

HOUSE BILL REPORT

HJM 4019

As Reported by House Committee On:

Commerce & Labor

Brief Description: Requesting Congress to remove unemployment insurance benefits from federal taxation.

Sponsors: Representatives Simpson, Benson, Jarrett, Cooper, Sullivan, Conway, Dunshee, Hunt, Eickmeyer, Quall, Fromhold, Ogden, Cairnes, Holmquist, Morell, Mulliken, Hurst, Santos, Hatfield, Lysen, Kessler, Lovick, Chase, Ruderman, Wood, Esser, Schual-Berke, Jackley, Veloria, Darneille, McDermott and McIntire.

Brief History:

Committee Activity:

Commerce & Labor: 1/31/02, 2/4/02 [DP].

Brief Summary of Bill

- Requests the United States Congress to enact legislation removing unemployment insurance benefits from taxation under the federal Internal Revenue Code.

HOUSE COMMITTEE ON COMMERCE & LABOR

Majority Report: Do pass. Signed by 5 members: Representatives Conway, Chair; Wood, Vice Chair; Chandler, Kenney and Lysen.

Minority Report: Do not pass. Signed by 2 members: Representatives Clements, Ranking Minority Member; and McMorris.

Staff: Jill Reinmuth (786-7134).

Background:

Under the federal Internal Revenue Code, unemployment insurance benefits were first included as taxable income for persons with incomes above certain thresholds in 1978. These income thresholds were eliminated in 1986. All unemployment benefits are now considered taxable income.

According to the Congressional Research Service, the legislative purposes of making unemployment benefits taxable were to increase federal revenues and to decrease net wage replacement rates for high-income households that include a person receiving unemployment benefits compared to low-income households that include a person receiving unemployment benefits.

Both the National Commission on Unemployment Compensation, in 1980, and the Advisory Council on Unemployment Compensation, in 1995, advised the United States Congress to enact legislation removing unemployment insurance benefits from federal income taxation.

Summary of Bill:

The Washington State Legislature requests the United States Congress to enact legislation removing unemployment insurance benefits from taxation under the federal Internal Revenue Code.

Appropriation: None.

Fiscal Note: Not requested.

Testimony For: None.

Testimony Against: None.

Testified: None.