

SENATE BILL REPORT

SB 5597

As of February 15, 2017

Title: An act relating to requiring electronic payments to the division of child support when remitting funds in response to an order to withhold income.

Brief Description: Concerning electronic payments to the division of child support when remitting funds in response to an order to withhold income.

Sponsors: Senators O'Ban and Pedersen; by request of Department of Social and Health Services.

Brief History:

Committee Activity: Law & Justice: 2/15/17.

Brief Summary of Bill

- Requires an employer or other business that has received an income withholding order from the Department of Social and Health Services (DSHS), requiring payment to the Washington State support registry, to remit payments through electronic funds transfer when certain conditions apply.
- Authorizes the Division of Child Support (DCS) to issue a notice of noncompliance to a business, employer, or payroll processor that DCS believes is not complying with the requirement above.

SENATE COMMITTEE ON LAW & JUSTICE

Staff: Tim Ford (786-7423)

Background: All employers doing business in Washington State must report to the Washington State Support Registry (Registry) when the business hires or rehires a person for employment. Employers may report by mailing a copy of the employee's W-4 form or by other means authorized by the Registry. Reports must be submitted within 20 days of the hiring or re-hiring of the person. The reports must include the employee's name, address, social security number, and date of birth. The DSHS transmits the information to the National Directory of New Hires for purposes of enforcing child support obligations.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

The DCS may serve an employer with a notice of payroll deduction for child support obligations. An employer is liable to the Washington State Support Registry for noncompliance if the employer fails or refuses to deduct and promptly remit the required child support payments. The DCS may issue a notice of noncompliance to any person, firm, entity, or agency of state or federal government that the division believes is not complying with a notice of payroll deduction. The liability asserted by DCS in the notice of noncompliance becomes final and collectible on the twenty-first day after the date of service unless the employer requests a hearing with DCS, negotiates an alternate resolution with DCS, or initiates an action in superior court to contest the notice of noncompliance. The DCS may bring an enforcement action against the employer for noncompliance in superior court and may be awarded costs, attorney fees, and interest on the payments.

Summary of Bill: An employer or other business that has received an income withholding order from DSHS requiring payment to the Washington State Support Registry must remit payments through electronic funds transfer under the following conditions:

- the income withholding order applies to an employee or contractor of the business, and the business has ten or more employees or the business has ten or more contractors;
- the income withholding order applies to more than one employee or contractor of the business, even if the employer or business has fewer than ten employees or contractors;
- the employer or business uses a payroll processor that has the capacity to transmit payments through electronic funds transfer; or
- the employer or business is required by the Department of Revenue to file and pay taxes electronically.

All electronic funds transfer payments must identify:

- the person from whom the payment was withheld;
- the amount of the payment;
- the person's ID number assigned by DCS; and
- the DCS case number to which the payment is applied.

The DCS may issue a notice of noncompliance if a business, employer, or payroll processor fails to comply with a requirement to remit payments by electronic funds transfer. The DSHS may waive the requirements under certain circumstances.

The DCS may impose fines of up to \$100 per occurrence for noncompliance with the duty to remit withheld funds by electronic funds transfer. The DCS must provide written warning to the business, employer, or payroll processor prior to imposing fines. The written warning must:

- explain the duty to remit withheld payments by electronic means;
- explain the potential for fines for noncompliance; and
- provide a point of contact within DCS for seeking assistance.

The DSHS has rule making authority for the purposes of compliance with the requirements of the bill.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: The bill takes effect on January 1, 2018.

Staff Summary of Public Testimony: PRO: The bill requires businesses to use an electronic means to remit payments on an order of withholding for child support. This is not new, it is required in other parts of the law but needs to be included for child support payments. There are some exceptions provided in the bill for businesses based on their size or based on other reasons. About two-thirds of businesses voluntarily comply with an order of withholding by using electronic payments to the Division of Child Support. However, the voluntary method has seen diminishing returns, and this bill is necessary. It will save the state money and electronic payment is better for families receiving the court ordered child support.

Persons Testifying: PRO: David Stillman, DSHS - Economic Services; Sharon Redmond, DSHS - Economic Services.

Persons Signed In To Testify But Not Testifying: No one.