

SENATE BILL REPORT

ESHB 1214

AS REPORTED BY COMMITTEE ON WAYS & MEANS, APRIL 4, 1991

Brief Description: Authorizing a medical benefit plan as an alternative to cash remuneration for accrued sick leave for retiring state employees.

SPONSORS: House Committee on State Government (originally sponsored by Representatives Anderson, Spanel, Fraser, R. Johnson and Riley).

HOUSE COMMITTEE ON STATE GOVERNMENT

HOUSE COMMITTEE ON APPROPRIATIONS

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

Signed by Senators McDonald, Chairman; Craswell, Vice Chairman; Bailey, Bauer, Bluechel, Gaspard, Johnson, L. Kreidler, Metcalf, Murray, Newhouse, Niemi, Owen, Rinehart, L. Smith, Talmadge, Williams, and Wojahn.

Staff: Terry Wilson (786-7715)

Hearing Dates: April 2, 1991; April 4, 1991

BACKGROUND:

Under current law, state employees may be paid annually for unused sick leave after they have accumulated 60 days of sick leave. Sick leave may also be cashed-out when an employee retires or dies. The rate of compensation in both cases is one day's pay for each four full days of accrued sick leave. Payments for sick leave at the time of separation from service do not go into the computation of retirement benefits.

Under the federal Internal Revenue Code, gross income of a taxpayer does not include amounts paid directly or indirectly to the taxpayer as reimbursement for expenses incurred for the medical care of the taxpayer or the taxpayer's dependents, including amounts paid for medical insurance.

SUMMARY:

In lieu of cash payment for sick leave, the state may use equivalent funds for a medical plan for eligible employees for reimbursement of medical expenses. The Committee for Deferred Compensation is authorized to develop such a medical reimbursement plan. The committee may offer and administer the plan only if (1) each employee has a choice to either receive the cash-out for sick leave or have equivalent funds placed into the benefits plan and (2) a favorable opinion is

received from the IRS indicating that employees incur no income tax liability on the funds placed in the benefits plan.

Appropriation: none

Revenue: none

Fiscal Note: available

SUMMARY OF PROPOSED SENATE AMENDMENT:

An internal reference is corrected.

TESTIMONY FOR: None

TESTIMONY AGAINST: None

TESTIFIED: No one