

# Offsets Matter

TOP's News for State Agencies

Issue FOURTEEN  
FY 2015



## TOP Recovers More Than \$1 Billion in Delinquent Unemployment Insurance Compensation for States



Since 2011, the U.S. Department of Treasury's Bureau of the Fiscal Service has worked closely with its partners at the U.S. Department of Labor (Labor) and the Internal Revenue Service (IRS) in a collaboration to mitigate fraud and financial abuse of Labor's Unemployment Insurance (UI) program through the Treasury Offset Program (TOP). As of February 2015, TOP's UI Benefit program for states has recovered more than \$1 billion in UI improper payments to individuals by offset

payees who received UI benefits as a result of fraud or for failure to report earnings.

### Background on TOP UI

The original authority for TOP's UI program was provided in the SSI Extension for Elderly and Disabled Refugees Act (P. L. 110-328) on September 30, 2008, and later expanded. This act contained legislation allowing states to refer delinquent unemployment compensation debts due to fraud to TOP for offset against federal tax refund payments only. On December 8, 2010, the Claims Resolution Act of 2010 (P. L. 111-291) expanded the UI Benefits program by 1) allowing states to recover non-fraud overpayments, uncollected contributions, and associated penalties/interest if the UI debt was due to failure to report earnings or delinquent contributions; 2) removed the statute of limitations on the use of TOP for recovering UI debts older than 10 years delinquent; 3) no longer required the address on the individual's income tax return to be within the state seeking the offset; and, 4) no longer required due process to the debtor to be certified mail return receipt requested.

The UI program was further expanded on December 26, 2013, when the Bipartisan Budget Act of 2013 (P. L. 113-67) required the use of TOP to collect covered UI debts (including unpaid employer UI tax debts that remained uncollected as of one year after debt was determined due). On November 5, 2014, IRS Counsel notified states that TOP may be used to collect all UI Tax Employer debts. This includes tax debts from all entity types, including sole proprietors, partnerships, corporations, and LLCs. States were also notified at that time that state contractor staff may be used to collect Employer Tax debt through TOP.

Since the UI program's inception on February 14, 2011, states have submitted more than 950,000 delinquent UI debts to TOP. The states of New York and Wisconsin were the first states to submit. As of May 2015, 42 states and the District of Columbia now participate in the TOP UI program with additional states planning to implement Benefits and Employer Tax debts in FY 2015.

*Story Continued on Page 2...*

## Bureau of the Fiscal Service Releases Third Annual Report to the States

On April 30, 2015, the U.S. Department of the Treasury's (Treasury) Bureau of the Fiscal Service (Fiscal Service) released its "Fiscal Year (FY) 2014 Annual Report to the States on the Treasury Offset Program Delinquent Debt Collection." The report details each state's success in collecting delinquent debts through a unique partnership with the federal government. Debts successfully recovered through the Treasury Offset Program (TOP) include delinquent child support and state income tax obligations, unemployment insurance compensation fraud debts, and more.

"The Fiscal Service is proud of the work it has done in collecting more than \$3 billion in delinquent debts for the states in FY2014, including \$1.9 billion of delinquent child support," said Fiscal Service Commissioner Sheryl Morrow.

"Treasury encourages states to participate in each of our offset programs," Commissioner Morrow continued. "With our proven track record of helping to collect long overdue funds, states can benefit directly from our efforts and recover important taxpayer funds that they are owed."

Due to strong federal-state partnerships, TOP recovered \$6.7 billion for federal and state agencies in FY 2014, including \$1.9 billion in delinquent child support debts,

*Story Continued on Page 2...*

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

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## State Income Tax Offset Collections

The State Income Tax Program (SIT) allows states to refer delinquent income tax debts to TOP for offset against federal tax refund payments only.

As of May 15, 2015, New York has recovered the most funds through the SIT program, with a recovery of \$75.9 million. Maryland and California have recovered the second and third most funds during the same time period, with recoveries of \$54.7 million and \$51.9 million, respectively.

For more information about TOP's SIT program, email us at [StateOffsets@fiscal.treasury.gov](mailto:StateOffsets@fiscal.treasury.gov).

### TOP Recovers \$1 Billion From Cover...

In September 2014, the state of California began submitting TOP UI Benefit delinquent debts, and the recovery of their state funds to date has been more than \$189.6 million. Is your state participating in TOP UI and submitting both Benefit and Employer Tax debts?

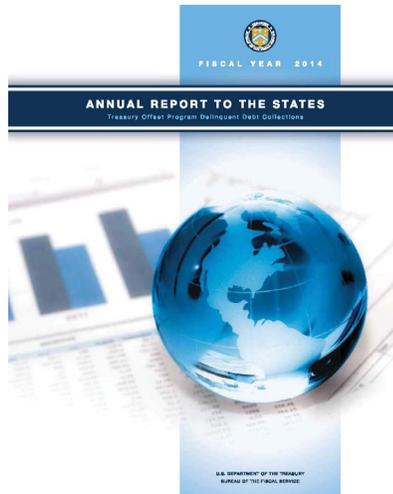
### How States Can Participate in TOP UI

To participate in the TOP UI program, the state must have an approved Safeguard Security Report (SSR) with IRS. The SSR explains how the state will handle the Federal Tax Information (FTI) it receives, and ensure that the information is safeguarded according to IRS standards. States are also required to send a 60-day notice to debtors informing them of their intent to collect the delinquent UIC debt through TOP. Debts owed by both individuals and corporations are eligible for submission to TOP.

For more information about TOP's UI program and how your state can participate in submitting UI Benefit and Employer Tax delinquent debts, please contact TOP at [stateoffsets@fiscal.treasury.gov](mailto:stateoffsets@fiscal.treasury.gov). To view each participating state's FY 2011-2014 UI recoveries, visit "TOP's FY 2014 Annual Report to the States" online at [www.fiscal.treasury.gov/TOPStatePrograms](http://www.fiscal.treasury.gov/TOPStatePrograms).

### Third Annual Report to States From Cover...

\$546.5 million in outstanding state income tax obligations, \$370.7 million in unemployment insurance claims, and \$52.3 million in state reciprocal program debts. Fiscal Service is proud to partner with the U.S. Department of Labor; Internal Revenue Service; U.S. Department of Agriculture, Food and Nutrition Service; and U.S. Department of Health and Human Services, Office of Child Support Enforcement, to administer the TOP program. Since the implementation of TOP in 1996, the Fiscal Service has collected more than \$68.5 billion for federal and state agencies, including \$36.5 billion for participating states, collection more than \$57 for every \$1 spent.



To view the FY 2014 Annual Report to the States on TOP's Delinquent Debt Collection, or for more information about TOP state programs, visit [www.fiscal.treasury.gov/TOPStatePrograms](http://www.fiscal.treasury.gov/TOPStatePrograms). Alternatively, you may contact us at [StateOffsets@fiscal.treasury.gov](mailto:StateOffsets@fiscal.treasury.gov).



## TOP Collection Updates

State Collections (10/01/2014 - 05/15/2015)

### State Income Tax Offset Collections

STATE NAME	OFFSET COUNT	NET COLLECTION AMOUNT
Alabama	85,517	\$28,204,576
Arkansas	6,446	\$5,945,886
Arizona	15,620	\$5,999,644
California *	46,456	\$51,923,692
Colorado	12,753	\$8,300,444
Connecticut	8,253	\$6,003,979
District of Columbia	5,605	\$4,893,827
Delaware	3,449	\$1,896,547
Georgia	55,604	\$28,165,227
Hawaii	529	\$637,155
Iowa	6,206	\$3,926,531
Idaho	1,915	\$1,469,641
Illinois	49,704	\$23,274,731
Indiana	25,052	\$10,524,126
Kansas	10,799	\$5,267,996
Kentucky	12,113	\$8,935,737
Louisiana	47,383	\$26,219,248
Massachusetts	13,734	\$7,795,182
Maryland	57,802	\$54,667,733
Maine	3,079	\$2,422,324
Minnesota	8,241	\$6,213,310
Missouri	38,416	\$19,572,861
Mississippi	19,618	\$7,729,498
Montana	1,493	\$1,116,406
North Carolina	14,099	\$8,906,944
North Dakota	698	\$276,332
Nebraska	2,038	\$994,621
New Jersey	31,493	\$20,367,006
New Mexico	4,114	\$3,210,212
New York	101,258	\$75,927,058
Ohio	20,991	\$17,416,613
Oklahoma	24,052	\$16,382,764
Oregon	13,704	\$8,671,971
Pennsylvania	20,857	\$9,610,785
Rhode Island	2,709	\$1,695,230
South Carolina	4,448	\$4,035,323
Utah	7,914	\$4,604,508
Virginia	12,974	\$8,645,002
Vermont	1,240	\$806,694
Wisconsin	8,097	\$9,132,519
West Virginia	10,899	\$8,275,659
<b>Total</b>	<b>817,372</b>	<b>\$520,065,542</b>

\* State agency collections combined separate agency IDs.

# TOP Collection Updates

State Collections (10/01/2014 - 05/15/2015)  
 State Unemployment Insurance  
 Compensation Program Collections



STATE NAME	OFFSET COUNT	NET COLLECTION AMOUNT
Alabama	13,391	\$6,625,449
Arizona	13,851	\$7,568,267
Arkansas	16,642	\$9,920,379
California *	132,466	\$191,438,848
Colorado	1,978	\$2,030,794
Connecticut	2,536	\$2,081,396
Delaware	3,323	\$2,650,387
District of Columbia	1015	\$1,471,709
Florida	14,422	\$14,454,974
Georgia	8,373	\$9,574,088
Hawaii	638	\$454,549
Idaho	2,082	\$2,517,528
Illinois	14,505	\$23,102,110
Indiana	470	\$812,263
Iowa	130	\$253,280
Kentucky	5,671	\$4,915,456
Louisiana	6,748	\$9,433,733
Maine	4,234	\$4,338,473
Maryland	11,527	\$12,948,758
Michigan	13,287	\$31,427,807
Minnesota	4,750	\$7,939,401
Mississippi	11,432	\$5,812,039
Missouri	8,194	\$9,663,899
Nebraska	3,659	\$2,340,463
Nevada	1,732	\$3,230,875
New Hampshire	1,226	\$973,744
New Jersey	19,179	\$30,856,359
New Mexico	3,052	\$3,351,396
New York	28,511	\$29,043,750
North Carolina	16,850	\$12,793,386
North Dakota	711	\$931,629
Ohio	11,227	\$13,796,703
Oregon	4,063	\$5,123,586
Pennsylvania *	16,674	\$20,991,970
Rhode Island	3,238	\$2,314,433
South Carolina	12,542	\$9,167,426
South Dakota	431	\$277,361
Tennessee	12,356	\$9,863,328
Utah	3,265	\$3,246,525
Vermont	658	\$413,308
Washington	6,996	\$6,417,989
West Virginia	2,510	\$1,867,973
Wisconsin	10,533	\$9,704,042
<b>Total</b>	<b>451,078</b>	<b>\$528,141,833</b>

\* State agency collections combined separate agency IDs.

The Unemployment Insurance Compensation Program (UIC) allows for the offset of tax refund payments to collect unemployment insurance compensation debts due to fraud or a person's failure to report earnings. In addition, states may refer their UI Tax debts under the program as well.

As of May 15, 2015, California has recovered the most funds at \$189.6 million. Michigan and New Jersey recovered the second and third most funds, with \$31.4 million and \$30.8 million, respectively.

For further information regarding TOP's UIC program email [stateoffsets@fiscal.treasury.gov](mailto:stateoffsets@fiscal.treasury.gov). To see FY 2015 collections through May 15 for each of TOP's state programs, visit [www.fiscal.treasury.gov/topstateprograms](http://www.fiscal.treasury.gov/topstateprograms) and view Offsets Matter news.

## State Reciprocal Program Collections

STATE NAME	OFFSET COUNT	NET COLLECTION AMOUNT
District of Columbia	2,566	\$2,985,955
Kansas	185	\$205,830
Kentucky*	3,297	\$7,099,423
Louisiana	736	\$1,041,729
Maryland	2,819	\$3,342,753
Minnesota	729	\$2,266,407
New Jersey	1,793	\$7,388,472
New York	3,508	\$4,542,112
Virginia	436	\$1,162,135
West Virginia	662	\$435,370
Wisconsin	431	\$401,947
<b>Total</b>	<b>17,162</b>	<b>\$30,872,132</b>

\* State agency collections combined separate agency IDs.

The State Reciprocal Program (SRP) allows states to enter into reciprocal agreements with Treasury to collect unpaid state debt by offset of federal non-tax payments. In return, states offset state payments to collect delinquent non-tax debt for the federal government.

On March 10, 2015, Louisiana joined SRP, Kansas joined on March 3, 2015, and Virginia followed on February 17, 2015, bringing the total to

10 states and the District of Columbia participating in SRP.

As of May 15, 2015, New Jersey achieved the most recovered funds through SRP with total collections of \$7.4 million. Kentucky and New York were the second and third most funds recovered, with \$7.0 million and \$4.5 million, respectively.

If your state has not yet scheduled a federal-state partnership meeting with Fiscal Service - now is the time to do so. Within our partnership meeting, Fiscal Service will present the benefits to your state of participating in TOP's SRP program, and also discuss the best way to maximize your state's debt recoveries through federal offset.

For further information regarding TOP's SIT program, email [StateOffsets@fiscal.treasury.gov](mailto:StateOffsets@fiscal.treasury.gov).

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