AIC TRECS Debt Setoff Clearinghouse
Overview of Program Requirements

To:	**County Treasurers**
From:	**David Bottorff, AIC Executive Director**
Date:	**March 7, 2018**
Subject:	**TRECs AIC Local Government Debt Setoff Clearinghouse Program**
CC:	**Board of County Commissioners**

The Association of Indiana Counties was successful in having enacted legislation in 2017 that enables local government participation in the state's personal income tax debt setoff program. As of January 1, 2018, IC 6-8.1-9.5-1 of the Indiana Code defines units of local government that may participate in the program, including the following:

- *A county*
- *A city*
- *A town*
- *A township*
- *A political subdivision, commission, or agency created under Indiana law*
- *A school corporation*

The debt setoff program permits units of local government to submit any outstanding certified delinquent debt (totaling $25 or more) through a local government clearinghouse to the Indiana Department of Revenue, to attempt to match these debts against individual income tax refunds.

The clearinghouse is authorized to charge $20 to the amount of delinquent debt submitted by participating local governments and will be responsible for adding the $20. **Each delinquent debt that is successfully matched incurs the $20 collection assistance fee. This applies to individual debts of $25 or more, and to those combined debts to meet the $25 minimum. No clearinghouse charges accrue unless a successful tax refund setoff is made. Again, the clearinghouse will add the $20 to the amount of debt submitted by the participating local agency.** The Indiana Department of Revenue will charge the debtor an additional 15% of the amount of setoff.

An individual local agency may combine debts under a single debtor in order to meet the $25 minimum. The local agency must furnish the full name and last known address of each debtor.

The AIC has contracted with the National Association of Counties Financial Services Center (NACo FSC) to perform the back-office functions of the debt setoff program. NACo FSC processes and submits the consolidated debts to the Indiana Department of Revenue, and has established an Interactive Voice Response system to receive telephone calls from taxpayers who have had their refunds withheld, in whole or in part. The AIC, working with NACo FSC, will also submit successful match information back to the participating local agencies. The AIC has put on their website information and documents for participation.

In order to participate in the program, each unit of local government should become familiar with Indiana Code IC 6-8.1-9.5 and must attest to comply with the requirements therein. After the clearinghouse is notified by IDoR that a refund is due a debtor, the clearinghouse will work with the claimant agency to inform the debtor that the refund will be intercepted pursuant to IC 6-8.1-9.5-5. The debtor has 30 days to contest the intercept. Following the 30 days contest period, the clearinghouse will confirm the debt amount with IDoR.

AIC TRECs Debt Setoff Clearinghouse Program and Match Guidelines highlights include:

- Counties, cities, towns, townships, political subdivisions, commissions, or agencies created under Indiana law may participate in the AIC Tax Refund Exchange and Compliance system local government debt setoff clearinghouse program

- The unit of local government may submit debts of at least $25 each individually by debtor name and last known address to the clearinghouse. Smaller debts less than $25 can be combined to meet the $25 threshold

- Debts must be submitted in the format and media required by AIC TRECs; please see the *File Layout* requirements

- Per state law, priorities for refunds will be determined when the debt is initially submitted to the program. Please note that state agencies have priority over local agencies for collection by setoff

- Existing submitted debts may be adjusted to reflect subsequent debtor payments but will retain the original priority order, but not a later submitted new debt, even if for the same debtor

- Successful matches against a debtor refund will be credited to the first local agency submitting the debt

- Should the individual debtor's refund exceed the first local agency's total debt and another local agency has submitted other debt(s) owed by the same debtor, the debtor's remaining refund will be reduced by the amount of the second local agency's debt. This procedure shall continue through the priority of debtors should there be sufficient refund due the debtor

- Each delinquent debt successfully intercepted will incur the $20 collection assistance fee and the 15% IDoR setoff charge

For local agencies wishing to participate, please see the *Memorandum of Understanding with the AIC Tax Refund Exchange and Compliance system,* for your execution. Please also complete the *Registration/Participation Form* that requires the designation of a TRECs' local government contact (see AIC website). Please return an original executed copy of the Agreement and the registration/participation form to jclements@indianacounties.org. Please see the *Talking Points for Board Consideration* that may be used for your governing board to authorize your county's (or other unit of local government's) participation in the Program.

Please see the following documents:

- Memorandum of Understanding and Agreement, AIC's Tax-Refund Exchange and Compliance system
- File Layout
- Registration/Participation Form
- Talking Points for Adoption by Board of County Commissioners or governing body
- Frequently Asked Questions and Answers

The Association of Indiana Counties is pleased to provide this service to their local government partners. We believe it will prove useful as a method of debt collection. If you have any questions, please contact:

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