



# The Treasury Offset Program

## *State Reciprocal Program*



## The Treasury Offset Program (TOP)

### **Overview**

- FMS and DCIA
- Treasury Offset Program
- Legal Authority

### **State Reciprocal Program**

- Requirements
- State Reciprocal Program Roadmap





## The Financial Management Service (FMS)

**Serves as U.S. Government's money manager and central debt collection agency**

- Issues nearly a billion payments annually, totaling over \$1.8 trillion to more than 100 million individuals and businesses. (Federal tax refunds, SSA and VA benefits, vendor miscellaneous, others)
- Collects nearly \$3.2 trillion in payments annually
- Collects delinquent debts owed to the states and federal government



## Debt Collection Improvement Act of 1996

### Statutory Authority:

- Addresses the need for Federal Government to increase collection of delinquent debt by *centralizing* debt collection and reporting functions in Treasury.
- Maximizes collection of delinquent debt owed to the Government.
- Minimizes costs by consolidating functions.
- Ensures debtors are provided due process.
- Improves credit management.
- Ensures the public is informed of Government's debt collection policy.
- Utilizes private sector expertise.





## Debt Collection Improvement Act of 1996

### Provision:

- Allow states to enter into reciprocal agreements with Treasury to collect unpaid state debt by offset of federal non-tax payments; and the federal government to collect delinquent federal non-tax debt by offset of state payments.



## The Treasury Offset Program (TOP)

- A centralized process that matches Federal payments against debts owed to the government. When a match occurs, the payment is offset to collect the debt.
- One of the largest and most effective tools available to collect delinquent Federal tax and non-tax debt, child support, and state income tax debt.





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### Due Process:

- Creditor Agencies and States:
  - Notices to Debtors:
    - Intent to offset
    - 60 day letter
- FMS:
  - Post offset notices to debtors
- State Law Requirements



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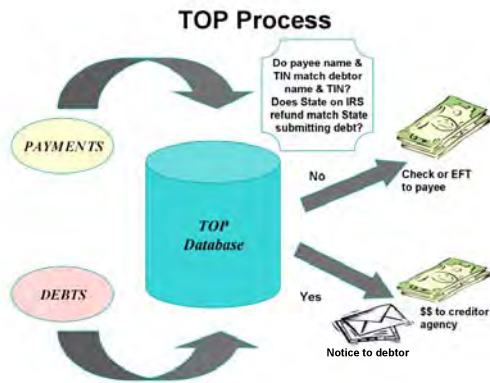
### FMS Offset Notices:

Notices have date and offset amount, agency (or state) to which the money was sent, point of contact at the agency





## The Treasury Offset Program (TOP)



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### State Reciprocal Program

- Federal payments to be offset against state debts:
  - Federal vendor payments
  - OPM payments (not available at this time)
- State payments to be offset against federal debts:
  - State tax refunds
  - State vendor payments





## The Treasury Offset Program (TOP)

### State Reciprocal Program

Requirements:

- States must pass legislation to participate in the program
- Reciprocal Agreement between Treasury and the States

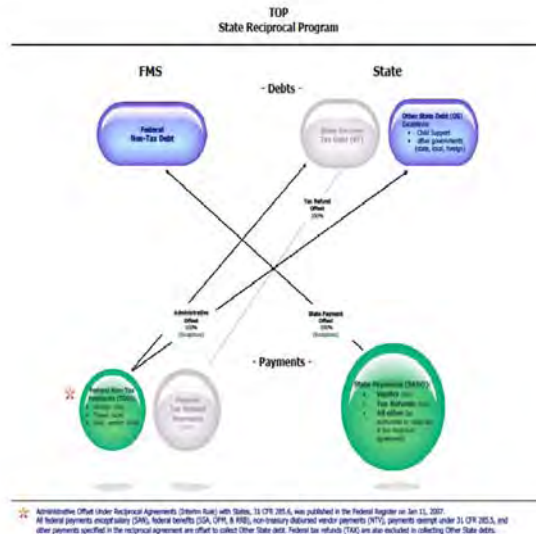
***(Note: States must have FMS legal involved)***



## The Treasury Offset Program (TOP) State Reciprocal Program

	ADMINISTRATIVE OFFSET (offset of Federal payments to collect State debts)	STATE PAYMENT OFFSET (offset of State payments to collect Federal nontax debts)
Statutes	31 U.S.C. 3716	State law and 31 U.S.C. 3716(h)
Regulations	New rule at 31 CFR 285.6	State regulations, if any, and 31 CFR 285.6
Debts to be collected	State debts (including tax) other than: <input checked="" type="checkbox"/> child support <input checked="" type="checkbox"/> debts owed by other governments -- State, local, foreign, etc.	Nontax debts owed to the United States
Payments to be offset	All Federal payments except: <input checked="" type="checkbox"/> payments exempt under 31 CFR 285.5 <input checked="" type="checkbox"/> Federal benefit payments <input checked="" type="checkbox"/> Tax refunds <input checked="" type="checkbox"/> Salary <input checked="" type="checkbox"/> Other payments specified in the reciprocal agreement	All State payments, as authorized by applicable State laws and the reciprocal agreements.
Creditor Agencies	Voluntary for States as creditor agencies	Voluntary for Federal creditor agencies to participate
Payment Agencies	No discretion for payment agencies	State payment agencies participate according to State law and reciprocal agreement
Due Process Requirements	31 U.S.C. 3716 and new rule	State Law





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### State Reciprocal Program

Three states participate in the program:

- Maryland, June 2007; New Jersey, July 2007; and New York, January 2010

States that have passed legislation:

- Kentucky, Wisconsin, West Virginia, and Louisiana (Legislative Committee)





## The Treasury Offset Program (TOP) State Reciprocal Program

### Total Collections Since Inception (as of June 1, 2010)

#### Federal Vendor Payments against state tax debts

MD: \$45.4 million  
NJ: \$23.7 million  
NY: \$384,144.90 thousand  
**Total: \$69.5 million collected for state tax debts**

#### State Payments against federal non-tax debts

MD: \$21.5 million  
NJ: \$ 8.1 million  
NY: \$128,523.79 thousand  
**Total: \$29.7 million collected for federal non-tax debts**



## The Treasury Offset Program (TOP)

- What's next?
  - Legislation is paramount, centralization is key
    - Systems connectivity with FMS
    - Collection of state debts
    - Central accounting
  - Internal coordination
    - One point of contact to manage the project
    - Resource allocation
    - System development and testing



