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**SENATE BILL 5597**

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**State of Washington 65th Legislature 2017 Regular Session**

**By** Senators O'Ban and Pedersen; by request of Department of Social and Health Services

AN ACT Relating to requiring electronic payments to the division of child support when remitting funds in response to an order to withhold income; amending RCW 74.20A.350; adding a new section to chapter 26.23 RCW; and providing an effective date.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

NEW SECTION. **Sec.**  A new section is added to chapter 26.23 RCW to read as follows:

(1) The definitions in this subsection apply throughout this section unless the context clearly requires otherwise.

(a) "Electronic funds transfer" means any transfer of funds, other than a transaction originated or accomplished by conventional check, drafts, or similar paper instrument, which is initiated through an electronic terminal, telephonic instrument, or computer or magnetic tape so as to order, instruct, or authorize a financial institution to debit or credit a checking or other deposit account. "Electronic funds transfer" includes payments made:

(i) By electronic check (echeck); and

(ii) By any means made available through the division of child support's web-based payment services.

(b) "Income withholding order" means an order to withhold income, order to withhold and deliver, or notice of payroll deduction issued under this chapter or chapter 26.10, 26.18, 74.20, or 74.20A RCW.

(c) "Payroll processor" means a person, entity, agent, or company which provides payroll services to an employer or other business such as calculating paychecks and providing electronic funds transfer services for payments to employees and other entities.

(2) Except as provided in subsection (4) of this section, an employer or other business that has received an income withholding order from the department of social and health services requiring payment to the Washington state support registry must remit payments through electronic funds transfer when the following conditions apply:

(a) The income withholding order applies to a person who is either an employee or contractor of the business, and the employer or business has:

(i) Ten or more employees; or

(ii) Ten or more contractors;

(b) The employer or business has received an income withholding order for more than one employee or contractor, even if the employer or business has fewer than ten employees or contractors, but has received an income withholding order for more than one employee or contractor;

(c) The employer or business uses a payroll processor to handle its payroll, payment, and tax processes and the payroll processor has the capacity to transmit payments through electronic funds transfer; or

(d) The employer or business is required by the department of revenue to file and pay taxes electronically under RCW 82.32.080.

(3) All electronic funds transfer payments must identify the person from whom the payment was withheld, the amount of the payment, the person's identifying number assigned by the division of child support, or the division of child support case number to which the payment is to be applied. If a business, employer, or payroll processor required to remit payments by electronic funds transfer under this section fails to comply with this requirement, the division of child support may issue a notice of noncompliance pursuant to RCW 74.20A.350.

(4) The department may waive the requirement to remit payments electronically for a business, employer, or payroll processor that is unable to comply despite good faith efforts or due to circumstances beyond that entity's reasonable control. Grounds for approving a waiver include, but are not limited to, circumstances in which:

(a) The business, employer, or payroll processor does not have a computer that meets the minimum standards necessary for electronic remittance;

(b) Additional time is needed to program the entity's computer;

(c) The business, employer, or payroll processor does not currently file data electronically with any business or government agency;

(d) Compliance conflicts with the entity's business procedures;

(e) Compliance would cause a financial hardship.

(5) The department has the discretion to terminate a waiver granted under subsection (4) of this section if:

(a) The business or employer has received at least one income withholding order for a person or employee and has failed to withhold or failed to withhold within the time provided in the order at least twice;

(b) The business, employer, or payroll processor has submitted at least one dishonored check; or

(c) The business, employer, or payroll processor continues to incorrectly identify withholdings or makes other errors that affect proper distribution of the support, despite contact and information from the department on how to correct the error.

(6) The department of social and health services has rule-making authority to enact rules in compliance with this section, including, but not limited to:

(a) The necessary conditions required for a business, employer, or payroll processor to electronically remit child support payments to the Washington state support registry;

(b) Options for electronic funds transfers and the process by which one must comply in order to establish such payment arrangements;

(c) Which types of payment meet the definition of electronic funds transfer; and

(d) Reasons for exemption from the requirement to remit funds by electronic funds transfer.

**Sec.**  RCW 74.20A.350 and 1997 c 58 s 893 are each amended to read as follows:

(1) The division of child support 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) A notice of payroll deduction issued under chapter 26.23 RCW;

(b) A lien, order to withhold and deliver, or assignment of earnings issued under this chapter;

(c) Any other wage assignment, garnishment, attachment, or withholding instrument properly served by the agency or firm providing child support enforcement services for another state, under Title IV-D of the federal social security act;

(d) A subpoena issued by the division of child support, or the agency or firm providing child support enforcement for another state, under Title IV-D of the federal social security act;

(e) An information request issued by the division of child support, or the agency or firm providing child support enforcement for another state under Title IV-D of the federal social security act, to an employer or entity required to respond to such requests under RCW 74.20A.360; ((~~or~~))

(f) The duty to report newly hired employees imposed by RCW 26.23.040; or

(g) The duty of a business, employer, or payroll processor that has received an income withholding order from the department of social and health services requiring payment to the Washington state support registry to remit withheld funds by electronic means imposed by section 1 of this act.

(2) Liability for noncompliance with a wage withholding, garnishment, order to withhold and deliver, or any other lien or attachment issued to secure payment of child support is governed by RCW 26.23.090 and 74.20A.100, except that liability for noncompliance with remittance time frames is governed by subsection ((~~(3)~~)) (4) of this section.

(3) Fines for noncompliance by a business, employer, or payroll processor with the duty to remit withheld funds by electronic means imposed by section 1 of this act are governed by subsection (4)(c) of this section.

(4) The division of child support may impose fines of up to one hundred dollars per occurrence for:

(a) Noncompliance with a subpoena or an information request issued by the division of child support, or the agency or firm providing child support enforcement services for another state under Title IV-D of the federal social security act;

(b) Noncompliance with the required time frames for remitting withheld support moneys to the Washington state support registry, or the agency or firm providing child support enforcement services for another state, except that no liability shall be established for failure to make timely remittance unless the division of child support has provided the person, firm, entity, or agency of state or federal government with written warning:

(i) Explaining the duty to remit withheld payments promptly;

(ii) Explaining the potential for fines for delayed submission; and

(iii) Providing a contact person within the division of child support with whom the person, firm, entity, or agency of state or federal government may seek assistance with child support withholding issues;

(c) A business, employer, or payroll processor's noncompliance with the duty to remit withheld funds by electronic means imposed by section 1 of this act. The division of child support may not impose fines for failure to comply with this requirement unless it has provided the person, firm, entity, or agency of state or federal government with written warning:

(i) Explaining the duty to remit withheld payments by electronic means;

(ii) Explaining the potential for fines for failure to remit withheld payments by electronic means when required under section 1 of this act; and

(iii) Providing a contact person within the division of child support with whom the person, firm, entity, or agency of state or federal government may seek assistance with child support withholding issues.

((~~(4)~~)) (5) The division of child support may assess fines according to RCW 26.23.040 for failure to comply with employer reporting requirements.

((~~(5)~~)) (6) The division of child support may suspend licenses for failure to comply with a subpoena issued under RCW 74.20.225.

((~~(6)~~)) (7) The division of child support may serve a notice of noncompliance by personal service or by any method of mailing requiring a return receipt.

((~~(7)~~)) (8) The liability asserted by the division of child support in the notice of noncompliance becomes final and collectible on the twenty-first day after the date of service, unless within that time the person, firm, entity, or agency of state or federal government:

(a) Initiates an action in superior court to contest the notice of noncompliance;

(b) Requests a hearing by delivering a hearing request to the division of child support in accordance with rules adopted by the secretary under this section; or

(c) Contacts the division of child support and negotiates an alternate resolution to the asserted noncompliance or demonstrates that the person, firm, entity, or agency of state or federal government has complied with the child support processes.

((~~(8)~~)) (9) The notice of noncompliance shall contain:

(a) A full and fair disclosure of the rights and obligations created by this section; and

(b) Identification of the:

(i) Child support process with respect to which the division of child support is alleging noncompliance; and

(ii) State child support enforcement agency issuing the original child support process.

((~~(9)~~)) (10) In an administrative hearing convened under subsection ((~~(7)~~)) (8)(b) of this section, the presiding officer shall determine whether or not, and to what extent, liability for noncompliance exists under this section, and shall enter an order containing these findings. If liability does exist, the presiding officer shall include language in the order advising the parties to the proceeding that the liability may be collected by any means available to the division of child support under subsection ((~~(12)~~)) (13) of this section without further notice to the liable party.

((~~(10)~~)) (11) Hearings under this section are governed by the administrative procedure act, chapter 34.05 RCW.

((~~(11)~~)) (12) After the twenty days following service of the notice, the person, firm, entity, or agency of state or federal government may petition for a late hearing. A petition for a late hearing does not stay any collection action to recover the debt. A late hearing is available upon a showing of any of the grounds stated in civil rule 60 for the vacation of orders.

((~~(12)~~)) (13) The division of child support may collect any obligation established under this section using any of the remedies available under chapter 26.09, 26.18, 26.21A, 26.23, 74.20, or 74.20A RCW for the collection of child support.

((~~(13)~~)) (14) The division of child support may enter agreements for the repayment of obligations under this section. Agreements may:

(a) Suspend the obligation imposed by this section conditioned on future compliance with child support processes. Such suspension shall end automatically upon any failure to comply with a child support process. Amounts suspended become fully collectible without further notice automatically upon failure to comply with a child support process;

(b) Resolve amounts due under this section and provide for repayment.

((~~(14)~~)) (15) The secretary may adopt rules to implement this section.

NEW SECTION. **Sec.**  This act takes effect January 1, 2018.

**--- END ---**