

# Offsets Matter

TOP's News for State Agencies

Issue NINE  
Fall 2013



## Treasury Releases New Online Information to Assist States in TOP as Debtors



The U.S. Department of the Treasury (Treasury), Bureau of the Fiscal Service (Fiscal Service), Treasury Offset Program (TOP) has released new online information to assist states in understanding how their delinquent debts in TOP can affect their federal payments.

Individuals, businesses, and states owe nontax debts to the federal government for various reasons. Examples of debts owed to the federal government can include grant overpayments, loans, overpayments on projects, and debts

owed to Medicare. On occasion, an entity's indebtedness to the federal government will become delinquent.

Before submitting a nontax debt to TOP, a creditor agency must certify that the debt is valid, delinquent and legally enforceable, and that the agency has complied with all due process prerequisites prior to offset. This means that, at least 60 days prior to submission of the debt to TOP, the creditor agency has sent a notice to the debtor stating the amount and type of debt and the agency's intention to refer the debt to TOP for offset. The creditor agency provided the debtor with the opportunity to resolve the debt through a repayment agreement and/or to dispute the agency's claim.

As required by federal law, federal agencies submit these delinquent debts to TOP for interception of eligible federal and state payments payable to the delinquent debtor.

The taxpayer identification number (TIN) is used to identify the entities liable for a federal debt. Any payment to an entity using the same TIN as the debtor is eligible for offset or levy to collect the debt. This includes if the debt is owed by a different part of the state than a state agency receiving the payment.

Treasury's new online information for states with debts in TOP is located at [www.fms.treas.gov/debt/TOP\\_state\\_debtors.html](http://www.fms.treas.gov/debt/TOP_state_debtors.html) and provides a wealth of resources including:

- An explanation of how TOP works;
- A presentation that explains "States as Debtors in TOP;"
- Frequently-asked-questions for states as debtors;
- Information about TOP's monthly reporting available to states; and,
- A link to State Comptroller's contact information on the National Association of State Auditors, Comptrollers and Treasurers (NASACT) website for assistance.

Information on all of TOP's state programs – Child Support, State Income Tax, State Reciprocal Program, and Unemployment Insurance Compensation can also be found in TOP's online information. For questions or more information, contact TOP directly at [stateoffsets@fms.treas.gov](mailto:stateoffsets@fms.treas.gov).

### TOP Fee Changes Effective on October 1, 2013

On August 26, 2013, the Treasury Offset Program issued a Technical Bulletin informing states of the fees for fiscal year 2014 for the State Income Tax (SIT) Program, State Reciprocal Program (SRP), and Unemployment Insurance Compensation (UIC) Program. These new fees were effective on October 1, 2013.



By law, the Bureau of the Fiscal Service is required to charge fees to creditor agencies to cover the costs of TOP and other debt collection services. TOP fees are deducted only when an actual offset occurs. Each year, DMS reviews its fee structure to ensure that the fees accurately reflect the cost of conducting business.

### FY 2014 Fee Schedule

The fees for the Treasury Offset Program for states are as follows:

Tax Refund Offset-State Tax	\$22.00
Tax Refund Offset-UIC	\$17.00
Vendor Payments	\$15.00

For more information regarding the TOP fee schedule, or to be added to the TOP Technical Bulletin distribution list, please contact us at [stateoffsets@fms.treas.gov](mailto:stateoffsets@fms.treas.gov).

### U.S. Department of the Treasury Bureau of the Fiscal Service

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# Understanding TOP – Refunds and Reversals



The premise behind the Treasury Offset Program (TOP) is relatively simple. Federal and state creditor agencies submit delinquent debt information to TOP after certifying that proper notice and other due process opportunities have been provided to debtors. Information about payees of TOP-eligible federal and state payments is compared to the information about debtors in the TOP database to determine if the payee owes a delinquent debt. When there is a match between the payee and a debtor, the debtor's payment is intercepted to the extent allowed by law to pay off the delinquent debt.

There are situations where funds need to be returned to a debtor or payment agency after an offset has occurred. For example, the creditor agency may receive a payment from the debtor at the same time or shortly before the offset occurred. Or, the paying agency may discover that a payment that was offset should not have been made. These two situations are handled as follows:

**Refund:** A "refund" occurs when the creditor agency makes the decision to return funds to a debtor. Once this decision is made, it is the responsibility of the creditor agency to return the funds directly to the debtor. TOP does not return funds to the debtor on a creditor agency's behalf.

When a creditor agency reports a refund to TOP, the debt balance is increased by the amount of the refund. The system notes that the funds have been refunded to the debtor and are not eligible for reversal.

**Reversal:** A "reversal" typically occurs when a payment agency determines that there was an error in a payment or that a payment was erroneously offset. When a reversal is processed, the payment agency can request that the payment be returned to the payment agency's account or delivered directly to the payment recipient. In some cases, the Bureau of the Fiscal Service (Fiscal Service) determines that a payment was erroneously offset and will reverse the offset transaction. For all reversals, the Fiscal Service charges the creditor agency and deducts the "reversed" amount from future offset collections.

A "refund reversal" occurs when a creditor agency informs TOP that the agency will refund an offset, but then "reverses" its decision to issue a refund. The "refund reversal" process cancels the information in TOP about the refund and adjusts the debt balance accordingly.

It is imperative that agencies enter information about refunds or reversals into TOP as soon as possible.

This ensures that multiple agencies do not return funds to the debtor at the same time, thereby causing a debtor to receive a double refund. Creditor agencies are encouraged to enter their refund into TOP prior to processing the actual refund in order to ensure that the payment agency has not simultaneously processed a reversal. When a refund has been entered into the system, the payment agency will be unable to request a reversal from TOP.

By ensuring that the TOP system is kept up to date in regards to refunds, reversals, and refund reversals, all TOP stakeholders at the federal and state levels are able to protect the integrity and efficiency of the offset program.

For further information regarding the refund, reversal, and refund reversal processes, please contact [David.Burgess@fms.treas.gov](mailto:David.Burgess@fms.treas.gov) at (202) 874-7182 or [Anthony.Whitehead@fms.treas.gov](mailto:Anthony.Whitehead@fms.treas.gov) at (202) 874-9461.

## New Enhanced TOP Web Client Training

The new enhanced TOP Web Client will be implemented in December 2013. Be sure your state signs up today to participate with us either in training onsite at our Washington, DC location, or by webinar online.

### Washington, D.C. "On Site" Training Dates/Times

**Training Dates:** (Choose one session)

Wednesday, November 13 • Thursday, November 14

### Training Location:

Bureau of the Fiscal Service  
401 14th Street SW,  
Washington, D.C. 20227

### Training Times:

9 a.m. – 12:00 p.m. or 1:00 p.m. – 4:00 p.m.

### Webinar Online Training Dates/Times

**Training Dates:** (Choose one session)

Tuesday, November 19 • Wednesday, November 20  
Tuesday, December 3 • Wednesday, December 4

### Training Times:

9 a.m. – 12:00 p.m. or 1:00 p.m. – 4:00 p.m.

Visit [www.fms.treas.gov/debt/training.html](http://www.fms.treas.gov/debt/training.html) to register.



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## The New TOP Web Client – What You Need to Know



The Bureau of the Fiscal Service (Fiscal Service) is planning to release a new Treasury Offset Program (TOP) system in December 2013 to improve TOP efficiencies and increase TOP collections. States and other TOP participating agencies will not need to make any changes to file formats or make any coding changes. The new system will enable TOP to:

- Increase payment streams that can be offset
- Increase debt volumes that can be collected by offset
- Improve matching logic

The only visible change to the TOP system for federal and states agencies will be the modernization of the TOP Web Client. The TOP Web Client serves as the front end user interface for creditor and payment agencies to access the system when not using batch uploads. The enhanced version of the TOP Web Client will include the following benefits for agency users:

- Enhanced user screens
- Ability to view debt/debtor information in one place to include: Offset Activity, Non Offset Activity, Agency Refund and Reversal Activity
- Access to information on the File Receipt, Processing Status and Processing Statistics for Creditor Agencies
- Ability to view captured information for bypassed payments fully matched to a debt
- Capability to set bypass and override at the payment agency level



To assist federal and state agencies in preparing for the new version of the TOP Web Client, the Fiscal Service will be offering both “hands on” training sessions in person at our Washington, D.C. office, as well as online training via Webinar. The dates and times are now available online and users can register at [www.fms.treas.gov/debt/training.html](http://www.fms.treas.gov/debt/training.html).

Please see current training dates/times available on page 2 of this issue. To register, please visit [www.fms.treas.gov/debt/training.html](http://www.fms.treas.gov/debt/training.html).

## Treasury Offset Program in Partnership with the Food and Nutrition Service Recovers \$119 Million in Delinquent Supplemental Nutrition Assistance Program Debts

The Supplemental Nutrition Assistance Program (SNAP), administered by the U.S. Department of Agriculture’s (USDA) Food and Nutrition Service (FNS), is the nation’s largest program in the domestic hunger safety net. FNS works with state agencies, nutrition educators, and neighborhood and faith-based organizations to ensure that those eligible for nutrition assistance can make informed decisions about applying for the program and can access benefits. In addition, FNS also works with state partners and the retail community to improve program administration and ensure program integrity.

In 1992, FNS began submitting food stamp recipient debts to the U.S. Department of the Treasury (Treasury) for offset through the automated tax refund offset process managed by the Internal Revenue Service (IRS). FNS collects debts from the various state agencies responsible for administering SNAP and consolidates them prior to submission through TOP. Today, this collaboration between FNS, state agencies, and TOP continues to yield strong recovery rates and ensure that valuable funds are recovered and returned to SNAP to help those citizens in need.

FNS works with federal and state partners to minimize overpayments related to SNAP, correct mistakes, and aggressively crack down on waste, fraud, and abuse of the system. From October 1, 2012, to September 30, 2013, TOP offset 220,001 federal tax refund, salary, federal retirement, Social Security, Railroad Retirement, and state payments for a total recovery of \$119 million. Since 1992, the federal government has recovered more than \$1.4 billion in delinquent SNAP debts through the offset of federal and state payments.

The Treasury, USDA, and state agencies responsible for administering SNAP continue to strive to protect all funds invested in the program and to ensure that delinquent debts caused by waste, fraud, or abuse of the system are quickly recovered. The hard work conducted by employees of these agencies ensures that much needed funds are returned to the program so that it can continue to operate and provide much needed resources to those in need.

For more information on TOP’s work with FNS and the recovery of delinquent SNAP debts, please contact [Sheila.Moss@fms.treas.gov](mailto:Sheila.Moss@fms.treas.gov) of the Treasury Offset Division at (202) 874-6937.

# State Profile: New York



## New York TOP Collection Totals FY2013 (10/01/12 - 09/30/13)

PROGRAM	OFFSET COUNT	NET COLLECTION AMOUNT
Child Support	49,072	\$64,970,346
Income Tax	109,450	\$78,399,646
Unemployment Insurance	27,460	\$28,027,989
State Reciprocal Program	2,992	\$4,215,694
<b>Total</b>	<b>188,974</b>	<b>\$175,613,675</b>

Located in the northeastern region of the United States, New York is dominated in the east by the Great Appalachian Valley, Lake Champlain in the north, along with the Hudson River flowing southward to the Atlantic Ocean, and in the west the rugged Adirondack Mountains. The 11th state to join the union, New York is known for exciting locations such as Niagara Falls, Lake Placid, Adirondack State Park, and, of course, New York City. New York City served as the nation's first capital and is where in 1789 George Washington took his oath as the nation's first president on the balcony at Federal Hall. Originally named "New Amsterdam" by Dutch settlers, the region was taken by the Great Britain in 1664 and renamed after the English Duke of York and Albany, who also happened to be the brother of England's King Charles II.



*"I commend Secretary Lew and the Treasury Offset Program (TOP) staff for their ongoing success with this program. New York has a long history of working closely with the Treasury to ensure fairness in tax administration, and we fully endorse the benefits of TOP to other states."*

~ Thomas H. Mattox

**New York State Commissioner of Taxation and Finance**

### 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, now the Bureau of the Fiscal Service (Fiscal Service), merged the IRS's tax refund offset program with TOP, bringing the state of New York and other participating states into TOP. In fiscal year 2013, New York recovered \$65 million through 49,072 offsets.

### Income Tax

The State Income Tax Program began in 2000 with seven pilot states and has grown to include the participation of nearly every eligible state in the country.

The program allows New York to recover delinquent state income tax debts through the offset of federal income tax refund payments. In fiscal year 2013, New York recovered \$78.4 million through 109,450 offsets. Although not a part of TOP, the Bureau of the Fiscal Service is appreciative of New York'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 on February 14, 2011, New York was the first state to join the Unemployment Insurance Compensation (UIC) Program. The UIC is New York's most recent partnership with TOP. This program allows New York to recover UIC debts due to fraud or a person's failure to report earnings through the offset of federal income tax refund payments. In fiscal year 2013, New York recovered \$28 million through 27,460 offsets.



### State Reciprocal Program

New York successfully passed legislation and implemented the State Reciprocal Program (SRP) in January 2010, making it one of the earliest adopters of SRP. The program provides New York with the opportunity to recover delinquent state debts through the offset of federal vendor payments. In fiscal year 2013, New York recovered \$4.2 million through 2,992 offsets.

### Debts Collected Through SRP

New York State employs SRP in its collection of business and personal income tax debts.



**For agencies preparing to participate in SRP, New York provides the following advice:**

- Don't under-count the revenue. It's not just the offsets that provide revenue - the required annual warning letters also generate significant income and help resolve cases.
- Leverage the infrastructure you created for the Federal Offset Programs to expand your use of offsets as a collection tool. Some possibilities include signing reciprocal income tax refund agreements with other states, state lottery winners, and vendors with state contracts.



# TOP Collection Updates

State Collections (10/01/2012 - 09/30/2013)

## State Unemployment Insurance Compensation Program Collections

STATE NAME	OFFSET COUNT	NET COLLECTION AMOUNT
Alabama	13,833	\$10,455,687
Arizona	30,793	\$21,465,606
Arkansas	22,582	\$19,293,275
California	4,367	\$3,672,490
Colorado	3,124	\$3,755,197
Connecticut	6,100	\$4,878,827
Delaware	332	\$215,269
District of Columbia	1,640	\$2,567,548
Florida	24,833	\$19,640,827
Georgia	3,005	\$3,029,740
Idaho	704	\$1,241,114
Illinois	22,631	\$37,644,933
Kentucky	7,292	\$7,412,004
Louisiana	7,194	\$9,182,872
Maryland	11,174	\$12,556,975
Michigan	6,561	\$8,774,820
Minnesota	7,018	\$15,315,890
Mississippi	23,147	\$10,318,781
Missouri	16,335	\$20,219,263
Nebraska	2,992	\$2,060,118
Nevada	240	\$646,714
New Hampshire	2,147	\$2,141,558
New Jersey	735	\$1,041,109
New York	27,460	\$28,027,989
North Carolina	13,401	\$10,442,020
North Dakota	1	\$5,635
Oregon	18	\$34,633
Pennsylvania	8,813	\$16,926,715
South Carolina	7,954	\$11,618,796
South Dakota	1,147	\$835,387
Tennessee	18,497	\$16,142,684
Utah	6,182	\$6,929,513
Vermont	84	\$53,173
Washington	2,495	\$2,107,272
West Virginia	2,979	\$2,221,848
Wisconsin	17,825	\$13,335,308
<b>TOTAL</b>	<b>325,635</b>	<b>\$326,211,590</b>

## Top 5 State Income Tax Offset Collections

STATE NAME	OFFSET COUNT	NET COLLECTION AMOUNT
New York	109,450	\$78,399,646
Georgia	86,605	\$59,036,609
California	65,457	\$64,801,963
Maryland	62,709	\$55,952,945
Illinois	80,040	\$29,856,628

regarding the State Income Tax Program, please contact [Becky.Park@fms.treas.gov](mailto:Becky.Park@fms.treas.gov) at (202) 874-9451.

TREASURY OFFSET PROGRAM



Unemployment Insurance Compensation (UIC) Program: In partnership with the U.S. Department of Labor, TOP offsets federal tax refunds to payees who owe delinquent UIC debts due to fraud or a person's failure to report earnings.

As of September 30, 2013, North Dakota and Oregon have joined TOP UIC, bringing the total number of states actively participating to 35 states and the District of Columbia.

As of September 30, 2013, Illinois has recovered the most funds at \$37.6 million, followed by New York and Arizona, which have recovered \$28 million and \$21.4 million, respectively. The TOP UIC program has recovered a total of \$326.2 million as of September 30, 2013.

NOTE: The TOP Test Team will be unavailable to test with state agencies from October 1, 2013, through the beginning of 2014, due to testing requirements for the enhanced TOP system. UIC implementation will continue for those states that have completed testing as of September 30, 2013.

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

## State Reciprocal Program Collections

STATE NAME	OFFSET COUNT	NET COLLECTION AMOUNT
District of Columbia	4,876	\$9,776,616
Kentucky	4,190	\$8,884,482
Maryland	4,173	\$8,560,700
Minnesota	2,992	\$4,215,694
New Jersey	2,725	\$2,852,626
New York	1,317	\$2,029,548
West Virginia	860	\$1,043,479
Wisconsin	584	\$529,840
<b>Total</b>	<b>21,717</b>	<b>\$37,892,985</b>

State Reciprocal Program:

TOP offsets federal vendor and other non-tax payments to payees who owe delinquent debts to state agencies. In return, states offset payments to payees who owe delinquent debts to federal agencies.

As of September 30, 2013, there are seven states participating in SRP, along with the District of Columbia.

The District of Columbia has achieved the most recovered funds through SRP in this fiscal year with total collections of \$9.8 million. Maryland is second with \$8.6 million recovered during the same time.

If your state does not participate in SRP, TOP recommends you contact us today to learn more about how your state can achieve similar results.

For further information regarding SRP, please contact [David.Burgess@fms.treas.gov](mailto:David.Burgess@fms.treas.gov) at (202) 874-7182.

State Income Tax Program: TOP offsets federal tax refund payments to payees who owe delinquent state income tax obligations.

New York has recovered the most funds through the State Income Tax Program as of September 30, 2013, with a recovery of \$78.4 million. California has recovered the second most funds at \$64.8 million. For further information

**U.S. Department of the Treasury  
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