

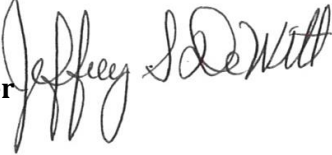
Government of the District of Columbia
Office of the Chief Financial Officer



Jeffrey S. DeWitt
Chief Financial Officer

MEMORANDUM

TO: The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

FROM: Jeffrey S. DeWitt
Chief Financial Officer 

DATE: November 1, 2018

SUBJECT: Fiscal Impact Statement – Wage Garnishment Fairness Amendment Act of 2018

REFERENCE: Bill 22-572, Draft Committee Print as shared with the Office of Revenue Analysis on October 31, 2018

Conclusion

Funds are not sufficient in the fiscal year 2019 through fiscal year 2022 budget and financial plan to implement the bill. The bill will reduce District revenues by \$140,000 in fiscal year 2019 and \$560,000 over the four-year financial plan.

Background

The bill increases the amount of an individual's wages which are protected from garnishment under a court order and provides opportunities to exempt further amounts of one's wages from garnishment. The current level of protected wages is thirty times the federal minimum hourly wage of \$7.25. This means that roughly \$218 of weekly wages are exempt from garnishment. The bill increases this exemption to forty times the District's minimum hourly wage, which is currently \$13.25¹, and equates to \$530 in weekly wages. A garnishment can capture no more than 25 percent of an individual's disposable income.²

The bill allows an individual to seek a garnishment hardship exemption for additional wages from the Superior Court. The individual must identify whether she or he receives public assistance and provide household income, size of the household, and a list of relevant expenses that contribute to the hardship. The Court must hold a hearing within thirty days to decide whether the individual is

¹ Minimum Wage Act Revision Act of 1992, effective March 25, 1993 (D.C. Law 9-248; D.C. Official Code § 32-1003).

² Current law defines disposable income as any earnings that remain after amounts deducted as required by law (D.C. Official Code § 16-571(2)).

The Honorable Phil Mendelson

FIS: Bill 22-572, "Wage Garnishment Fairness Amendment Act of 2018," Draft Committee Print as shared with the Office of Revenue Analysis on October 31, 2018

experiencing financial hardship and issue a new garnishment exempting additional wages to avoid the hardship. If an individual indicates that she or he is receiving public assistance, the Court should deem that as sufficient to show financial hardship. Upon the filing of one of these motions to the Court, the employer should cease garnishing wages until a new order is issued.

The bill also requires and provides the explicit language that should be included in a mailing of the garnishment by a creditor to a debtor explaining why wages are being garnished, how much wages will be garnished, and what actions the individual can take if she or he believes the garnishment will create a financial hardship.

Financial Plan Impact

Funds are not sufficient in the fiscal year 2019 through fiscal year 2022 budget and financial plan to implement the bill. The District government may garnish wages for unpaid taxes. The District's Office of Tax and Revenue garnished approximately \$1 million to recover unpaid taxes in each of the last two fiscal years. Our analysis assumes that approximately 14 percent of taxes recovered annually through garnishment are from people who will qualify under the bill to have all their wages exempt. This will result in lost tax recovery revenues of \$140,000 annually.