

Washington  
**Paid Family & Medical Leave**

 **Employment Security Department**  
WASHINGTON STATE

**Advisory Committee Meeting**  
**November 2, 2020**



# Introductions

- Advisory Committee

*(Note: We will use the conference call feature to identify who is on the phone rather than announcing during meeting)*

# Conference Call Structure

- Advisory Committee and the presenters will only be unmuted during the meeting.

# Statutory Language (50A.15.070)

(1) If the internal revenue service determines that family or medical leave benefits under this title are subject to federal income tax, the department must advise an employee filing a new application for benefits, at the time of filing such application, that:

- (a) The internal revenue service has determined that benefits are subject to federal income tax;
- (b) Requirements exist pertaining to estimated tax payments;
- (c) The employee may elect to have federal income tax deducted and withheld from the employee's payment of benefits at the amount specified in the federal internal revenue code; and
- (d) The employee is permitted to change a previously elected withholding status.

(2) Amounts deducted and withheld from benefits must remain in the family and medical leave insurance account until transferred to the federal taxing authority as a payment of income tax.

(3) The commissioner shall follow all procedures specified by the federal internal revenue service pertaining to the deducting and withholding of income tax.

# Overview of Work with IRS

- 2017: Started research and reached out to IRS
- 2018: Requested formal ruling from IRS
- 2019: IRS declined to issue a formal ruling
  - IRS put on their priority guidance plan to focus on between July 1, 2019 and June 30, 2020.
  - To date, IRS has not issued guidance.

# Considerations

- Researched and communicated with similar programs in other states.
- Considered impacts to customers.
- Considered potential policy, legal and financial implications.

# Comparison to Other States

State	Who pays family leave premiums?	Who pays medical leave premiums?	Family benefits taxable?	Medical benefits taxable?	Tax document issued?
CA	Employees	Employees	Yes	Sometimes	Yes for family, sometimes for medical.
MA	Employees	Both	?	?	? – benefits begin 2021
NJ	Employees	Both	Yes	Yes	Yes for family, sometimes for medical. If subbed for UI, 1099G issued. If not, employers report on W2s.
NY	Employees	Both	Yes	For FICA only	Yes, by employers. Benefits are not paid by the state but by private insurers.
RI	Employees	Both	Yes	No	Yes for family.
DC	Employers	Employers	?	Yes	? - benefits began July 2020.

# 2020 Tax Document Plan

## What we are doing

- Issuing 1099Gs to customers who received family leave benefit payments.

## Why we're doing it

- We think this is the likeliest outcome if we were to receive IRS guidance.



# What's Next

- On or before January 31, 2021, we will mail 1099Gs to customers who received family leave benefits in 2020.
- Communications planning for internal and external customers is underway.
  - We welcome your input on communications considerations.

# Continue the conversation

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