salary at the time of death. If the member dies after retirement, the surviving spouse continues to receive the retirement allowance that had been paid to the retiree. The allowance is increased for surviving children, up to a maximum of 60 percent of final average salary.

A single statute provides the LEOFF 1 survivor benefits; that statute provides benefits both for deaths that are duty connected, and deaths which are not. The LEOFF chapter also provides that the benefits provided to LEOFF 1 members are a replacement for workers' compensation benefits provided by Title 51 RCW.

Survivor benefits provided under a workers' compensation statute are not subject to federal income taxes. The Internal Revenue Service (IRS) has held that a statute that provides survivor benefits for both work related and nonwork related deaths does not qualify as a workers' compensation statute. For this reason the benefits paid to LEOFF 1 survivors for duty connected deaths are treated as taxable income.

The LEOFF 1 disability statute was split into two separate statutes in 1985, one for duty related disabilities, the other for nonduty related disabilities. Following the split of the statute the IRS ruled that payments for duty related disabilities made after the 1985 amendment would not be subject to federal income taxation.

Summary of Bill: The statute that provides LEOFF 1 survivor benefits is amended and divided into two separate sections. The amended statute provides benefits only for duty connected deaths; a new section provides benefits only for nonduty connected deaths. There is no substantive change in the benefits provided.

A statement of legislative intent provides that the original LEOFF 1 survivor benefit statute was a statute in the nature of a workers' compensation benefit. The changes made to the duty connected death benefit statute apply retrospectively to duty connected survivor allowances granted prior to the effective date of the bill.

Appropriation: None.

Fiscal Note: Requested on February 22, 1999.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Testimony For: The goal of this bill is to permit the surviving spouses of LEOFF 1 members who die in the line of duty to receive tax-exempt survivor allowances. This will create parity with the tax-exempt workers' compensation survivor allowances paid to LEOFF 2 surviving spouses.

Testimony Against: None.

Testified: Jim Rudd, WSCFF (pro).