



OFFSETS MATTER

TOP'S NEWS FOR STATE AGENCIES



TOP's Successful Federal-State Programs Recover More than \$3 Billion in FY 2015

The U.S. Department of the Treasury, Bureau of the Fiscal Service, is pleased to report that the Treasury Offset Program's five federal-state programs – Child Support, State Income Tax (SIT), Supplemental Nutrition Assistance Program (SNAP), State Reciprocal Program (SRP), and Unemployment Insurance (UI) have recovered more than \$3 billion in delinquent debt on behalf of state governments in Fiscal Year (FY) 2015. In return, the states have recovered \$35.3 million in overdue debts for the federal government.

The Child Support Program, where states submit delinquent child support obligations to the U.S. Department of Health and Human Services, Office of Child Support Enforcement (OCSE), which in turn submits the debts to TOP for collection through the offset of federal tax refund and other eligible payments, recovered \$1.9 billion in child support obligations in FY 2015.

TOP's SIT program recovered \$571.1 million in delinquent state income tax debts. SIT allows states to refer their delinquent state income tax debts for matching against federal income tax refunds. The program also allows states to refer income tax debts that are owed by either an individual or a business.

A major milestone for TOP occurred in November 2015, when Michigan became the 41st and final state to join the SIT program. With Michigan's participation, 100 percent of the states and the District of Columbia that are eligible to participate in SIT have now joined the program!

SNAP also saw successful recoveries through TOP in FY 2015 of \$153.2 million. In SNAP, states submit delinquent nutrition assistance obligations to the U.S. Department of Agriculture, Food and Nutrition Service (FNS),

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TOP TREASURY
OFFSET
PROGRAM

BUREAU OF THE FISCAL SERVICE

TOP to Automate Manual Payments Received from Debtors

Debtors whose delinquent debts are in the Treasury Offset Program (TOP) are instructed to communicate directly with the Creditor Agency (CA) for everything related to their debt. This requirement is conveyed in the 1) Due Process letters issued by the CA prior to the debt being referred to TOP; 2) Cross Servicing Demand letter; 3) TOP Offset Warning letter, and, 4) TOP Offset Notification letter. Debtors are advised not to send any correspondence to TOP. Despite these instructions, on occasion, debtors send debt payments directly to the U.S. Department of the Treasury (Treasury), rather than the creditor agency to which the debt is owed. Effective March 31, 2016, the Treasury Offset Program (TOP) is implementing an improvement in the processing of these payments that will increase the overall efficiency and minimize processing time. With the new automation in place, when Treasury has deposited and cleared a check or money order the following will occur:

- The appropriate debt balance in TOP will automatically be updated by the TOP system,

- Information about the payment and collection will be sent to creditor agencies in the collection file,
- Information will be available on the Creditor Agency Offset Activity Report, and
- Creditor agencies will be able to see the scanned check or money order that was applied to the debt in the TOP Web Client within the View Debt/Debtor detail screen.

The new payment type code of MPY will appear in the collection file, reflecting a manual payment was received and processed by Treasury.

States should direct any questions or concerns regarding this automation to stateoffsets@fiscal.treasury.gov.

Understanding TOP Fee Calculation Rules

Federal law requires Treasury to charge fees to federal and state agencies to recover its costs for Treasury Offset Program (TOP) services.

In TOP, Treasury charges this fee on a per offset basis. If the offset amount is equal to or less than the fee, then no fee is charged (see highlighted examples below). TOP's calculated fee is automatically taken at the time of the offset. TOP adds the fee amount to the debt balance, if the Creditor Agency instructs Treasury to do so.

- If the Creditor Agency elected not to pass the fee onto the debtor – 1) the offset is taken (but will not exceed the debt balance), and, 2) the fee is subtracted from the offset amount before Treasury sends the collection to the Creditor Agency.

- If the Creditor Agency elected to pass the offset fee onto the debtor – 1) the debt balance is increased by the amount of the fee, and, 2) the full offset amount is recorded in TOP.

The Offset Amount field in the collection file will be the full offset amount. The TOP Fee Amount field will be the fee amount. The TOP Fee Amount is not subtracted from the offset in the collection file; it must be done by the Creditor Agency. The Creditor Agency will only receive the net of the offset minus the TOP Fee Amount as an ACH deposit.

Below are examples of how TOP's Fee is calculated.

IF: DEBT BALANCE IN TOP BEFORE OFFSET	PLUS: PAYMENT AMOUNT	THEN: OFFSET AMOUNT	AMOUNT ON COLLECTION FILE	TOP FEE AMOUNT	ACH DEPOSIT AMOUNT	DEBT BALANCE IN TOP AFTER OFFSET
FEE NOT PASSED ON TO DEBTOR						
\$250.00	\$500.00	\$250.00	\$250.00	\$15.00	\$235.00	\$0.00
\$359.00	\$100.00	\$100.00	\$100.00	\$15.00	\$85.00	\$259.00
\$15.00	\$50.00	\$15.00	\$15.00	\$0.00	\$15.00	\$0.00
\$16.00	\$50.00	\$16.00	\$16.00	\$15.00	\$1.00	\$0.00
\$10.00	\$50.00	\$10.00	\$10.00	\$0.00	\$10.00	\$0.00
\$100.00	\$90.00	\$90.00	\$90.00	\$15.00	\$75.00	\$10.00
FEE PASSED ON TO DEBTOR						
\$250.00	\$500.00	\$265.00	\$265.00	\$15.00	\$250.00	\$0.00
\$359.00	\$100.00	\$100.00	\$100.00	\$15.00	\$85.00	\$274.00
\$15.00	\$50.00	\$15.00	\$15.00	\$0.00	\$15.00	\$0.00
\$16.00	\$50.00	\$31.00	\$31.00	\$15.00	\$16.00	\$0.00
\$10.00	\$50.00	\$10.00	\$10.00	\$0.00	\$10.00	\$0.00
\$100.00	\$90.00	\$90.00	\$90.00	\$15.00	\$75.00	\$25.00

which in turn submits the debts to TOP for collection through the offset of federal tax refunds and other eligible payments.

In FY 2015, Oregon joined SRP, bringing the total number of states participating to 11 and the District of Columbia. In SRP, 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. In FY 2015, TOP recovered \$47.7 million in delinquent debts for states and the District of Columbia. In return, the states and the District of Columbia recovered \$35.3 million in overdue debts for the federal government.

In February 2015, another milestone for TOP was achieved when the UI Benefit program recovered more than \$1 billion in UI improper payments to individuals by offset of federal tax refund payments to payees who received UI benefits as a result of fraud or for failure to report earnings.

The UI program has continued to expand in FY 2015, adding 2 new states (Indiana and Massachusetts) to the UI Benefit and six states (Arkansas, Nebraska, New Hampshire, North Carolina, South Carolina and Tennessee) joined the newly eligible UI Employer Tax. This brings the total number of states participating in UI Benefit to 43 and the District of Columbia. Since its inception in February 2011, the UI program has grown rapidly. In FY 2015, TOP's UI program recovered \$547.8 million for 43 states and the District of Columbia.

If your state is not maximizing their delinquent debt recovery and benefiting from the federal government's efforts on your behalf, resolve in FY 2016 to make the decision and participate in all five of TOP's state programs! Contact us today at stateoffsets@fiscal.treasury.gov to request a federal-state partnership meeting and let us show you how maximum recovery benefits are possible for your state.

State Income Tax Program (10/1/2015-2/15/2016)

STATE NAME	OFFSET COUNT	NET COLLECTION AMOUNT
Alabama	57,464	\$17,574,217
Arkansas	5,329	\$3,769,715
Arizona	7,817	\$2,958,745
California*	13,796	\$16,671,826
Colorado	6,651	\$4,086,354
Connecticut	3,334	\$2,577,452
District of Columbia	1,712	\$1,573,250
Delaware	1,326	\$749,768
Georgia	34,541	\$14,967,231
Hawaii	159	\$196,674
Iowa	4,692	\$2,900,109
Idaho	966	\$729,125
Illinois	19,758	\$9,923,196
Indiana	9,484	\$3,597,981
Kansas	5,054	\$2,541,904
Kentucky	8,819	\$5,904,527
Louisiana	17,393	\$9,566,998
Massachusetts	4,836	\$2,696,317
Maryland	22,157	\$20,731,627
Maine	1,416	\$1,079,425
Michigan	10,525	\$9,254,323
Minnesota	3,571	\$2,579,844
Missouri	19,986	\$9,880,424
Mississippi	7,242	\$2,602,187
Montana	589	\$488,704
North Carolina	12,588	\$7,804,443
North Dakota	271	\$76,739
Nebraska	887	\$452,016
New Jersey	12,680	\$8,328,096
New Mexico	1,883	\$1,511,902
New York	43,304	\$31,272,572
Ohio	7,450	\$6,265,136
Oklahoma	4,548	\$3,285,649
Oregon	3,484	\$2,498,141
Pennsylvania	15,053	\$7,455,649
Rhode Island	276	\$198,194
South Carolina	3,057	\$2,427,865
Utah	3,356	\$1,873,281
Virginia	6,998	\$5,027,669
Vermont	498	\$330,066
Wisconsin	4,028	\$4,117,145
West Virginia	5,398	\$4,361,526
Total	394,376	\$236,888,011

* State agency collections combined separate agency IDs.



TOP Web Client Online Training for New State Participants

Tuesday, March 22, 2016 1:00 – 3:30 p.m. (Eastern)

On Tuesday, March 22, 2016, the Treasury Offset Program (TOP) will host an online TOP Web Client Training for state participants. This training is intended for new state staff working in TOP with a creditor manager and creditor staff security role. The training will provide a step-by-step overview of the process of updating agency profiles, adding and updating debt information, processing refunds and refund reversals, IRS address request and highlight TOP's reports for states.

There is no charge for this training. If you have not yet registered, or have questions, contact us at stateoffsets@fiscal.treasury.gov

TOP State Program Reporting

State Income Tax Program - The State Income Tax (SIT) program allows states to refer delinquent state income tax debts to Treasury Offset Program (TOP) for the offset of federal tax refund payments. As of November 2015, all 40 states and the District of Columbia that are eligible participate in SIT. In FY 2016, New York has recovered the most funds at \$31.3 million, with Maryland second at \$20.7 million, and Alabama third at \$17.6 million as of February 15, 2016.

State Reciprocal Program - The State Reciprocal Program (SRP) allows states to enter into a reciprocal agreement with the U.S. Department of the Treasury to refer delinquent debts owed to state agencies to TOP for the offset of federal vendor and other non-tax payments. In return, states offset payments to payees who owe delinquent debts to federal agencies. In FY 2016, 11 states and the District of Columbia participate in SRP, with the state of Oregon joining TOP in December 2015. Kentucky has recovered the most funds at \$8.0 million, with New York second at \$4.2 million, and Maryland third at \$2.2 million as of February 15, 2016. For more information about SRP, contact TOP at stateoffsets@fiscal.treasury.gov.

Unemployment Insurance Program - The Unemployment Insurance (UI) program allows states to refer delinquent debts to the Treasury Offset Program (TOP) for the offset of federal tax refund payments to collect UI benefit debts due to fraud or a person's failure to report earnings, and UI Employer tax debts. In FY 2016, 43 states and the District of Columbia participate in TOP's UI Benefit and 10 states participate in UI Employer Tax. California has recovered the most funds at \$43.0 million, with Michigan second at \$15.1 million, and New York third at \$14.0 million as of February 15, 2016. For information about joining the UI program, contact TOP at stateoffsets@fiscal.treasury.gov.

State Reciprocal Program (10/1/2015-2/15/2016)

STATE NAME	OFFSET COUNT	NET COLLECTION AMOUNT
District of Columbia	1,449	\$2,157,119
Kansas	441	\$457,382
Kentucky	3,031	\$7,994,211
Louisiana	563	\$329,869
Maryland	1,562	\$2,173,653
Minnesota	604	\$1,346,043
New Jersey	1,608	\$1,636,497
New York	2,401	\$4,235,717
Oregon	60	\$254,115
Virginia	815	\$1,022,093
West Virginia	418	\$317,873
Wisconsin	335	\$1,150,827
Total	13,287	\$23,075,398

* State agency collections combined separate agency IDs.

** Reminder to States **

States cannot refer debts owed by states or federal agencies to TOP.

If another state or federal agency owes a delinquent debt to your state, these debts may not be referred to TOP. Please ensure that your state does not refer these debts to TOP.

Unemployment Insurance Program (10/1/2015-2/15/2016)

STATE NAME	OFFSET COUNT	NET COLLECTION AMOUNT
Alabama	8,109	\$3,827,949
Arizona	7,332	\$3,901,793
Arkansas	8,259	\$3,989,038
California*	34,956	\$43,025,626
Colorado	1,056	\$1,246,087
Connecticut	2,802	\$3,057,551
Delaware	1,324	\$925,818
District of Columbia	302	\$381,325
Florida	4,728	\$4,270,764
Georgia	8,011	\$7,997,032
Hawaii	210	\$181,984
Idaho	887	\$1,158,541
Illinois	6,104	\$9,999,703
Indiana	5,104	\$7,938,517
Iowa	135	\$279,743
Kentucky	4,178	\$3,552,902
Louisiana	2,234	\$3,639,104
Maine	1,423	\$1,255,044
Maryland	3,879	\$4,981,629
Massachusetts	4,828	\$5,574,126
Michigan	7,465	\$15,098,603
Minnesota	2,085	\$3,424,994
Mississippi	7,782	\$3,322,221
Missouri	3,989	\$4,593,260
Nebraska	1,385	\$840,109
Nevada	546	\$780,852
New Hampshire	552	\$456,132
New Jersey	6,441	\$10,031,515
New Mexico	873	\$1,060,490
New York	14,019	\$13,973,853
North Carolina	8,119	\$6,294,109
North Dakota	616	\$548,499
Ohio	4,974	\$6,455,677
Oregon	1,859	\$2,016,383
Pennsylvania*	5,395	\$5,155,412
Rhode Island	1,013	\$549,586
South Carolina	5,444	\$4,322,471
South Dakota	202	\$166,343
Tennessee	11,248	\$12,626,684
Utah	1,157	\$1,115,935
Vermont	1	\$197
Washington	3,187	\$2,869,889
West Virginia	1,451	\$1,175,713
Wisconsin	4,638	\$4,307,041
Total	200,302	\$212,370,244

* State agency collections combined separate agency IDs.

Ask TOP

For this issue, we have selected recent questions states asked of our TOP Testing Team. We hope sharing these questions and responses will assist your state in planning its own batch implementation test with TOP.

Can we use real data from our own system to test with Fiscal Service?

Data containing real personally identifiable information (PII) cannot be used. In addition, states are discouraged from using their own mock data or set of numbers. This tends to slow the review process considerably. The numbers and the expected results Fiscal Service provides are standardized so that your test results can easily be compared to the expected results. Test files will contain mock data and will be exchanged via email.

If we are not be able to test everything because our system does not support some of the functionality being covered in the batch implementation test document, do you still want us to add these records to the file?

Some functionality is deemed critical for TOP batch implementation. In order to participate through the batch processes, states typically must undergo some systems development work to enhance their applications. In order for the batch process to be considered valid and successfully implemented with the state, the files exchanged during the test exercise must be system generated. Files that are manually built by the tester and run through the test exercise do not fairly represent the automated production batch process used by TOP. To that end, states are asked to complete programming and internal testing prior to scheduling the implementation test with Fiscal Service. All fixes must be under code during testing. Files should not be edited manually in order to correct defects or include records.

Can you explain each of TOP's debt designator categories?

J – Joint Business – The “J” designator applies to debts incurred under a business name, as opposed to an individual’s, and is accompanied by more than one debtor having a Social Security Number (SSN) and/or Employer Identification Number (EIN)/Federal Employer Identification Number (FEIN).

K – Joint Individual – The “K” designator applies to debts incurred under an individual’s name, as opposed to a business, and is accompanied by more than one debtor having an SSN.

I – Individual Business – “Individual Business” is not a value used by TOP. The “I” designator applies to debts incurred under an individual’s name, as opposed to a business, and will be accompanied by an SSN.

B – Business – The “B” designator applies to debts incurred under a business name, as opposed to an individual, and can be accompanied by an SSN or EIN/FEIN.

JS – Joint and Several – JS is not a valid debt designator used by TOP in this context of the Individual/Business Indicator found in Record Type 1. In TOP, debtors are jointly & severally liable if all parties owe 100% of the same debt(s) equally. Only one account with that Debt Number can be sent, along with all J&S debtors associated with it. All parties are considered released from liability when anyone (or some) of the parties satisfies the debt.

Generally, it is left up to each state agency to determine which debts fit best under each of the above debt designators.

Can we use Action “Y” in Record Type 1 to recertify all of our debts with new balances?

Action ‘Y’ is from the TOP legacy formats and can no longer be used to overlay records. Changes the state wishes to make to its debt balances must be accomplished using I/S Action codes only.

Why did the Record Type 2, for our joint debtor, err?

The Tax Identification Number (position 156-164) for the debtor to whom this address record belongs is missing and is required.

Why did our Refund Reversal record err?

The missing TOP Trace Number (position 151-160) is required and is prefixed with a “T”.

What recommendations do you have for us to successfully complete our testing with TOP?

Plan to join the TOP program early in the calendar year, rather than at the end of the year, when many states are attempting to join before tax season. Closely review the file formats, all test scenarios and test stages to resolve your questions early. This will help you avoid delays once testing is underway.

If you have additional questions for our TOP testing team or other TOP teams, please send them to us at stateoffsets@fiscal.treasury.gov.

TOP Contact Info

For State Agency General Questions/Concerns

Contact the TOP State Liaisons at: Stateoffsets@fiscal.treasury.gov

For Production and Operational Questions/Concerns

Contact the TOP Operations Team at: DMSE.Ops@fiscal.treasury.gov

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