

HOUSE BILL REPORT

HB 1105

*As Reported By House Committee on:
Revenue*

Title: An act relating to exempting property from execution.

Brief Description: Exempting property in this state from execution in favor of another state.

Sponsor(s): Representatives Jones, Betrozoff, Kremen, Dellwo, Hargrove, Inslee, Miller, Fraser, Haugen, Wilson, Winsley, Ferguson, Riley, Broback, Edmondson, D. Sommers, May, Wynne, Chandler, Brumsickle and Orr.

Brief History:

Reported by House Committee on:
Revenue, March 10, 1991, DPS.

**HOUSE COMMITTEE ON
REVENUE**

Majority Report: *That Substitute House Bill No. 1105 be substituted therefor, and the substitute bill do pass.*
Signed by 10 members: Representatives Fraser, Vice Chair; Holland, Ranking Minority Member; Wynne, Assistant Ranking Minority Member; Brumsickle; Day; Leonard; Morris; Morton; Silver; and Van Luven.

Minority Report: *Do not pass.* Signed by 5 members: Representatives Wang, Chair; Appelwick; Belcher; Phillips; and Rust.

Staff: Rick Peterson (786-7150).

Background: Many people who have retired to Washington from other states with income taxes have discovered that they owe tax on their retirement income to their state of former residence. This occurs when the income tax state asserts its right to tax income "sourced" in that state. These states claim that the retirement income earned as a result of employment in their state is income "sourced" in their state.

If a Washington resident fails to pay the "source" tax, then the income tax state takes the tax assessment to a court within that state and obtains a judgment against the individual. The courts of Washington are required to

recognize and enforce the liability for taxes lawfully imposed by the laws of the other state.

Summary of Substitute Bill: The property of a Washington resident is exempt from execution when the judgment is for failure to pay income tax on benefits from a retirement or a pension plan.

Substitute Bill Compared to Original Bill: The substitute bill expands the property exemption to protect against judgments from any state, including Washington, for failure to pay income taxes on retirement benefits, but limits the exemption to protect only against that portion of a judgment amount deriving from retirement benefits received while a resident of Washington.

Fiscal Note: Available.

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

Testimony For: It is unfair for another state to apply its income tax to a Washington resident's pension income. The Washington resident can no longer vote or influence the laws of their former state of residence. The Washington resident is unfairly treated by the method some states use to determine income tax. Practices that use total income to determine the tax rates and allow residents tax credits not available to nonresident income tax filers are especially unfair.

Testimony Against: Washington residents may misinterpret this measure as one that exempts them from income tax of another state.

Witnesses: Representative Myers (pro); Lawrence King, George Lough, Jim Dawes, Howard Smith, James Lewis, RESIST (pro); Roy Casdorff, NARFE (pro); and Russ Brubaker, Department of Revenue.