



Association of Indiana Counties Tax Refund Exchange and Compliance System (TRECS) Summary of Program

AIC's Local Government Debt Setoff Program

- Association of Indiana Counties' *TRECS* is a results-oriented process to help counties collect outstanding debts in a timely, cost-effective manner
- *TRECS* debt setoff allows counties to compile and submit their delinquencies for setoff against pending state personal income tax refunds
- Participating counties incur little if any additional collection cost other than debtor notification letters and any appeals costs arising therefrom—the debtor is charged the local collection assistance fee supporting program operations
- To lessen county work disruption, AIC engaged county staff expertise early on during program development to integrate its setoff services into existing financial county revenue billing and collection processes
- AIC has worked closely with the Indiana Department of Revenue to meet current state setoff requirements for data transmission, data security, and financial process standards
- Existing state debtor notification and appeals requirements ensure that county residents are accorded appropriate due process

Perspectives on Debt Setoff in Indiana

- Current code allows Indiana state agencies and local governments to submit debts of at least \$25 dollars against state personal tax refunds
- Statutory authority granting local government agencies to participate in the state's debt setoff program was granted in April 2017 through Senate Enrolled Act No. 515 and codified in IC 6-8.1-9.5
- The Indiana Department of Revenue (IDoR) has an agreement with the Association of Indiana Counties to function as the one clearinghouse entity to submit local government debts to IDoR
- Corporate, limited liability and partnership tax refunds are currently not eligible for intercept

Program Implementation

- AIC county treasurers confirmed that the workflow process would have to include a social security number look-up service as counties do not collect SSNs with property tax and other fees data
- The clearinghouse will offer an automated data export exchange between the county financial systems and the clearinghouse, with a similar back-end data import feature to update county financial records
- To ensure ease of implementation, AIC is working with the four primary tax software vendors in Indiana to generate the needed data stream with little county intervention and at little or no cost to counties
- IDoR shared its data file requirements with the clearinghouse, and a record layout and data dictionary structure incorporating state and clearinghouse data needs was developed to standardize data submission and receipt
- IDoR will provide a lump sum of monthly offsets to the clearinghouse for its disbursement to participating counties.

Initial Year

- In the initial year, 10 counties and the City of Indianapolis have signed Memorandum of Understanding Agreements with the Association of Indiana Counties. Over \$6 million dollars were collected in delinquent property taxes before files were sent to the Indiana Department of Revenue.

- 13,300+ debt records were submitted, reformatted and had data scrubbing techniques applied to eliminate ineligible records such as business-owned debt
- About 1,000 debts were matched by IDoR in the first 2 months of the first year.

Benefits Realized by Counties and the AIC

- Debtors end up paying for their share of direct or indirect services but avoid negative credit-rating impacts
- Compliant taxpayers benefit from higher collection rates for county taxes and fees, thereby mitigating the need for higher tax or fee rates to offset uncollectables
- AIC will regularly report the total setoff dollars received per county participant and help identify and share county best practices to maximize debt setoff receipts
- TRECS may provide an alternative method to collect property tax debts, which if successful, avoids tax sale of the property

The AIC Clearinghouse Process

