

# Offsets Matter

TOP's News for State Agencies

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## 2012 Proves to be a Successful Year for the State Reciprocal Program



With the conclusion of calendar year 2012 on the horizon, the Treasury Offset Program (TOP) would like to take this opportunity to reflect on the growth of the State Reciprocal Program (SRP) and its potential for future increased collections. This past year, one additional state entered the program, making significant strides in the recovery of its delinquent debt portfolio. With additional

states preparing for participation in this program, there is little doubt that growth in the program will continue to be mutually beneficial for both Federal and state governments.

The Debt Collection Improvement Act of 1996 (DCIA) contains a provision which allows states to enter into reciprocal agreements with the U.S. Department of the Treasury's Financial Management Service (FMS) to collect unpaid state debts. By agreement, FMS will offset eligible federal non-tax payments payable to debtors who owe state obligations. In return, participating states agree to offset state payments to debtors who owe delinquent non-tax debts to the federal government. In order to participate in this program, states must enter into a reciprocal agreement with FMS and enact state legislation authorizing the offset of state payments.

In 2012, Minnesota joined Kentucky, Maryland, New Jersey, New York, and Wisconsin, as a participant in SRP. These six states have recovered more than \$12.6 million in calendar year 2012 alone, from January 1 to October 31, 2012. With two additional months in the year, these collections are expected to grow even further. In addition, SRP participation enables TOP to match state income tax and unemployment insurance compensation (UIC) debts against Federal non-tax payments, increasing states' recovery rates for these debts as well.

TOP is proud of our commitment to making SRP a successful program, and will continue to work with every state to ensure a successful implementation of the program. If your state is considering legislation for participation in the program, please contact FMS for guidance on legislative language and support throughout the process. Additionally, FMS will run a test file containing a state's debt portfolio to assist with determining the return on investment for implementation of the program.

For more information about this program and the assistance we can provide, please contact Rose Free of the Treasury Offset Division at (202) 874-7538 or at [Rose.Free@fms.treas.gov](mailto:Rose.Free@fms.treas.gov).

### TOP UI Workshop: Getting to the Bottom of TOP for UIC Debts

On October 24-25, 2012, representatives from the Department of the Treasury's Financial Management Service (FMS), Bureau of the Public Debt, and Internal Revenue Service (IRS) participated in the National Association of State Workforce Agencies (NASWA) - National Unemployment Insurance Directors' Conference and IR/Legal Issues Forum. The forum provides participants with an opportunity to share innovative ideas, policies and best practices for the federal-state unemployment insurance system.



FMS and IRS officials provided a high-level overview of the Treasury Offset Program (TOP) and the requirements for states to participate in TOP for referral of delinquent unemployment insurance compensation (UIC) debts for offset against Federal tax refund payments. Treasury's Do Not Pay staff discussed how Do Not Pay services can help prevent improper payments in federally-funded programs such as UIC.

FMS looks forward to all state workforce agencies participating in TOP's UIC program by 2014. In calendar year 2012, 15 states and the District of Columbia joined TOP for referral of UIC debts, bringing the total participation in the program to 18 states and the District of Columbia.

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# TOP Collection Updates

State Collections (01/01/2012 - 10/31/2012)

## State Unemployment Insurance Compensation Debt Collection Totals

STATE NAME	OFFSET COUNT	NET COLLECTION AMOUNT	TOTAL AMOUNT OF DEBT REFERRED	PERCENT OF DEBT COLLECTED
Alabama	4,932	\$3,611,854	\$18,192,936	19.85%
Arizona	8,781	\$5,258,157	\$76,023,226	6.92%
Arkansas	246	\$189,922	\$40,502,202	0.47%
Connecticut	1,600	\$1,029,848	\$23,580,641	4.37%
District of Columbia	273	\$340,922	\$8,354,615	4.08%
Georgia	206	\$140,759	\$15,601,787	0.90%
Illinois	20,951	\$35,224,155	\$195,264,775	18.04%
Louisiana	45	\$62,665	\$2,050,803	3.06%
Maryland	11,349	\$16,395,872	\$99,616,339	16.45%
Michigan	2,100	\$5,501,418	\$104,755,845	5.25%
Minnesota	17	\$34,340	\$55,026,000	0.06%
Mississippi	22,877	\$14,523,071	\$44,862,265	32.37%
New Hampshire	9	\$3,899	\$4,636,834	0.08%
New York	29,008	\$29,687,593	\$146,403,790	20.28%
Pennsylvania	4,061	\$9,522,583	\$49,709,296	19.16%
South Dakota	108	\$65,823	\$2,524,880	2.61%
Tennessee	54	\$67,550	\$35,878,967	0.19%
West Virginia	364	\$212,163	\$4,746,071	4.47%
Wisconsin	8,014	\$11,628,067	\$79,185,271	14.68%
<b>Total</b>	<b>114,995</b>	<b>\$133,500,662</b>	<b>\$1,006,916,543</b>	<b>13.26%</b>

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

On September 7, 2012, the state of Minnesota joined the TOP UIC program and has already collected \$34,340 in less than two months. The state of New Hampshire joined the TOP UIC Program on October 2, 2012. As of October 31, 2012, Illinois has recovered the most funds at \$35.2 million. Mississippi leads with the highest percentage of UIC debt portfolio recovery at 32.37%. Even with tax season over, the states participating are receiving offset collections, as expected. Several states, however, have still managed to increase their debt collection totals significantly. Illinois recently collected an additional \$431,692 and New York has collected \$356,311 in September and October alone.

TOP continues to encourage those states who are not yet participating in the UIC Program to contact FMS as soon as possible about joining the program before January 2013 in order to receive full benefits of the Federal tax refund payment season.

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

## State Reciprocal Program Collections

STATE NAME	OFFSET COUNT	NET COLLECTION AMOUNT
Kentucky	2,410	\$4,851,043
Maryland	2,192	\$2,235,301
Minnesota	461	\$756,179
New Jersey	2,239	\$2,460,868
New York	2,322	\$4,313,191
Wisconsin	743	\$1,196,590
<b>Total</b>	<b>10,367</b>	<b>\$15,813,171</b>

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 payments to debtors who owe delinquent debts to the federal government.

Kentucky has achieved the most recovered funds through SRP with total collections of \$4.9 million. New York is second with \$4.3 million recovered as of October 31, 2012.

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 Rose Free of the Treasury Offset Division at (202) 874-7538 or [Rose.Free@fms.treas.gov](mailto:Rose.Free@fms.treas.gov).

## Top 10 State Income Tax Offset Collections

STATE NAME	OFFSET COUNT	NET COLLECTION AMOUNT
California	68,486	\$68,394,402
New York	91,322	\$64,333,651
Maryland	65,639	\$63,859,336
Georgia	31,659	\$25,289,319
Louisiana	40,771	\$25,172,749
Ohio	31,393	\$24,320,190
Illinois	52,397	\$22,877,895
Alabama	61,771	\$19,307,969
Missouri	31,598	\$18,689,691
North Carolina	28,895	\$18,164,232

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 collections totaling \$68.4 million. New York and Maryland have the second and third largest volumes with \$64.3 million and \$63.9 million collected, respectively.

For further information regarding the State Income Tax Program, please contact Rose Free of the Treasury Offset Division at (202) 874-7538 or at [Rose.Free@fms.treas.gov](mailto:Rose.Free@fms.treas.gov).

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