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**Appropriations Committee**

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**SB 5100**

**Brief Description:** Paying survivor benefits in accordance with Title 26 U.S.C. Sec. 101(h) as amended by the Fallen Hero Survivor Benefit Fairness Act of 2001.

**Sponsors:** Senators Fraser, Carlson, Winsley, Spanel, Parlette and Rasmussen; by request of Joint Committee on Pension Policy.

**Brief Summary of Bill**

- Provides federal income tax-exempt pension payments to qualified survivor beneficiaries of the Public Employees Retirement System, the Law Enforcement Officers' and Fire Fighters' Retirement System, and the Washington State Patrol Retirement System members who died in the line of duty. Brings state law into compliance with federal law.

**Hearing Date:** 3/20/03

**Staff:** David Pringle (786-7310).

**Background:**

Congress enacted the federal Fallen Hero Survivor Benefit Fairness Act of 2001 to provide consistent tax treatment of survivor benefits for public safety officers killed in the line of duty. This legislation extends the current federal tax law exemption for survivor annuity benefits for public safety officers killed in the line of duty after 1996. The federal exemption applies to annuity benefits received by survivors after 1996.

Under the federal Internal Revenue Code section dealing with items excluded from gross income, survivor annuity benefits for spouses and children may be excluded from gross income if the member is killed in the line of duty and the death is not due to officer misconduct nor caused by the member's survivor.

The Department of Retirement Systems (DRS) collects contributions and pays benefits to members of the Public Employment Retirement System (PERS), the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF), and the Washington State Patrol Retirement System (WSPRS). When required by state or federal law, the DRS may withhold portions of pension or disability payments. For example, the DRS withholds a portion of a

member's defined contribution account for federal tax purposes if a member leaves and chooses to "roll" the funds into a non-tax qualified account.

Certain members of the PERS, LEOFF, and the WSPRS fall within the federal definition of public safety officers.

**Summary of Bill:**

Survivor benefit annuity payments made to qualified beneficiaries of PERS, LEOFF, and WSPRS members who died in the line of duty are paid as exempt from federal income tax.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed.