



2012: A Successful Year for TOP



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With the celebration of the New Year behind us, we want to take a minute to reflect on the number of successes in the Treasury Offset Program (TOP) in 2012. From the expansion of unemployment insurance compensation (UIC) debt recovery to the growth of the State Reciprocal Program (SRP), 2012 proved to be an exciting year for TOP and our work with each of the states. Expectations are high for even further growth in 2013, and the potential for improved partnership with the states has never seemed greater.

When the regulations for the offset of tax refund payments to collect UIC debts due to fraud or a person's failure to report earnings were published on January 28, 2011, no one could have predicted the speed with which states would embrace participation in the program. In 2012, TOP expanded the number of states participating in the UIC Program from the original three participants of Michigan, New York, and Wisconsin to 19 states and the District of Columbia. In 2012, we saw Alabama, Arizona, Arkansas, Connecticut, Georgia, Illinois, Louisiana, Maryland, Minnesota, Mississippi, New Hampshire, Pennsylvania, South Carolina, South Dakota, Tennessee, West Virginia and the District of Columbia all begin submitting UIC debts to TOP for federal offset. Combined, these states and the District of Columbia recovered \$134.6 million through TOP.

TOP welcomed Minnesota into the SRP in 2012, bringing the total number of states participating in this program to six. SRP provides states with the opportunity to submit unpaid state debts to TOP for offset against eligible federal non-tax payments. In return, participating states agree to offset state payments to debtors who owe delinquent non-tax debts to the federal government. Today, Kentucky, Maryland, Minnesota, New Jersey, New York, and Wisconsin participate in SRP. These six states recovered \$28.1 million through TOP in 2012 because of their participation in the SRP. In return, the states recovered \$20.5 million for federal agencies.

In addition to expanding state participation in existing programs, TOP continues to research new avenues through which we can assist states with the recovery of delinquent debt. In the coming year we will continue to identify new opportunities to partner with the states and improve debt recovery at both the federal and state levels.

In addition to increasing recoveries and expanding state participation in the UIC Program and SRP, the State Income Tax, Child Support, and Supplemental Nutrition Assistance Program (SNAP) (formerly Food Stamp) programs continue to see large collections. In 2012, the State Income Tax Program recovered \$559.8 million, the Child Support Program recovered \$2.2 billion, and SNAP recovered \$117.9 million. We are proud of our partnership with the states, territories, and District of Columbia, which has led to the success of each of these programs.

3 Ways to Help Your State Increase TOP Debt Collection Rates in 2013

The Treasury Offset Program (TOP) provides states with the opportunity to recover much needed dollars owed by delinquent debtors for several federally funded programs. There are several things that states can do to ensure they are maximizing delinquent debt recovery rates within TOP. Below are three suggestions that may assist your state with increasing delinquent debt collection rates:

- 1. Provide a Valid TIN and Name:** Make sure that that every debt your state sends to TOP has a valid Taxpayer Identification Number (TIN) and name attached. It is imperative that the debts submitted have this information accurately so that the offsets are made correctly every time.
- 2. Provide a Valid Debtor Address:** In order to take an offset, TOP requires a valid address to send the offset notice to the debtor. TOP will use the address included in the payment record, but if there is no address attached to the payment file, there must be an address in the debt record so that TOP can properly notify the debtor about an offset.
- 3. Submit Debts Timely:** Ensuring that debts are submitted to TOP in a timely manner means there is a greater chance that an offset will occur. Be sure to have your debts in before tax refund season begins!

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Year End Continued from Cover...

As we enter 2013, TOP is optimistic that we will continue seeing growth in all of our programs. There is still a great deal that can be done to assist the states in their recovery of delinquent debt and we are committed to providing assistance in the coming years.

For further information regarding TOP's UIC Program, please contact Sheila Moss at (202) 874-6937 or Sheila.Moss@fms.treas.gov, or Becky Park at (202) 874-9451 or Becky.Park@fms.treas.gov. For further information regarding SRP, please contact the Treasury Offset Division at (202) 874-3810.

TREASURY OFFSET PROGRAM



States Agencies in TOP as Debtors: How to Resolve Debts Owed by States to the Federal Government

The Treasury Offset Program (TOP) is a centralized offset program, administered by the U.S. Department of the Treasury, Financial Management Service (FMS), Debt Management Services, to collect delinquent debts owed to federal agencies and states by individuals, businesses, and state and local government agencies. Before an eligible federal payment is disbursed to a payee, disbursing officials compare the payment information with debtor information in FMS' delinquent debtor database. If a payee's name and tax identification number (TIN) match the name and TIN of a debtor, the disbursing official offsets the payment, in whole or in part, to satisfy the debt, to the extent legally allowed.

When a state agency owes a delinquent debt to the federal government, the federal agency responsible for collecting the debt will submit it to TOP for collection. TOP will offset a payment when the TIN of a state agency receiving a payment is the same as the TIN of the state agency owing the debt. This means that if multiple state agencies are using the same TIN when interacting with the federal government, TOP will offset any eligible payment to any of those entities to pay the outstanding debts associated with the same TIN. When an offset occurs, TOP sends

a letter notifying the payee state agency of the offset. TOP will use the address associated with the payment, if available; otherwise, TOP will use the address associated with the debt. This means that sometimes a state agency expecting a payment will not directly receive information about who to contact when a payment has been offset for a debt that is owed by another state agency.

Special Rules for Fedwire Payments. Because TOP does not interface with the Fedwire system at this time, federal agencies may not use the Fedwire system to pay entities, including state agencies, universities, and colleges, that owes a delinquent debt that has been submitted to TOP. Instead, federal agencies must process payments to delinquent debtors through the automated clearing house (ACH) network, which are made available to TOP for offset. When a federal agency attempts to pay a delinquent debtor using Fedwire, payment may be temporarily delayed until the day after a debt is paid or otherwise resolved.

How to Obtain a List of Debts Owed by a State. FMS can provide your state with a report to help identify debts owed by state agencies, and assist you with the resolution and payment of these debts. Upon request, FMS will send your state a report of the debts in TOP owed by



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your state and the appropriate creditor agency contact information. FMS will send this report at the beginning of each month to assist with the resolution of these debts and reconciliation of offsets against the payments received by the state.

To receive this report, the Treasury Offset Division (TOD) needs to receive a written authorization from the state's Controller allowing TOD to release this information. The authorization should provide a central point of contact name, address, telephone number and email address.

For additional information about this service and the assistance TOD can provide, please contact Sheila Moss at 202-874-6937 or Sheila.Moss@fms.treas.gov.



Unemployment Insurance Compensation Debt Participants in 2012

In calendar year 2012, 16 states and the District of Columbia joined the original three pilot states to participate in the Unemployment Insurance Compensation (UIC) Program within TOP. To track state participation in this program, TOP has provided the following website with monthly updates on state recovery rates and participation.

Visit http://www.fms.treas.gov/debt/top_uic.html for monthly updates on states' participation in the Treasury Offset Program. For further information regarding monthly statistics provided by TOP, please contact David Burgess at 202-874-7182 or David.Burgess@fms.treas.gov.

State Profile: Maryland



Among the many nicknames gracing the state of Maryland is “America in Miniature,” which speaks to the regional diversity of the nation’s 9th smallest state. Ranging from sandy dunes dotted with seagrass in the east, to low marshlands teeming with wildlife and large bald cypress near the Chesapeake Bay, to gently rolling hills of oak forest in the Piedmont Region, and pine groves in the mountains to the west. In many ways, Maryland is representative of the entire country. It is with this thought in mind, of a state representative of the entire nation, that we selected Maryland as the first state in a series of profiles depicting successful state implementation and usage of the Treasury Offset Program.



“The offset program we conduct with the federal government is one of the most successful in the nation. It keeps growing because we’re able to quickly certify more accounts to intercept.”

*~ Peter Franchot
Comptroller of Maryland*

State Reciprocal Program

Maryland successfully passed legislation and implemented the State Reciprocal Program (SRP) in June 2007, making it the first state to successfully implement SRP. The program provides Maryland with the opportunity to recover administrative debts through the offset of non-tax Federal vendor payments. In calendar year 2012, Maryland recovered \$9.6 million through 2,587 offsets.

When asked, Maryland provided the following advice to agencies preparing to enter the SRP:

- Use an experienced vendor to assist with implementation
- Use resources from participating states for design, implementation, draft legislation, sample notice templates, etc.
- Communicate regularly with TOP representatives

- Centralize and share resources/costs with other qualified agencies within your state

Debt Collected through SRP

- Individual Income Tax
- Withholding Tax
- Corporate Income Tax
- Sales and Use Tax
- Unemployment Insurance Tax
- General non-tax debts (e.g. motor vehicle, parking, court fees, etc)

Maryland TOP Collection Totals in 2012

Program	OFFSET COUNT	NET COLLECTION AMOUNT
Child Support	17,676	\$24,716,150
Income Tax	67,859	\$59,100,165
Unemployment Insurance	11,426	\$16,468,152
State Reciprocal Program	2,587	\$9,563,463
Total	99,548	\$109,847,930

Income Tax

The State Income Tax Program began in 2000 with seven pilot states, of which Maryland was one. Today this program has grown to include the participation of almost all eligible states in the country. The program allows Maryland to recover delinquent state income tax debts through the offset of Federal income tax refund payments. In calendar year 2012, Maryland recovered \$59.1 million through 67,859 offsets. Although not part of TOP, the Treasury Department is appreciative of Maryland’s partnership with the Internal Revenue Service (IRS) in the State Income Tax Levy Program, whereby the state intercepts state income tax refund payments to collect delinquent tax debts owed to the IRS.



Unemployment Insurance Compensation

Implemented in 2012, the Unemployment Insurance Compensation Program is Maryland’s most recent partnership with TOP. With only 30 employees, Maryland entered approximately 32,000 overpayment accounts into TOP in just 5 weeks.

In calendar year 2012, Maryland recovered \$16.5 million through 11,426 offsets. In addition to these collections, there has been a noticeable increase in the number of claimants

who call and resolve overpayments as a result of the 60 day due process notice that Maryland sends to a debtor before sending his or her debt to TOP for offset.

Child Support

In 1982 the IRS began the automated offset of tax refund payments to collect child support debts for states. In 1999, the Financial Management Service (FMS)



merged the IRS’s Tax Refund Offset Program with TOP, bringing the state of Maryland and other participating states into TOP. In calendar year 2012, Maryland recovered \$24.7 million through 17,676 offsets.

Future Areas of Cooperation

When asked what future opportunities Maryland saw as a possibility for partnership with FMS, Maryland responded enthusiastically about use of the Do Not Pay Program, which is targeted at decreasing improper payments and reducing fraud in federally funded programs.



Do Not Pay Systems Upgrade Brings New Functionality and Data to States

Since its inception in 2011, the Do Not Pay (DNP) Business Center has strived to promote good government by providing a primary source of centralized data to help federally funded programs avoid and recoup improper payments. DNP makes available various data sources for an agency's use to verify program eligibility and identify potential fraud, waste, and abuse associated with improper payments. On December 8, 2012, the DNP's fourth release (Release 1.3) augments the current system by offering Office of Foreign Asset Control (OFAC) records as a data source and the frequently requested download capability. DNP users of batch matching and continuous monitoring will now be able to filter matching results by Agency Location Code (ALC) and Agency Group Code (AGC), as well as by Taxpayer Identification Number (TIN), name, and state.

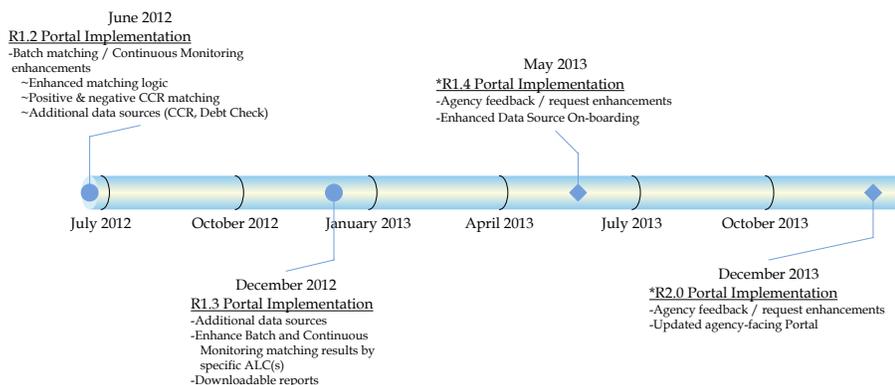
The OFAC records include OFAC's Specifically Designated Nationals (SDN) and Blocked Persons list. Although OFAC data has been available in DNP through the Excluded Parties List System, the new upgrade now offers SDN and Blocked Persons as a stand-alone data source. OFAC publishes this data in order to identify individuals and companies owned or controlled by, or acting for or on behalf of, targeted countries. It also lists individuals, groups, and entities, such as terrorists and narcotics traffickers designated under programs that are not country-specific. These SDNs and blocked persons hold special significance and may be uniquely targeted for payment stoppage; thus, for ease of use, this list has become its own data source in the portal outside of the Excluded Parties List System (EPLS).

Perhaps the most important, and certainly the most popular, enhancement in DNP Release 1.3 is the new download function for web results. In response to customer feedback, this functionality was prioritized for 1.3 to allow DNP users to generate and print reports from both the summary and detail results for online match, batch matching and continuous monitoring. The user is given the choice of viewing and printing a pdf version of the current screen that is displayed or generating a fixed width (ASCII) or an excel file containing a table of all relevant results. DNP has already received positive feedback for this feature and hopes to incorporate additional customer suggested features in the future.

For additional information about Do Not Pay, please visit our website at <http://donotpay.treas.gov>. Additional information and screenshots of the new functionality are available under the "December 2012 Do Not Pay Application Release" link. High level plans for future releases are also viewable under the "Do Not Pay Roadmap." Inquiries may be directed to the Do Not Pay Support Center by phone at 1-855-837-4391, or by e-mail at donotpay@stls.frb.org.



Do Not Pay 2012 - 2013 Roadmap



◆ Indicates release scope to include feedback from Do Not Pay Portal agencies.

TREASURY OFFSET PROGRAM



Upcoming Speaking Engagements



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2013 FTA Compliance and Education Workshop

Representatives from the Treasury Offset Program will speak at the Federation of Tax Administrator's 2013 Compliance and Education Workshop. The workshop will be held Sunday, February 24 to Wednesday, February 27, 2013 in Portland, Oregon.

For additional information regarding this workshop, please visit the Federation of Tax Administrators' website at www.taxadmin.org/fta/meet.

Have TOP News You'd Like Us To Know About?

TOP is always looking for exciting news in the arena of debt collection from state agencies. If something happens in your state, we want to hear about it.

Please contact one of the individuals listed below if you have anything you would like us to share.

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Together, we can recover significant amounts of debt owed to the federal and state governments.



TOP Collection Updates

State Collections (01/01/2012 - 12/31/2012)

State Unemployment Insurance Compensation Debt Collection Totals

STATE NAME	OFFSET COUNT	NET COLLECTION AMOUNT	TOTAL AMOUNT OF DEBT REFERRED	PERCENT OF DEBT COLLECTED
Alabama	4,972	\$3,631,792	\$18,100,039	20.07%
Arizona	8,978	\$5,372,569	\$85,618,651	6.27%
Arkansas	346	\$257,840	\$65,688,581	0.39%
Connecticut	1,653	\$1,058,452	\$24,119,445	4.39%
District of Columbia	296	\$358,513	\$8,360,871	4.29%
Georgia	243	\$188,384	\$15,508,863	1.21%
Illinois	21,142	\$21,142	\$210,897,837	16.81%
Louisiana	46	\$63,392	\$24,033,005	0.26%
Maryland	11,426	\$16,468,152	\$99,551,103	16.54%
Michigan	2,175	\$5,591,231	\$104,487,236	5.35%
Minnesota	65	\$106,288	\$111,926,750	0.09%
Mississippi	23,049	\$14,579,094	\$47,787,611	30.51%
New Hampshire	25	\$21,856	\$8,234,002	0.27%
New York	29,230	\$29,848,406	\$145,135,869	20.57%
Pennsylvania	4,092	\$9,534,640	\$49,790,488	19.18%
South Carolina	8	\$4,903	\$38,940,953	0.01%
South Dakota	112	\$72,651	\$2,742,377	2.65%
Tennessee	145	\$128,234	\$42,790,488	0.30%
West Virginia	370	\$223,761	\$4,749,148	4.71%
Wisconsin	8,068	\$11,674,318	\$87,298,004	13.37%
Total	116,441	\$134,631,777	\$1,195,674,226	11.26%

The Unemployment Insurance Compensation (UIC) Program allows for the offset of federal tax refund payments to collect UIC debts due to fraud or a person's failure to report earnings.

On Dec. 7, 2012, the state of South Carolina joined the TOP UIC program, making it the last state to join the program in 2012. As of Dec. 31, 2012, South Carolina has already collected \$4,903.

In calendar year 2012, New York recovered the most funds at \$29.8 million. Mississippi leads with the highest percentage of their UIC debt portfolio recovery at 30.51%. In calendar year 2012, the TOP UIC program recovered a total of \$134.6 million. In calendar year 2011, New York, Wisconsin, and Michigan recovered \$26.5 million, bringing the grand total of collections since program inception to \$161.2 million.

FMS continues to encourage states to participate in this successful program and to submit their UIC debts to TOP for offset. Through the UIC Program, participating states can achieve significant collections. FMS is eager and willing to assist each state in its implementation of this program.

For further information regarding UIC TOP, please contact Sheila Moss at (202) 874-6937 or Sheila.Moss@fms.treas.gov, or Becky Park at (202) 874-9451 or Becky.Park@fms.treas.gov.

State Reciprocal Program Collections

STATE NAME	OFFSET COUNT	NET COLLECTION AMOUNT
Kentucky	2,846	\$7,144,856
Maryland	2,587	\$9,563,463
Minnesota	589	\$1,184,011
New Jersey	2,600	\$3,187,655
New York	2,472	\$5,432,868
Wisconsin	861	\$1,598,761
Total	11,955	\$28,111,615

The State Reciprocal Program (SRP) allows states to enter into reciprocal agreements with Treasury to collect unpaid state debt by offset of federal non-tax payments. In return, states agree to offset state payments to debtors who owe delinquent debts to the federal government.

Maryland has achieved the most recovered funds through SRP with total collections of \$9.6 million. Kentucky is second with \$7.1 million recovered in calendar year 2012. In return, SRP participating states recovered \$20.5 million for the Federal government.

As SRP participants continue to see large recoveries through the program, TOP is encouraging those states who do not yet participate in SRP to contact us today to learn how they can be a part of this important debt collection program.

For further information regarding SRP, please contact Thomas Kobiellus of the Treasury Offset Division at (202) 874-3810 or Thomas.Kobiellus@fms.treas.gov.

Top 5 State Income Tax Offset Collections

STATE NAME	OFFSET COUNT	NET COLLECTION AMOUNT
California	71,672	\$73,302,490
New York	93,657	\$66,140,756
Maryland	67,859	\$59,100,165
Georgia	33,008	\$26,280,418
Louisiana	41,739	\$25,990,030

The State Income Tax Program allows states to refer delinquent income tax debts to TOP for offset against federal tax refund payments only.

California has collected the most funds through the State Income Tax Program in 2012, with the recovery of \$73.3 million. New York collected \$66.1 million.

For further information regarding the State Income Tax Program, please contact Thomas Kobiellus of the Treasury Offset Division at (202) 874-3810 or Thomas.Kobiellus@fms.treas.gov.

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