CHAPTER 10

FEDERAL TAX REFUND OFFSET PROGRAM PROCEDURES

10.0 OVERVIEW

The Deficit Reduction Act of 1984, PL 98-369, 31 U.S.C. 3720A allows a Federal Agency to request the Internal Revenue Service (IRS) to withhold the amount of any legally enforceable debts from an individual's income tax refund and to forward the withheld amount to that Agency.

The IRS Tax Refund Offset shall be used only after the Branch has:

- attempted collection using other available tools and techniques.
- notified the debtor sixty (60) days in advance of its plans to refer the delinquent account to the IRS for tax refund offset and advised him/her of his/her due process rights; and
- obtained permission through the Office of Financial Management and from the IRS to participate in the Federal Tax Refund Offset (FTRO) Program.

The Federal Tax Refund Offset (FTRO) Program is a phased undertaking that is completed within an annual cycle. It requires a new referral of delinquent debts each year. Each year referrals must be done in accordance with the current laws governing participation in the program.

The Finance Section is responsible for the FTRO Program. The FTRO Program is implemented in two (2) major phases; pre-offset and offset. During the pre-offset phase, the Finance Section identifies debts that meet the criteria for offset, matches qualified cases with the IRS, and notifies debtors of our intent to refer the debt to the IRS for offset.

During the offset phase, the Finance Section certifies and provides a final listing of debts to be offset by the IRS and responds to debtor inquiries. The IRS offsets prospective tax refunds and initiates transfer of collected funds to OSRME.

10.1 DEVELOP IMPLEMENTATION PLAN

Program requirements for the current year are obtained from the Department. The Finance Section reviews the requirements and develops a schedule and specific milestone events which define the pre-offset phase.

10.2 BUILD DELINQUENT DEBTORS FILE

Use the following criteria to determine which accounts will be eligible for tax refund offset collection efforts.

(1) The debt:

- o must exceed $25.00;
- o is owed by an unincorporated body;
- o falls within the statute of limitations period prescribed in the Departmental Administration Memorandum;
- o is not protected by either a bankruptcy filing or discharge; and,
- o has not been written off and subsequently reported to the IRS as income to the debtor on form 1099G.

(2) The debtor's Taxpayer Identification Number (i.e., Social Security Number) is available to BCPC.

Request the Branch of Data Management to generate a report listing of debtors who meet the criteria outlined above. This report, called the Taxpayer Identification Number Report (TINR), must list:

(1) the debtor's name and corresponding association, if any;

(2) the debtor's social security number;

(3) the debtor's current address; and

(4) the amount of the debt.

Check each record on the Taxpayer Identification Number Report to ensure:

- o the information in the debtor's name, social security number and address fields are correct;
- o the debt is valid and enforceable (check for bankruptcy and statute of limitations);
- o the TINR contains no debtor whose business was incorporated.

10.3 OBTAIN IRS VALIDATION

Transmit the quality assured TINR to the IRS to allow the IRS to validate the debtor name and social security number. The IRS will produce the following reports:

(a) Non Title 1 Defaulted Loans IRS Address Requests. This report lists TINR records which match IRS records for name and Social Security Number.

(b) Non Title 1 Defaulted Loans IRS Annual No Match Tape Report. This report lists TINR records which do not match IRS records for name and/or Social Security Number. It shows the TINR data that was entered into the IRS system.

Use the IRS Annual No Match Tape Report to prepare a list of unmatched records. Research reasons for the unmatched condition. Document findings.

Prepare another TINR file of corrected records to submit correction of data contained in a field. Obtain the Section Chief's approval and send the updated TINR to the IRS (see Exhibit 10-1).

10.4 NOTIFY DEBTORS OF INTENT TO REFER FOR TAX REFUND OFFSET

Obtain the Department of the Interior Federal Tax Refund Offset Program Notice of Intent to delinquent debtors and amend it to address civil penalty collections.

Prepare and issue individual debtor Notices of Intent for each record that matched IRS records in the Non Title 1 Defaulted Loans IRS Address Report.

10.5 REFER ACCOUNTS TO THE IRS

Prepare an Offset Referral Listing of those debtors which meet the criteria for referral and have been issued the Notice of Intent. The Offset Referral Listing must meet the IRS format requirement (see Exhibit 10-2).

Prepare a certification memorandum to transmit the Offset Referral Listing to the IRS. This certification memorandum must affirm that:

- the debts contained on the spreadsheet are delinquent;
- the debts are legally enforceable;
- the debtors were notified;
- in instances where notification was not delivered to the individual responsible for the debt, the Branch has made a reasonable attempt to notify the debtor; and
- the Branch accepts full responsibility for complying with the requirement of 31 U.S.C. 3720A and Treasury Regulation 301.64026T relating to the eligibility of debts for submission to the IRS for refund offset.

Transmit the certification memorandum and the Offset Referral Listing to IRS.

10.6 IRS PROCESSING

The IRS compiles the certified debtor records of all participating Agencies and matches these against the IRS Individual Master File (IMF) of Taxpayers. These records are merged to form the Debtors Master File (DMF) and to place a "flag" on those accounts with a match between the DMF and IMF. Thus where an individual is due a refund, and that individual has no tax liability or delinquent child support payments, the DMF ensures that the individual tax refund will be withheld. The IRS advises the taxpayer that his/her tax refund has been withheld to be applied to a past due obligation.

The IRS consolidates all amounts withheld for one Agency and transfers those sums with an interagency transfer, SF 1081, to the Agency that initiated the request to withhold the tax refund for offset purposes.

10.7 PROCESS OFFSETS AND ACCOUNT UPDATES

Receive Tax Refund Offset Advisories from the IRS which list the amounts collected from each debtor and process the SF 1081 collection according to standard Branch procedures.

Advise the debtor that the debt was offset, according to standard Branch procedures.

Update the offset referral listing when any one of the following occurs:

- the debt is repaid in full;
- the debtor concludes a voluntary payment plan;
- the debtor provides documentation that he/she is in bankruptcy and is protected by an automatic stay; or
- the debtor provides documentation showing that the debts were incurred by a corporation, or that he/she is otherwise not liable for the debt.

The Section Chief shall assure that CMIS is appropriately updated. If CMIS is updated prior to submitting the Offset Referral Listing to the IRS, no further action will be necessary. However, if the update occurs after the Offset Referral Listing has been transmitted to the IRS, the Section Chief shall request the IRS to either delete or reduce the debt from the IRS's Debtor Master File (see Exhibit 10-1).

EXHIBIT NO: 10-1

OSMRE TAX REFUND/ OFFSET PROJECT.
UPDATE 01: 3 REQUESTS.
11/25/88.

R.01: DELETE:

Please delete the following records from OSMRE Tax Refund/ Offset file:

Agency Code	Sub Agency Code	Name Control	Social Security Number	Last Name	First Name	Middle Initial
07	DD	ROGE	0403364716	Rogers	K	C
07	DD	ROGE	0406802132	Rogers	Lester	
07	DD	ROGE	0400788166	Wayne		

R.02: PROVIDE CURRENT ADDRESS:

The IRS No Match Tape identified record 07 DD HEND 0381528759 as matched. However, no current address was supplied for that matching. Please provide same.

R.03: UPDATE AND PROVIDE CURRENT ADDRESS:

Please update the social security number field for the following records, obtain a match and provide us with the current address. In each case one digit was substituted at data entry. The incorrect social security number is listed above the correct one.

Agency Code	Sub Agency Code	Name Control	Social Security Number	Last Name	First Name	Middle Initial
07	DD	UTTE	0545329849 0545629849	Utter	R	J
07	DD	BARN	0461189004 0462189004	Barnwell	J	S

OGC 1989 DEBTOR FILE
Sample for IRS

	(1) Agency Code	(2) Sub Agency Code	(3) Sub Agency Priority	(4) Name Control	(5) Social Security Number	(6) Last Name	(7) First Name	(8) Amount Owed	(9) Agency	(10) Local Code	(11) Agency No.	(12) Filler	(13) Delinquent Date	(14) Judgement Debt Indicator	(15) Reserved	(16) Filler
(1)																
(2)																
(3)																
(4)																
(5)																
(6)																
(7)																
(8)																
(9)																
(10)																
(11)																
(12)																
(13)																
(14)																

EXHIBIT 10-2

CHAPTER 11

CREDIT BUREAU REPORTING

11.0 PURPOSE

The primary purpose of credit bureau reporting is to share information on delinquent accounts with credit reporting agencies and thereby encourage payment on outstanding civil penalty accounts.

11.1 PROCEDURES

Credit Bureau Reporting will be done on a quarterly basis. The Finance Section will have overall responsibility for this program. It will initiate the process by formally requesting the Branch of Data Management to produce a delinquent accounts file on magnetic tape and on paper. It will transmit the delinquent accounts file on magnetic tape to the Credit Reporting Agency (CRA) and retain the paper version of that file for reference.

11.2 IDENTIFY ELIGIBLE ACCOUNTS

A Civil Penalty account is eligible for referral to a Credit Reporting Agency when the amount due becomes delinquent. An account achieves that status when it remains unpaid for thirty-one (31) or more days past the Final Order date.

Use the following five (5) criteria to determine which delinquent accounts will be reported:

- The debt must exceed $100.00.
- The age of the debt must fall within the statute of limitations period.
- The debt must not be protected by either an automatic stay of execution following a bankruptcy filing or a discharge obtained from a bankruptcy proceeding.
- The debt must not have been written off and subsequently reported to the Internal Revenue Service (IRS) as income to the debtor on IRS form 1099G.
- Final Demand letter must have been issued to the debtor. This letter serves to provide notice to the debtor.

11.3 REQUEST LISTING OF DELINQUENT ACCOUNTS

Request the Branch of Data Management to produce a listing of delinquent accounts according to the eligibility criteria outlined in 2.1 on a magnetic tape and on paper. The magnetic tape must contain the data elements shown in Exhibit 11-1. The printout must show the data elements shown in Exhibit 11-2.

11.4 TRANSMIT MAGNETIC TAPE TO CREDIT REPORTING AGENCY

Prepare a letter to transmit the delinquent accounts magnetic tape file to the Credit Reporting Agency.

11.5 RESPOND TO DEBTORS INQUIRIES

The printout listing of delinquent accounts is used as a reference to respond to debtor inquiries. (See Exhibit 11-3).

- o Determine the nature of the query or challenge. Use the printout listing of the delinquent accounts file and document findings.
- o Obtain the Section Chief's approval of any necessary adjustment to the printout listing of the delinquent accounts file.
- o Transmit any approved changes for data entry to the Collection Management Information System (CMIS) according to Branch procedures.
- o Notify debtor of any action taken.

11.6 PERFORM UPDATES

Three (3) types of updates are envisaged and will be implemented.

11.6.1 Record Errors

In instances where an internal review, debtor inquiry or challenge has revealed an error in CMIS and case records, the Section Chief shall authorize an immediate adjustment to be made to the hard copy of the Branch's delinquent accounts file and to CMIS.

If the error is considered significant, immediately advise the Credit Reporting Agency. If not, the adjustment will be made through the quarterly update process.

11.6.2 Quarterly Updates

Each quarter request the Branch of Data Management to generate a new account file on magnetic tape and in a printout report. The Collection Specialist will compare the previous printout to the new printout and assure that all updates have been processed. Discrepancies will be researched and corrected. Generate a corrected magnetic tape file and printout report as necessary.

The Finance Section will transmit the magnetic tape version of this file to the CRA. The CRA will use the new delinquent accounts file to replace the previous delinquent accounts file.

11.6.3 Procedural Updates

Before each quarterly update is done, the Finance Section will review the governing laws and current operating procedures to ascertain what new changes need to be implemented in order to maintain the efficiency and integrity of the Credit Bureau Reporting Program.

The format of each record on the magnetic tape is as follows:

001 - 040	A/N	Name of Debtor	(Company Name)
041 - 050	A/N	Tax Identification Number	(Blank)
051 - 090	A/N	Address	(Company Street)
091 - 110	A/N	City	(Company City)
111 - 112	A/N	State	(Company State)
113 - 121	A/N	Zip Code	(Company Zip)
122 - 127	N	Date of Report	(Run Date MMDDYY)
128 - 142	A/N	Account Number	(Citation Number)
143 - 145	A	Federal Agency	(From Treasury)
146 - 149	A/N	Program Code	(From Treasury)
150 - 151	A	Status	(Blank)
152 - 163	N	Current Balance	(Amount Owed)
164 - 175	N	Current Amount Due	(Amount Owed)
176 - 177	A	Type of Debt	("PN")
178 - 185	N	Date Debt Established	(FO Date MMDDYY)
186 - 191	N	Date of Occurrence	(FO Date + 30)

The hard copy report which is needed for answering questions and for debtor inspection should be:

1. Entitled: OSMRE DELINQUENT DEBTORS
CREDIT BUREAU REPORTING
(DATA)

2. Sorted: Alphabetically using the Field: Name of Debtor
3. Comprised of the following fields and summary:

Field Sequence	Field Name	
01	Name of Debtor	(Company Name)
02	Tax Identifiction Number	(If Available)
03	Address	(Company Address)
04	City	(Company City)
05	State	(Company State)
06	Zip Code	(Company Zip Code)
07	COIN	(Company Index Number)
08	Citation Number	
09	Date NOPA issued for each citation	
10	Final Order Date for each citation	
11	Total Civil Penalty for each citation	
12	Total Civil Penalty for each Company Index Number	
13	Date of Occurrence (Date Debt became Delinquent)	

SUMMARY

01	Total Number of Debtors: a: Company b: Citation
02	Total value of Debt reported.

EXHIBIT NO: ----.

DATE PREPARED: 02/17/89
REPORT NUMBER: CRA

DEPARTMENT OF THE INTERIOR / OFFICE OF SURFACE MINING
COLLECTION MANAGEMENT INFORMATION SYSTEM (CMIS)
OSMRE DELINQUENT DEBTORS
CREDIT BUREAU REPORTING

FILE DATE: 02/10/89

COIN	COMPANY NAME	CITATION NUMBER	COMPANY ADDRESS / NOPA ISSUE DT	FINAL ORDER DATE	CITY / AMOUNT OWED	STATE ZIP / DATE OF OCCURRENCE
4507.00	A + B COAL CO		POB 142 BONNIE BLUE RD		ST CHARLES	VA 24282
		C85-13-285-1		01/09/86	$3,500.00	02/08/86
	TOTAL AMOUNT OWED FOR THIS COMPANY :		$3,500.00			
1936.00	A + B COAL CO INC		POB 442		GRUNDY	VA 24614
		N79-1-43-37		06/24/82	$600 00	07/24/82
	TOTAL AMOUNT OWED FOR THIS COMPANY :		$600.00			
3374.00	A + D COAL CO % ANN LONGMIRE GREEN		407 NORTH 11TH ST		LAFOLLETTE	TN 37766
		C80-2-43-6	02/29/84	06/03/85	$112,500.00	07/03/85
		C84-91-168-3	01/08/85	03/19/85	$22,500.00	04/18/85
		C85-91-87-6	03/21/85	05/14/85	$22,500.00	06/13/85
		N80-2-43-49		06/03/85	$5,700.00	07/03/85
		N84-91-168-5		05/15/85	$1,100.00	06/14/85
		N84-91-34-7		03/19/85	$1,100.00	04/18/85
	TOTAL AMOUNT OWED FOR THIS COMPANY :		$165,400.00			
1150.00	A + H COAL CO INC		584 S PIKE ST		SHINNSTON	WV 26431
		C80-1-42-5	10/30/80	07/22/83	$45,000.00	08/21/83
		N80-1-42-23		07/22/83	$1,200.00	08/21/83
	TOTAL AMOUNT OWED FOR THIS COMPANY :		$46,200.00			
1697.00	A + K COAL CO				ISOM	KY 41848
		N200960		12/29/79	$1,600 00	01/28/80
		C79-2-47-1		12/19/79	$2,900.00	01/18/80
	TOTAL AMOUNT OWED FOR THIS COMPANY :		$4,500.00			
3218.00	A + M COMMODITIES INC		500 MAIN ST STRAND BLDG STE B1		SHARPSBURG	PA 15215
		C80-1-31-1		06/13/83	$22,500.00	07/13/83
		N80-1-31-12		05/19/82	$2,040.00	06/18/82
		N82-1-31-4		10/17/83	$4,900.00	11/16/83

EXHIBIT 11-3

SUMMARY OF COMMENTS

COLLECTION PROCEDURES MANUAL

Six types of comments were received on the Collection Procedures Manual:

1. Comments on Policy

   The only comment of a policy nature concerned the Conference Officer Program, which is briefly described in the second chapter of the Manual. The issue was whether conference officers could reduce penalties on citations when abatement has not been performed. It was resolved that conference officers could not reduce penalties when abatement has not been performed. The Manual reflects this policy.

   The Conference Officer Program is covered in significantly more detail in the Conference Officer Operations Manual.

2. Comments on Scope

   Several suggestions were made to expand the scope of the Manual. Most of the subjects that were suggested are covered in other directives and guidelines, or were not within the scope of the Branch of Civil Penalty Collections.

   One comment was made suggesting that the Manual include an explanation of the Parker Order and the current Parker Order Compliance project. We incorporated Parker Order collection standards in the net worth determination decision criteria in the Manual. However, because we anticipate that the current compliance project is a short term project, we did not describe it in the Manual.

3. Comments on the Format

   There were two comments on the overall format of the Manual. One comment suggested that the payment processing chapters be put last. However, the current sequence of the chapters approximates the actual processing flow, so no change was made.

   A second comment suggested restructuring the Manual. However, the Branch of Civil Penalty Collections believes that the chapter format of the Manual is more appropriate for the intended use. Therefore, we did not revise the format of the Manual.

4. Comments of a Factual Nature, and

5. Comments of a Clarifying Nature

   The majority of the comments were of these two types. The comments either provided new information and corrections, or indicated a need to clarify parts of the Manual. These types of comments were incorporated throughout the Manual.

There were also several suggestions that new topics be added to the Manual. Additional chapters were added for the IRS Tax Refund Offset Program and Credit Bureau Reporting. We expect to periodically revise and update the Manual and will add new topics in additional chapters.

6. Editorial

A number of editorial comments were also received, particularly on the style of the draft Manual. Significant revisions were made to change the gManual from a passive to active style and to delete redundancies. The Manual is now more readable and action oriented.