

# Treasury Offset Program



## Update On TOP Programs and Initiatives



# Treasury Offset Program

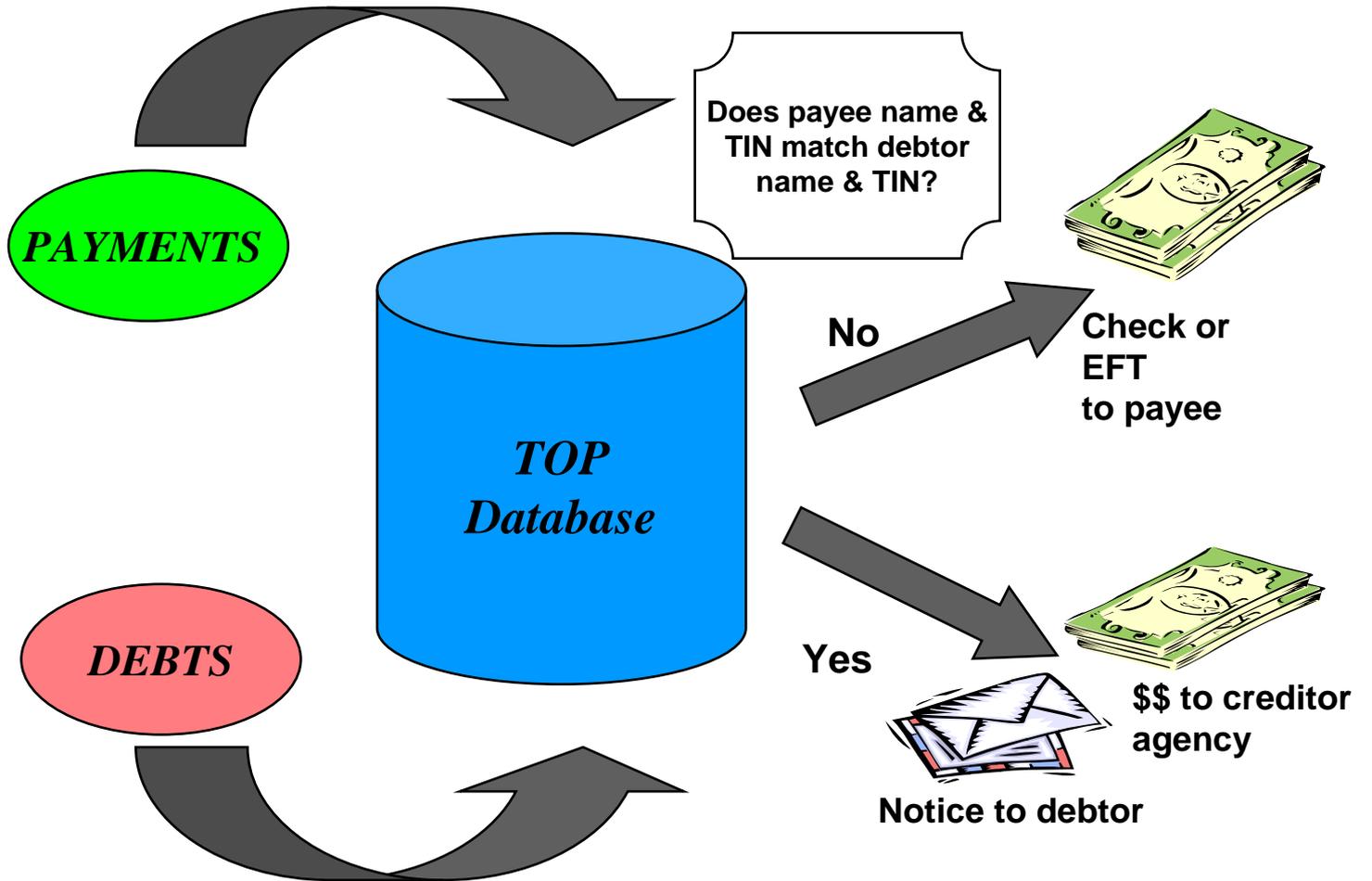
TOP is a centralized offset process that intercepts Federal and State payments of payees who owe delinquent debts to Federal agencies and States that have submitted their debt information to FMS.

An Offset is withholding funds payable by the United States to a person to satisfy a debt owed to the United States or to a state.

Centralized Offset is the offset of payments disbursed by FMS and other Federal disbursing agencies through TOP.



# The TOP Process



# Is Offset Mandatory?

**YES!**

- Debts delinquent more than 180 days must be sent to FMS for **centralized** offset
- Agencies are required to notify Treasury of delinquent debts, and disbursing officials are required to offset payments
- Types of payments which may be offset:
  - Tax refunds, salary, military and civilian retirement pay, contractor payments, tax overpayments, benefit payments, travel reimbursement, other Federal payments and State payments.



# TOP PROGRAMS

TREASURY OFFSET PROGRAM



# TOP - Payments

- **Tax refund** payments may be offset up to 100%
- **Vendor** payments and **Federal employee travel advances & travel reimbursements** may be offset up to 100%
- **Salary** payments limited to 15% of disposable pay, except when collecting child support (limit increases to 50-65%)
- **OPM retirement** payments limited to 25%
- **Social Security** and **Railroad Retirement** payments limited to 15%
- **State payments** may be offset up to 100%
- **Benefit payments** may be offset up to 15% on payments over \$750.

# NTDO Vendor Offset Program

- Implemented in December 2002
- Not a real time process
- Potential to over collect the debt
- Participating Payment Agencies
  - ✓ U.S. Postal Service
  - ✓ DFAS-Defense Finance and Accounting Service
  - ✓ CMS-Centers for Medicare and Medicaid Services
  - ✓ Army Corps of Engineers

# State Income Tax Program

- States can refer delinquent income tax debts to TOP for offset against Federal tax refund payments only
- Currently 40 states and the District of Columbia participate in the program
- Special requirements for tax refund offset to collect state income tax obligations (26 U.S.C. 6402(e)):
  - ✓ States must send 60-day notice to debtors by *certified mail, return receipt requested*
  - ✓ Taxpayers must reside in the state to which the tax obligation is owed (based on address on Federal tax return for year of refund)

# State Reciprocal Program

- States will refer debts to TOP for offsets against Federal vendor payments and state payments will be matched against Federal non-tax debts
- Rule on Administration Offset Under Reciprocal Agreements with States (31 CFR 285.6)
- States must enter into an agreement with FMS
- Participating Payment Agencies:
  - ✓ Kentucky
  - ✓ Maryland
  - ✓ New Jersey
  - ✓ New York
  - ✓ Wisconsin

# Unemployment Insurance Compensation Debts

- In 2011, TOP expanded to collect Unemployment Compensation (UIC) debts for states against tax refund payments.
- Allowed states to recover overpayments, uncollected contributions, and associated penalties/interest if the UIC debt is due to failure to report earnings or delinquent contributions.
- On February 14, 2011, FMS began accepting the referral of unemployment compensation debt from states.
- As of the end of February 2012, eight states are participating with more than \$104 million in tax refund offsets collected.



# TOP INITIATIVES

TREASURY OFFSET PROGRAM



Department of the Treasury  
Financial Management Service *fms*

# TOP Partial Matches

- A partial match occurs when a match takes place based on the debtor's TIN or EIN, but not on the Name.
- FMS began providing agencies/states with edited Partial Match information in 2009.
- FMS began a pilot program for OCSE (child support) debt and FMS Cross-Serving debt.
- Rolled out program to 27 agencies in 2011.
- As of 02/21/12, this process has resulted in the collection of an additional \$26.2 million.

# Business Analytics

*Analytics* has been defined as “the extensive use of data, statistical and quantitative analysis, explanatory and predictive models, and fact-based management to drive decisions and actions.” (Davenport and Harris, *Competing on Analytics*, 2007)

## **Analytics Finds many Forms**

- Customer Relationship Management – who are our best customers
- Strategy – business intelligence, new markets in hidden data
- Social Media – unstructured data
- Call Center – trending calls for staffing levels
- Business Process Management – cost drivers
- Human Resources – talent retention and predictive training needs

# TOP: Next Generation

DMS is building a system that will replace the current Treasury Offset Program (TOP) system.

Why?

- TOP is a prototype that evolved over the years through patches.

The goal of this project is to increase TOP collections by enabling:

- Increases in payment streams
- Increases in debt volume
- Matching effectiveness

# PAM

## LEGACY SYSTEM

- Stacked File to TOP
- Copy to TOP and TCS
- Many formats to TOP
- Many ONI formats

## PAM

- Schedule to TOP
- Copy to TOP only
- Standard format to TOP
- Standard ONI formats

- Currently, Vendor Payments to TOP are PAM Compliant
- SSA Payments will be compliant this year
- Other Payments to follow

# TDO & NTDO Payments Process

Treasury is working with all Federal agencies to ensure payments are run through TOP.

## TDO

- Federal agencies submit payment files to Treasury.
- Payment files must indicate **YES** for TOP.
- Only exemption cases can indicate **NO** for TOP.

## NTDO

- Agencies submit extract payment file to Treasury.

# TDO & NTDO Payments

## Legal Authority

- The Debt Collection Improvement Act of 1996.

## Recommendations

- Federal agencies break-out payments by ALC.
- Federal agencies must ensure all payment files include valid TIN's and EIN's.

# TOP In the News

- In 2011, FMS siphoned off \$574.50 million in federal income tax refunds to offset state income tax delinquencies.
  - ~ TaxExPRESS Weekly Newsletter (February 6, 2012)
- \$7.4 million in unemployment fraud recouped in seven days
  - ~ WLBT, Jacksonville (February 14, 2012)
- States Slow to Recoup Billions in Improper Unemployment Payments
  - ~ ABC News (March 9, 2012)

# Questions?

