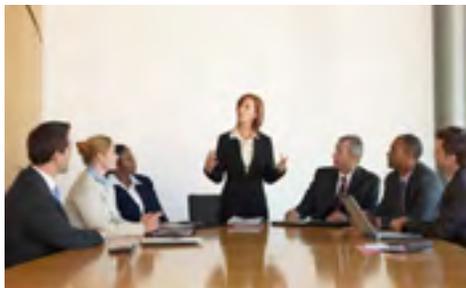




## TOP Plans Additional Federal-State Partnership Meetings for 2014 *Is Your State Scheduled?*



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In Fiscal Year (FY) 2013, the U.S. Department of the Treasury's Bureau of the Fiscal Service (Fiscal Service) began a new outreach effort to increase delinquent debt recoveries for states and territories through the Treasury Offset Program (TOP). Instrumental to this effort was TOP's inaugural release of the *Annual Report to the States*, which detailed the success of

each state and territory in collecting delinquent debts through TOP. In FY 2012, six states (Kentucky, Maryland, New Jersey, New York, Minnesota, and Wisconsin) participated in all four of TOP's state programs – Child Support, State Income Tax (SIT), State Reciprocal (SRP), and Unemployment Insurance Compensation (UIC). The UIC program in 2012 had 17 states and the District of Columbia participating.

In August of 2013, as part of the new outreach effort, the Fiscal Service's Assistant Commissioner (AC) for Debt Management Services, Jeffrey Schramek, requested federal-state partnership meetings with agency officials from each state and territory, including the comptroller and other officials responsible for debt recovery. These partnership meetings helped the Fiscal Service to 1) learn about each state's challenges to participating fully with TOP programs, 2) identify potential solutions for states, and, 3) assist states in maximizing their debt collection potential.

By the close of FY 2013, West Virginia and the District of Columbia had joined SRP, 37 states and the District of Columbia were participating in UIC, and 26 states had responded to the TOP call for federal-state partnership meetings. By the end of the first quarter of FY 2014, AC Schramek and TOP officials had met with state comptrollers and agency officials from 12 states (Arkansas, Connecticut, Georgia, Indiana, Massachusetts, Ohio, Oregon, Rhode Island, Tennessee, Vermont, Virginia, and Hawaii by phone). Five more state meetings are scheduled for early in 2014.

As part of the Fiscal Service's outreach meeting follow-up, TOP staff will conduct test matches comparing federal payment information with delinquent debt information. The test match results will help states understand potential collections from expanded TOP participation. The Fiscal Service will also provide assistance with legislation that may need to be passed at the state level, and step-by-step guidance on implementing each of TOP's state programs.

Does your state currently participate in each of TOP's delinquent debt collection programs? Are you maximizing your state's collections through our federal-state partnership? Is TOP meeting with your state in 2014? If the answer to these questions is "no" – it's time to contact TOP today to schedule your state's meeting. Don't go another year leaving potential debt uncollected.

To set up a federal-state partnership meeting with TOP, please contact David Burgess at (202) 874-7182 or via email at [StateOffsets@fms.treas.gov](mailto:StateOffsets@fms.treas.gov).

### TOP System Update

On Dec. 16, 2013, the Bureau of the Fiscal Service notified users that the new TOP system began parallel processing on Oct. 28, 2013. We continue to evaluate the new system to ensure that it can accurately manage processing volume and yield comparable results to the current system. Until notified otherwise, TOP users should continue to use the current Web Client. Additional training for the updated TOP Web Client will be provided in 2014.



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Please watch for a separate email announcement coming with these important dates and times.



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

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# Fiscal Service, Department of Labor and IRS Recognize the Success of UIC through Multi-Agency Efforts



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On Nov. 13, 2013, the Treasury Offset Program (TOP) hosted a recognition ceremony for officials from the Department of Labor (DoL), Office of Unemployment Insurance; the Internal Revenue Service (IRS), Office of Safeguards; and TOP staff to acknowledge the successful roll-out of the TOP Unemployment Insurance Compensation (UIC) program to the states.

The UIC program was implemented as part of DoL's strategy to help states address Unemployment Insurance (UI) improper payments. DoL announced a call to action on June 10, 2011, to all states to ensure that payment integrity remains a top priority and to foster the development of state specific strategies to prevent improper payments. This call to action reinforced that "everyone owns integrity" across the UI system and provided the expectation that states continuously assess their root causes of improper payments and implement state-specific action plans to reduce their rates. Much needed funds recovered through the UIC program are returned to the UI Trust Fund to pay benefits to unemployed individuals who looking for work.

The TOP UIC program began on Feb. 14, 2011, and as of Dec. 31, 2013, has cumulatively recovered more than \$489 million in delinquent UIC debts owed as a result of fraud or a person's failure to report earnings. The successful TOP debt collection program began with three states collecting \$25.9 million. In 2012, 17 states and the District of Columbia collected \$132.9 million, and by 2013, 37 states and the District of Columbia had collected \$326.2 million.

The Commissioner of the Fiscal Service, David A. Lebryk, presented opening remarks at the recognition ceremony discussing how the partnership between the Fiscal Service, DoL, and IRS on the TOP UIC program serves as a powerful example of how federal agencies working together can achieve meaningful results. Commissioner Lebryk stated that at the Fiscal Service we are continually looking for ways to recover revenues in the most effective and efficient ways, leveraging partnerships with federal and state agencies to find creative solutions that will provide better service to governments and the American people.

Commissioner Lebryk recognized each agency or bureau's contributions to this important UIC project.

1. The DoL issued policy guidance on how states could submit UIC debts to TOP for collection, coordinated state implementation with Fiscal Service, and provided grant funding for the states to develop the necessary systems.
2. The IRS served as the guide to preparation of IRS Safeguard Procedures Report for the states, issues federal tax refund payments, and processes injured spouse claims.
3. Within Fiscal Service, the Treasury Offset Division staff implemented the UIC program in TOP working directly with the states, overseeing TOP's operations, in close coordination with the Fiscal Service's Office of Chief Counsel and Legislative and Public Affairs staff.

For further information regarding TOP UIC, please contact Sheila Moss at 202-874-6937 or Becky Park at (202) 874-9451. Alternatively, you may email [stateoffsets@fms.treas.gov](mailto:stateoffsets@fms.treas.gov) for more information about any of our state programs.

TREASURY OFFSET PROGRAM



## Upcoming Speaking Engagements



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### 2014 FTA Compliance and Education Workshop

Representatives from the Treasury Offset Program will speak at the Federation of Tax Administrator's 2014 Compliance and Education Workshop. Feb. 26, 2014 in New Orleans, Louisiana.

For additional information regarding this workshop, please visit the Federation of Tax Administrators' website at [www.taxadmin.org/fta/meet](http://www.taxadmin.org/fta/meet).

### Know Your TOP Contacts

Have a TOP question? Now sure who to ask for assistance? Reach out to the appropriate TOP staff member below to find the answer you need.

#### TOP State Mailbox [StateOffsets@fms.treas.gov](mailto:StateOffsets@fms.treas.gov)

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**Becky Park (SIT, UIC)**  
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**Teri Hoehn (Outreach)**  
202-874-6694

[Teri.Hoehn@fiscal.treasury.gov](mailto:Teri.Hoehn@fiscal.treasury.gov)

# New Pilot Helps State Agencies to Resolve State-Owed Delinquent Debt Prior to Referral for Federal Offset



The Association of Government Accountants (AGA) and Treasury Offset Program (TOP) Work Group is conducting a pilot to help states resolve delinquent debts prior to their referral to TOP for offset.

## *How Does TOP Work?*

The U.S. Department of the Treasury, Bureau of the Fiscal Service (Fiscal Service) administers TOP, which is a centralized program that offsets federal and state payments to payees who owe delinquent debts to federal and state agencies. Payments are offset only after several steps are taken to ensure due process for the debtor. The authority for the Fiscal Service to operate TOP and to offset payments is governed by the Debt Collection Improvement Act of 1996 (DCIA) and other laws and Executive Order 13019.

## *Why Are We Doing the Pilot?*

Individuals, businesses, and states owe nontax debts to the federal government for various reasons. Examples of debts owed to the federal government can include grant overpayments, loans, overpayments on projects, and debts owed to Medicare. On occasion, an entity's indebtedness to the federal government will become delinquent.

After a nontax debt has been submitted for offset, TOP compares a payee's taxpayer identification number (TIN) and name with a debtor's TIN and name. If there is a match, the payee's payment is intercepted in the amount to the extent authorized by federal law. The intercepted payment is applied to the debtor's debt balance. Any remaining portion of the payment (after paying the debt) is disbursed to the payee.

A TIN identifies the debtor in the same way that it identifies the taxpayer for purposes of the Internal Revenue Code. Pursuant to regulations governing TOP, all subdivisions or organizations sharing a single TIN are responsible for all federal debts associated with that TIN. This means that if two state agencies or corporate divisions are using the same TIN when interacting with the federal government, TOP will offset any eligible payment to one of those entities to pay any eligible debt owed by one of those entities to the federal government. This is true, even in cases when, it is challenging for one state agency or corporate division to be aware of debts owed by another agency or division.

The purpose of this pilot is to assist states with awareness of their delinquent debts, which are owed to the federal government and to provide viable steps for state agencies to resolve these debts prior to submission to TOP, at which point another state agency payment (a grant or loan) may be intercepted to the detriment of the non-debtor agency.

## *How will the Pilot Work?*

The U.S. Department of Veterans Affairs (VA) -- Debt Management Center (DMC) and three states -- Arizona, Maryland, and Massachusetts -- agreed to participate in the pilot, which began in November 2013.

For each of the pilot states, the VA DMC provides an authorized representative with a spreadsheet of debts owed to VA. The debts are identified as being owed by a pilot state based on the state shared TIN associated with the debts. These debts are owed to VA because of overpayments of VA post – 9/11 GI Bill benefits to schools. The spreadsheet contains information to help states identify the state agency responsible for the debt.

The authorized state representative will use the monthly list of outstanding receivables provided by the VA DMC to coordinate with their state schools to reduce the number of debts aging to the point of TOP referral (120 days).

Once a delinquent debt has been identified by the authorized state representative, the state school or agency will work with VA DMC to resolve the delinquent debt in a timely manner, thereby preventing the debt's submission into TOP.

For more information about state debtors in TOP, please visit the Fiscal Service website at [www.fms.treas.gov/debt/TOP\\_state\\_debtors.html](http://www.fms.treas.gov/debt/TOP_state_debtors.html).



# State Profile: The District of Columbia

Chosen as the site of the United States Capitol in 1791 by President George Washington, the District of Columbia officially became the nation's capitol on June 11, 1800. The District of Columbia is located in the Mid-Atlantic region of the east coast of the United States between Maryland and Virginia. Established as a "federal" city, the city of Washington is not a state or part of any other state. The city has its own government to establish and enforce local laws, while the federal government oversees its operations.



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## Child Support

In 1982, the Internal Revenue Service (IRS) began the automated offset of tax refund payments to collection child support debts for states. In 1999, the Financial Management Service, now the Bureau of the Fiscal Service (Fiscal Service), merged the IRS's tax refund offset program with the Treasury Offset Program (TOP), bringing the District of Columbia and other participating states into TOP. In Fiscal Year (FY) 2013 (Oct. 1, 2012 – Sept. 31, 2013), the District of Columbia recovered \$4 million through 3,539 offsets.

## State Income Tax Program

The State Income Tax (SIT) Program began in 2000 with seven pilot states and has grown to include the participation of nearly every eligible state in the country with a state income tax.

The program allows the District of Columbia to recover delinquent state income tax debts through the offset of federal income tax refund payments. In FY 2013, the District of Columbia recovered \$6.7 million through 8,978 offsets. Although not a part of TOP, the Fiscal Service is appreciative of the District of Columbia's partnership with the Internal Revenue Service (IRS) in the State Income Tax Levy Program (SITLP), whereby the state intercepts state income tax refund payments to collect delinquent tax debts owed to the IRS.

## District of Columbia TOP Collection Totals in FY2013

Program	OFFSET COUNT	NET COLLECTION AMOUNT
Child Support	3,539	\$3,990,627.23
Income Tax	8,978	\$6,726,785.28
Unemployment Insurance	1,640	\$2,567,548.00
State Reciprocal Program	4,876	\$9,776,615.87
<b>Total</b>	<b>19,033</b>	<b>\$23,061,576.38</b>

## UIC Program

The District of Columbia joined the Unemployment Insurance Compensation (UIC) Program on April 12, 2012. This program allows the District of Columbia to recover UIC debts due to fraud or a person's failure to report earnings through the offset of federal income tax refund payments. In FY 2013, the District of Columbia recovered \$2.6 million through 1,640 offsets.



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## State Reciprocal Program

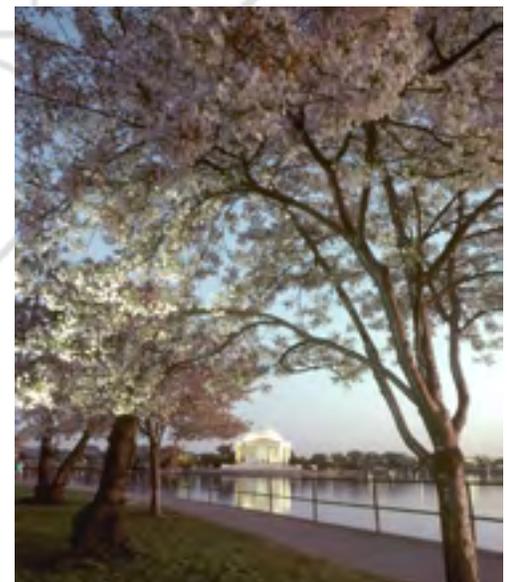
The District of Columbia's most recent partnership with TOP, the State Reciprocal Program (SRP) was implemented in March 2013 at a cost of \$400,000. The program provides the District of Columbia with the opportunity to recover delinquent state debts through the offset of federal vendor payments. In FY 2013, the District of Columbia recovered \$9.8 million through 4,876 offsets.

### The District of Columbia provides the following advice to state agencies preparing to implement the SRP:

- Identify the stakeholders within your agency that will be needed to implement this program
- Define your requirements early
- Limit the changes to the requirements during the implementation phase
- Manage the process very closely, especially during the late stages of development

## Debt Collected through SRP

- Individual Income Tax
- Corporate Income Tax
- Un-Incorporated Franchise Tax
- Sales and Use Tax
- Withholding Tax
- Personal Property Tax
- Motor Fuel Tax
- The District's Ballpark Fee
- Specialized Events and Specialized Sales



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# TOP Collection Updates

State Collections (10/01/2013 - 12/31/2013)

TREASURY OFFSET PROGRAM



## State Unemployment Insurance Compensation Program Collections

STATE NAME	OFFSET COUNT	NET COLLECTION AMOUNT
Alabama	119	\$66,113.92
Arizona	398	\$222,229.83
Arkansas	140	\$87,784.57
California	452	\$426,128.66
Colorado	45	\$40,842.80
Connecticut	104	\$47,484.62
Delaware	60	\$37,578.12
District of Columbia	17	\$6,138.91
Florida	113	\$85,931.91
Georgia	72	\$67,277.09
Hawaii	1	\$174.00
Idaho	8	\$12,126.85
Illinois	303	\$357,355.66
Iowa	4	\$8,590.39
Kentucky	61	\$56,730.29
Louisiana	76	\$65,325.26
Maryland	143	\$119,212.33
Michigan	50	\$76,115.82
Minnesota	109	\$143,481.07
Mississippi	204	\$94,026.04
Missouri	223	\$197,121.59
Nebraska	70	\$35,220.83
New Hampshire	22	\$16,795.01
New Jersey	332	\$449,051.46
New York	545	\$530,517.56
North Carolina	155	\$94,358.44
Oregon	40	\$84,282.41
Pennsylvania	98	\$133,498.80
South Carolina	78	\$86,676.99
South Dakota	7	\$2,928.80
Tennessee	186	\$125,676.48
Utah	97	\$108,947.12
Vermont	4	\$2,546.00
Washington	150	\$135,265.38
West Virginia	18	\$13,045.00
Wisconsin	177	\$152,205.74
<b>Total</b>	<b>4,681</b>	<b>\$4,188,785.75</b>

In partnership with the U.S. Department of Labor, TOP offsets federal tax refunds to payees who owe delinquent UIC debts due to fraud or a person's failure to report earnings.

As of Dec. 31, 2013, Hawaii, Iowa, and Ohio have joined TOP UIC, bringing the total number of states actively participating to 38 and the District of Columbia.

As of Dec. 31, 2013, New York has recovered the most funds at \$530,517.56; followed by New Jersey and California, which have recovered \$449,051.46 and \$426,128.66, respectively. The TOP UIC program has recovered a total of \$4.2 million as of Dec. 31, 2013.

These recoveries reflect only those federal income tax refunds made in the first quarter of the federal fiscal year, prior to the start of the tax season. Those that have not yet done so are encouraged to contact Fiscal Service to begin the implementation process.

For further information regarding TOP UIC, please contact Sheila Moss at 202-874-6937 or Becky Park at (202) 874-9451. Alternatively, you may email [stateoffsets@fms.treas.gov](mailto:stateoffsets@fms.treas.gov) for more information about any of our state programs.

## State Reciprocal Program Collections

STATE NAME	OFFSET COUNT	NET COLLECTION AMOUNT
District of Columbia	1,392	\$1,393,898.83
Kentucky	1,312	\$2,782,069.23
Maryland	1,129	\$1,510,017.03
Minnesota	383	\$448,615.82
New Jersey	860	\$1,211,968.07
New York	1,349	\$5,597,772.44
West Virginia	245	\$274,448.96
Wisconsin	437	\$782,282.86
<b>Total</b>	<b>7,107</b>	<b>\$14,001,073.24</b>

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.

As of Dec. 31, 2013, there are seven states participating in SRP, along with the District of Columbia. New York has achieved the most recovered funds through SRP in this fiscal year with total collections of \$5.6 million. Kentucky is second with \$2.8 million recovered during the same time.

If your state does not participate in SRP, TOP recommends you contact us today to learn more about how your state can achieve similar results.

For further information regarding SRP, please contact David Burgess at (202) 874-7182. Alternatively, you may email [stateoffsets@fms.treas.gov](mailto:stateoffsets@fms.treas.gov) for more information about any of our state programs.

## Top 5 State Income Tax Offset Collections

STATE NAME	OFFSET COUNT	NET COLLECTION AMOUNT
California	4,299	\$7,940,734.02
New York	4,044	\$5,027,680.47
Maryland	3,058	\$3,074,088.74
New Jersey	2,495	\$2,455,348.70
Ohio	1,435	\$1,742,196.66

TOP offsets federal tax refund payments to payees who owe delinquent state income tax obligations.

California has recovered the most funds through the State Income Tax program as of Dec. 31, 2013, with a recovery of \$7.9 million. New York has recovered the second most funds at just over \$5 million.

For further information regarding SIT, please contact Becky Park at (202) 874-9451. Alternatively, you may email [stateoffsets@fms.treas.gov](mailto:stateoffsets@fms.treas.gov) for more information about any of our state programs.

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

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