

SENATE BILL REPORT

SB 5309

**AS REPORTED BY COMMITTEE ON GOVERNMENTAL OPERATIONS,
JANUARY 31, 1991**

Brief Description: Limiting the ability of other jurisdictions to collect income taxes on pension and retirement benefits of Washington residents.

SPONSORS: Senators L. Smith, Bauer, Barr, Sutherland, Saling, McMullen, Craswell, McCaslin and Johnson.

SENATE COMMITTEE ON GOVERNMENTAL OPERATIONS

Majority Report: That Substitute Senate Bill No. 5309 be substituted therefor, and the substitute bill do pass.

Signed by Senators McCaslin, Chairman; Madsen, Matson, and Sutherland.

Staff: Rod McAulay (786-7754)

Hearing Dates: January 31, 1991

BACKGROUND:

Washington residents who formerly worked in another state which imposes an income tax on their pension or retirement benefits continue to be liable for such taxes. They can be sued for such taxes even though they no longer use the taxing state's services, participate in its elections, or take advantage of tax exemptions or credits available to its residents.

SUMMARY:

When another state attempts to collect an income tax on pension or retirement benefits paid to a Washington resident who was formerly employed in the taxing state, the full value of any homestead and all of the resident's other property located in Washington is exempt from judicial execution by attachment, garnishment or any other means. The exemption extends to the spouse and dependents of the taxpayer in the event he or she dies or absconds.

The authority granted to other states to sue in Washington courts for collection of taxes is amended to exclude income taxes on pension and retirement benefits.

EFFECT OF PROPOSED SUBSTITUTE:

The legislative purpose is defined as protecting the income and investments of retired persons who are more dependent than others upon fixed income and passive income from investments.

Appropriation: none

Revenue: none

Fiscal Note: none requested

TESTIMONY FOR:

Washington residents are protected from taxation on fixed incomes and from large judgments for back taxes of which the resident was unaware. The legislation would also prevent taxation of Washington residents who have no voting rights in the taxing state and no longer receive any benefits from the taxing state.

TESTIMONY AGAINST: None

TESTIFIED: PRO: Senator Linda Smith; Senator Dean Sutherland; James W. Dawes; Edmund S. Audelo; George Lough