

**Commonwealth of Kentucky**  
**Department of Revenue**  
**Data Match/Electronic Levy Initiative**

June 11, 2007



# Department of Revenue

- Collection Case Inventory - 75,548
- Levies Issued FY 2007 - 45,630
- Independent Levy Authority
- Issues Levies Administratively
- Electronically Captures & Stores Asset Information from payments (Bank Routing Numbers)
- Began Collecting Delinquent Child Support in 2002
- Levies Generated Using FIDM Match Info Were 72% More Effective Than DOR Tax Levy



# History of Legislation

- Enact with Child Support – 1998
- Amnesty Legislation – 2002
- Part of Two-Year Budget Bill -2006
- Permanent Stand Alone Legislation -2007
- States with Current Legislation
  - Kentucky
  - Massachusetts
  - Maryland
  - Indiana
  - New Jersey

# Kentucky Banker's Association

## Filed Suit: May 2006

- **Lawsuit Stated:** Legislation requiring FIs to perform the data match should have been stand-alone legislation and not in the two year biennium budget bill
- **Other KBA concerns:**
  - Competitiveness with out of state FIs
  - Duplication of Effort
    - \*System already in place because of child support
    - \*Additional costs to perform another match
  - Privacy concerns
  - Would all FIs be required to participate?
- **2007 Legislative Session:**
  - Compromise reached between DOR and KBA
  - Stand alone legislation passed

# Financial Institutions

**“Financial Institution”** means a depository institution and an institution-affiliated party as defined in 12 U.S.C. sec. 1813(c) and (u); any federal or state credit union as defined in 12 U.S.C. secs. 1752 and 1786®; or any benefit association, insurance company, safe deposit company, money market mutual fund, brokerage firm, trust company, or similar entity authorized to do business in the Commonwealth.

- Banks – **247**
- Credit Unions – **109**
- Brokerage House/ Dealers – **423 to 4,000 plus**
- Insurance Companies – **449**

# Match Methods

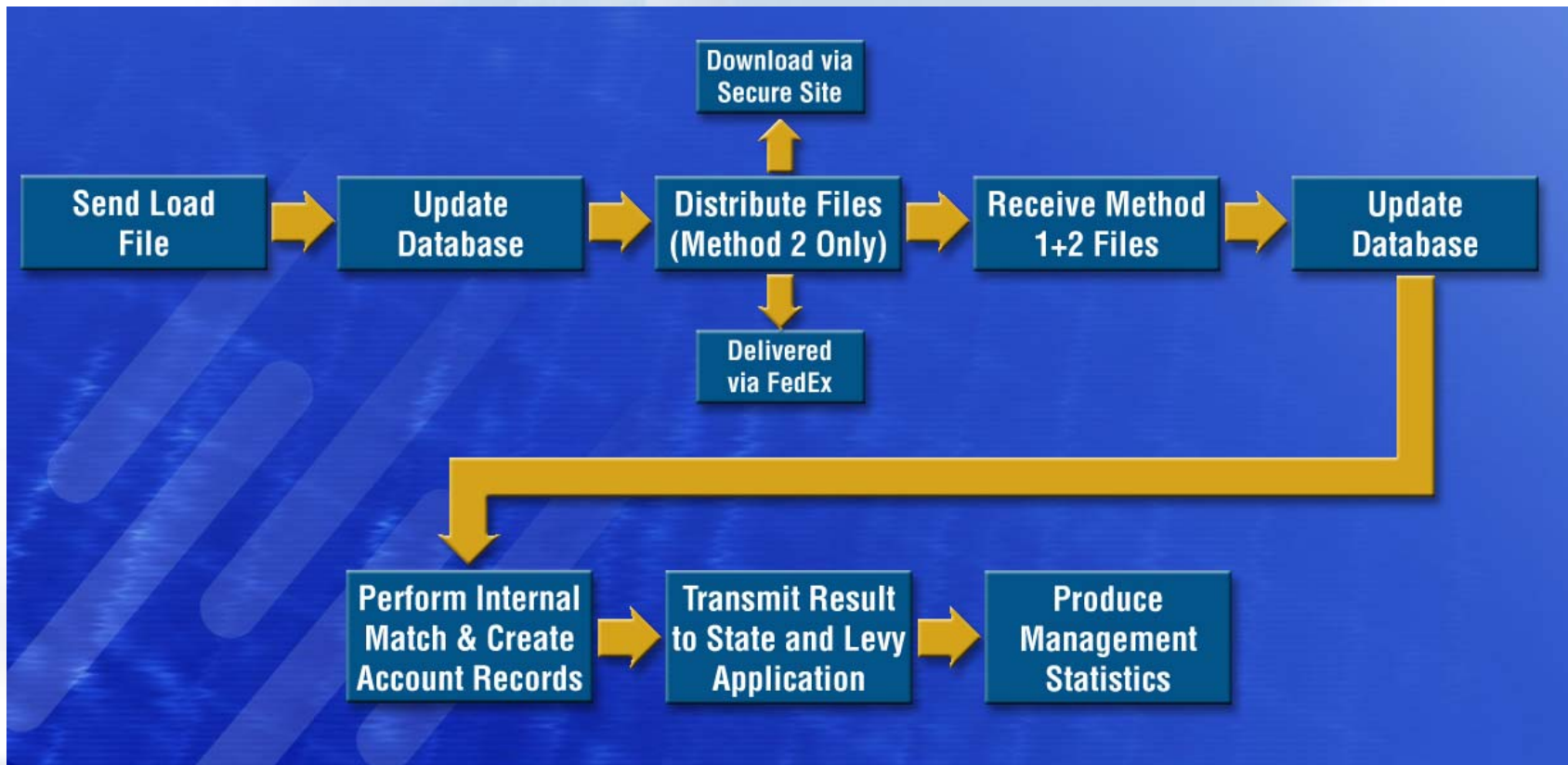
- Method 1 (All Accounts)

Each quarter, the financial institution will submit to Tier a file containing the required information on each of the institution's depositors.

- Method 2 (Matched Accounts)

Each quarter, Tier will generate an obligor file to each financial institution. The financial institution will be responsible for running the data match and returning a file containing only the matched records.

# Data Match Process Flow



# Data Match

- Pilot (December 1, 2006 - March 31, 2007)
  - 50 Files Processed
  - 4,000 Full Matches Found
  - 706 Partial Matches Found
  - \$2,978,820 in Assets Located
- Current Production (April 1, 2007 – current date)
  - 50 Files Processed
  - 1,595 Full Matches Found
  - 450 Partial Matches Found
  - \$2,950,926 in Assets Located

# Future Plans

- Electronic Transmission of Levy File to FIs
- FIs EFT Levied Funds to DOR
- Combine DOR & Child Support Match Process
  - More Efficient for State & FIs
  - Reduce Cost for State & FIs

## Considerations / Lessons Learned

- What Constitutes a FI
- How to Estimate Number of FIs
- Obtain FIs “Buy-In”
- Set-up Costs
- Reimbursement to FIs for Matching
- Vendor Costs, Benefits
- Penalty Clause in Legislation for FIs Who Fail to Participate

## Contact Information

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<http://www.acf.hhs.gov/programs/cse/fct/fidm/dataspecs.pdf>
- RFP Available Upon Request
- Legislation Site - <http://www.lrc.ky.gov/record/07rs/hb443.htm>