

Offsets Matter

TOP's News for State Agencies

Issue TWO
May 2012

TREASURY OFFSET PROGRAM



TOP Recovers \$428.5 Million in State Income Tax Debt in 2012



With the end of tax season upon us, the Treasury Offset Division would like to reflect on the high level of success we've had with the State Income Tax Offset Program. It's hard to believe that it was December 20, 1999, when the U.S. Department of the Treasury published a Notice of Proposed Rulemaking on the Offset of Tax Refund Payments to Collect State Income Tax Obligations in the Federal Register. Since that time, forty states and the District of Columbia have implemented the State Income Tax Offset Program, making this program one of our most successful programs implemented in partnership with the states.

Since January 1, 2012, the State Income Tax Offset Program has recovered nearly \$428.5 million of income tax debts from delinquent debtors. The three states with the most recovered income tax debts were New York, with \$58.8 million; California, with \$57.0 million; and Maryland, with \$53.0 million. These three states were followed by Louisiana, Ohio, Illinois, Georgia, Alabama, North Carolina, and Missouri, as the top ten states to recover state income tax debts. Combined, these ten states recovered \$301.6 million, or 70.4% of the total debts collected.

Participation in the State Income Tax Offset Program requires states to send a 60-day notice to debtors by certified mail, return receipt requested. In addition, taxpayers must reside in the state to which the tax obligation is owed (based on the address on their Federal tax return for the year of the refund). If these two criteria are not met, the Federal tax refund is not eligible for offset for the state income tax debt. In 2012, there were 233,161 offsets not taken due to the in-state requirement on the State Income Tax Offset Program.

It is only through close partnership with the states that we are able to make this program a true success. We wish to thank all states who are currently submitting their debts to TOP for their continued support in implementing and maintaining this program with us throughout the years. This program has collected \$3.4 billion since 2000, and we thank all of our partners for making those collection totals a reality.

Top 10 Income Tax Offset States

STATE NAME	OFFSET COUNT	NET COLLECTION AMOUNT
New York	76,197	\$58,846,168
California	52,445	\$56,955,644
Maryland	51,535	\$53,004,608
Louisiana	33,844	\$22,465,830
Ohio	24,937	\$20,805,109
Illinois	46,417	\$20,651,640
Georgia	22,290	\$18,791,503
Alabama	57,105	\$17,893,704
North Carolina	25,388	\$16,584,356
Missouri	25,296	\$15,608,118

* Data is Valid January 1, 2012 - April 30, 2012

TOP Partial Matches Provide Additional Collections to UIC Debt Participants

A partial match occurs when the social security number (SSN) or employer identification number (EIN) of a TOP debtor matches the SSN or EIN of a payee, but the debtor's name does not match the payee's name. In November 2010, Treasury Debt Management Services (DMS) started researching these partial matches, and upon determining that the debtor and payee were the same person, would add an "alias" name in TOP.

Currently, DMS uses a commercial database and the internet to conduct research. For FY2012, DMS estimates that partial matches have provided an additional 23,746 offsets for \$31,545,700 as of April 30, 2012.



TOP is proud to offer this service, at no additional charge, to those state agencies currently enrolled in the TOP UIC program. At this time, this service can only be provided to states participating in the UIC program.

For more information about this service and the assistance we can provide, please contact David Burgess of the Treasury Offset Division at 202-874-7182.

U.S. Department of the Treasury Financial Management Service

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State Reciprocal Program Provides Large Returns

The Debt Collection Improvement Act of 1996 (DCIA) contains a provision which allows states to enter into reciprocal agreements with Treasury to collect unpaid state debt by offset of federal non-tax payments and in return for the federal government to collect delinquent non-tax debt by offset of state payments. In order to participate in this program, states must enter into an agreement with the U.S. Department of the Treasury agreeing, among other things, to offset state payments to collect Federal nontax debts. This usually requires the passage of state legislation. Once the reciprocal agreement has been finalized, FMS may request that the state perform offsets to collect delinquent Federal non-tax debts in accordance with the terms of the agreement, and vice versa.



To date, five states have entered into reciprocal agreements with the U.S. Department of the Treasury. These states are Kentucky, Maryland, New Jersey, New York, and Wisconsin. Since October 1, 2011, these five states have recovered over \$36.2 million through the offset of 4,229 eligible vendor payments. This fiscal year, New Jersey has recovered the most, with collections totaling over \$25.8 million. New Jersey is followed by the state of Kentucky with \$3.8 million collected since October 1, 2011. For more information on each state's collections this year, please see the accompanying table.

The Treasury Offset Division believes that every state can benefit from the implementation of this program. FMS is willing to run a test file containing a state's debt portfolio to assist with determining the return on investment for implementation of the program. Additionally, FMS will assist state agencies with drafting legislation allowing the state to participate in the Reciprocal Program.

For more information about this program and the assistance we can provide, please contact Rose Free of the Treasury Offset Division on (202) 874-7538.

2012 State Reciprocal Program Collections

STATE NAME	OFFSET COUNT	NET COLLECTION AMOUNT
Kentucky	1,119	\$3,757,321
Maryland	912	\$2,669,373
New Jersey	844	\$25,862,932
New York	1,011	\$3,291,082
Wisconsin	343	\$643,916
Total	4,229	\$36,224,624

* Data is Valid October 1, 2011 - April 30, 2012

Unemployment Insurance Compensation Debt Program Update

In the first issue of the *Offsets Matter*, we discussed the large gains witnessed by those states participating in the Unemployment Insurance Compensation (UIC) Debt Program. In this issue, we provide a brief update on the continued success of the program and increased collection totals for those states participating.

When Issue One of the *Offsets Matter* was published, there were only nine states participating in the program. As of the date of publication for this edition, there are 13 states and the District of Columbia participating in the program. In addition to those states participating at the beginning of March, new states include Connecticut, Louisiana, South Dakota, and West Virginia, as well as the District of Columbia.

The states referring to TOP have increased the total amount of debt referred for offset through the UIC Program to over \$996 million.

For further information regarding UIC TOP, please contact Sheila Moss on (202) 874-6937 or Becky Park on (202) 874-9451.

State UIC Debt Collection Totals

STATE NAME	OFFSET COUNT	NET COLLECTION AMOUNT	TOTAL AMOUNT OF DEBT REFERRED	PERCENT OF DEBT COLLECTED
Alabama	4,405	\$3,304,307	\$18,192,890	18.16%
Arizona	6,415	\$3,959,414	\$68,247,558	5.80%
Connecticut	946	\$643,585	\$20,031,491	3.21%
District of Columbia	116	\$144,140	\$8,313,984	1.73%
Illinois	18,947	\$32,852,348	\$154,752,677	21.23%
Louisiana	20	\$43,306	\$2,043,051	2.12%
Maryland	10,300	\$15,438,205	\$99,594,246	15.50%
Michigan	1,824	\$5,112,637	\$139,414,682	3.67%
Mississippi	21,601	\$13,960,028	\$39,977,560	34.92%
New York	49,280	\$50,522,939	\$274,632,060	18.40%
Pennsylvania	3,610	\$8,795,156	\$50,555,515	17.40%
South Dakota	63	\$39,358	\$1,703,211	2.31%
West Virginia	226	\$142,074	\$4,942,720	2.87%
Wisconsin	9,611	\$14,078,913	\$114,022,069	12.35%
Total	127,364	\$149,036,410	\$996,423,714	14.96%

* Data is Valid as of April 30, 2012

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