

# SENATE BILL REPORT

## SB 5194

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As of January 20, 2015

**Title:** An act relating to wage garnishment.

**Brief Description:** Concerning wage garnishment.

**Sponsors:** Senators Benton and Angel.

**Brief History:**

**Committee Activity:** Law & Justice: 1/20/15.

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### SENATE COMMITTEE ON LAW & JUSTICE

**Staff:** Melissa Burke-Cain (786-7755)

**Background:** Judgment creditors may collect unpaid debts through wage garnishment. Under a court-issued garnishment order an employer must withhold a percentage of disposable earnings from a debtor's paycheck and send it to the creditor until the judgment is fully paid. Currently many workers must pay either a monthly insurance premium or pay a tax penalty because of the individual mandate in the Affordable Care Act. The current garnishment law does not address payments required by the Affordable Care Act's individual mandate.

**Summary of Bill:** For purposes of wage garnishment, employers do not count monthly health care premiums or tax penalties as disposable earnings if the premiums or penalties are required by the Affordable Care Act.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Committee/Commission/Task Force Created:** No.

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

**Staff Summary of Public Testimony:** PRO: The Affordable Care Act (ACA) requires persons to either have health insurance or pay a tax penalty. The amount that is paid because of ACA is not voluntary and should not be included in the disposable income calculation in

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wage garnishment. It is a matter of fairness. For wage earners the health care premium or penalty is not paid at the wage earner's discretion. The wage earner has no choice but to pay. Consider the problem of financial hardship that a family can face when the health care insurance premiums are included in disposable income for wage garnishment. After the garnishment amount is taken, there may be very little left to live on and meet family needs. The mandatory health insurance or penalty should be treated like the required paycheck deduction for federal retirement and excluded from disposable income.

CON: If the health insurance payments are not part of the disposable income, there is potential harm to consumers because they may face additional garnishments to satisfy the debt. The bill would impair a creditor's ability to collect a court-ordered debt payment. Model notices were not taken into account or edited and would need to be revised.

**Persons Testifying:** PRO: Senator Benton, prime sponsor; Sara Seyller, citizen.

CON: Greg Luhn, WA Collectors Assn.