



FACT SHEET

Debt Collection and the Debt Collection Improvement Act of 1996 (DCIA)

What is the DCIA?

In response to a steady increase in the amount of delinquent non-tax debt owed to the United States, and concern that appropriate actions were not being taken to collect this delinquent debt, Congress passed the Debt Collection Improvement Act of 1996 (DCIA). This law centralized the governmentwide collection of delinquent debt and gave the U.S. Department of the Treasury significant new responsibilities in this area. The Bureau of the Fiscal Service is responsible for Treasury's implementation of the debt collection provisions of the DCIA.

Background

Prior to passage of the DCIA, Treasury and the Financial Management Service—now the Bureau of the Fiscal Service—assisted the Office of Management and Budget (OMB) in providing federal agencies with guidance on collecting debts owed to the federal government.

After passage, Fiscal Service also assisted agencies in collecting delinquent debts through the Internal Revenue Service (IRS) operated tax refund offset program, collecting debts through salary offset, and using a governmentwide contract available to federal agencies to refer delinquent debts to private collection agencies (PCAs).

Fiscal Service was an appropriate agency to conduct centralized debt collection operations for the federal government, due to its accumulated knowledge of debt collection practices and procedures, and its position as the disbursing agency for more than 85 percent of federal payments.

Debt collection programs

The DCIA requires federal agencies to refer delinquent non-tax debts to Fiscal Service for collection by offset of non-tax payments. Non-tax payments include vendor, federal retirement, federal salary, and Social Security benefits. Currently, all OPM retirement, vendor, SSA benefit payments and some federal salary payments are being offset.

It also gave responsibility to Fiscal Service to offset tax refund payments. The Treasury Offset Program (TOP) compares the names and taxpayer identifying numbers (TINs) of debts with the names and TINs of recipients of federal payments. If there is a match, the federal payment is reduced, or "offset," to satisfy the overdue debt.

TOP incorporates other offset processes, particularly: (1) the tax refund offset program, formerly operated by the IRS, which was merged into TOP in January 1999; (2) levies served by the IRS for the collection of delinquent tax debt in accordance with the Taxpayer Relief Act of 1997; and (3) collection of state income tax debts by offset of federal income tax refunds as mandated by the 1998 Internal Revenue Service Restructuring and Reform Act. TOP also collects delinquent debts owed to states.

Cross-Servicing, the Fiscal Services' other primary debt collection program, uses a variety of tools to encourage debtors to repay the federal government. Federal agencies are required to refer eligible delinquent (over 120 days) non-tax debts to Treasury for debt collection.

Debts referred to Fiscal Service include unpaid loans, overpayments or duplicate payments made to federal salary or benefit payment recipients, misused grant funds, and fines, improper payments to vendors, penalties or fees assessed by federal agencies.

Fiscal Service sends demand letters to debtors on Treasury letterhead, and enters into repayment arrangements with debtors. The Cross-Servicing Program administers a contract with PCAs who provide delinquent debt collection services and Fiscal Service refers debts to these PCAs.

Debt collection provisions of the DATA Act of 2014

The Digital Accountability and Transparency Act (DATA Act), Pub. L. 113-101, signed into law on May 9, 2014, amends 31 U.S.C. 3716(c)(6) and requires agencies to refer to Treasury valid, delinquent non-tax debts for the purpose of administrative offset at 120 days - 60 days earlier than the previous 180-day requirement.

The DATA Act also directs Treasury to report to Congress on agency compliance with the new administrative offset referral requirement.

For more information about the DCIA and other debt collection authorities, please contact the DMS at (202) 874-6810 or visit our Web site at

<https://fiscal.treasury.gov/dms/about/about-dcia.html>

ABOUT FISCAL SERVICE AND DEBT MANAGEMENT SERVICES

The U.S. Department of the Treasury's Bureau of the Fiscal Service assists federal agencies with the prevention, collection and resolution of debts owed to government agencies. Additionally, we provide debt collection services to the states. Debt Management Services (DMS) is the business area responsible for administering programs and services related to improper payments, receivables management and delinquent debt collection.