

CalTRECS Debt Offset FAQ's

1. What is the CalTRECS debt Offset program?

The California State Association of Counties Finance-Corporation's TRECS program allows any local government to submit unpaid debts through the CalTRECS clearinghouse to the Franchise Tax Board to match the debtor's name and social security number against those taxpayers due a personal income tax refund. If a match is found between the debtor and the debtor's personal income tax refund, the Franchise Tax Board offsets the refund for repayment of the debt. The state's debt offset program has been used successfully for years, the CalTRECS clearinghouse aims to further streamline and create greater efficiencies in the process through consolidation.

2. What authorizes counties to participate in the Franchise Tax Board's personal income tax debt offset program?

3. California Government Code 12419.2 - 12419.12, (the "Code"), authorizes the California State Controller (SCO), in conjunction with the California Franchise Tax Board ("FTB"), to offset any eligible amount due a city, county or special district tax refunds to satisfy, in whole or in part.

4. How does a county sign up to participate?

Each county obtains approval to participate in the state's offset program through completion of forms FTB 2280PC and FTB 2282PC. Upon approval, the county designates the CalTRECS clearinghouse as their agent through the Vendor Form FTB 7904. Counties then must execute the MoU and participation form available on the CSAC-FC website and register for the program through the website. Please send executed documents to Jim Manker – jim@csacfc.org.

5. Is a local government required to notify the debtor in writing about their intent to submit debt(s) against their tax refund?

Counties must inform each debtor through a written notification letter sent to the debtor's last known address of its intent to submit the debt for collection through the state's offset program should the debt remain unpaid. Included in the letter is an explanation of the unpaid debt and the collection fees incurred if a successful offset is sought and made. Within 30 days of receipt of the county notification letter, debtors may pay the outstanding debt or contest the debt in writing by filing a protest and request for hearing with the local government.

If the debt remains unpaid or uncontested within the 30-days, the county submits the debt to the clearinghouse.

If a refund is due and payable, the clearinghouse will work with the county to notify the debtor in writing that a refund is being withheld and that the debtor has a second 30-day period to contest the debt.

6. Can a debt be submitted to the clearinghouse BEFORE the 30-day hearing request period has passed?

No. Only certified debt may be submitted to the clearinghouse.

7. Is there any cost for participation in the CalTRECS debt offset clearinghouse?

No. The program is free for counties to participate. However, the county is responsible for the initial debtor notification and the hearing process should there be a contestation.

8. Can or should a local government publicize its intent to participate in the CalTRECS debt offset program?

Yes, counties are encouraged to "get the word out" with press releases, websites or other means so local debtors will be aware of the potential that their tax refund may be setoff in the event of delinquent local government debts. If you would like a sample press release template, please email Jim Manker- jim@csacfc.org

9. What are some of the types of debts eligible for submission by local governments?

Property taxes, delinquent fines, bails, vehicle parking penalties, court-ordered payments, or other permitted debts. Local agencies are advised to seek legal counsel on determining what permitted debts are allowed. State statute authorizes the following:

1. Where the amount has been reduced to a judgment.
2. Where the amount is contained in an order of a court.
3. Where the amount is from a bench warrant for payment of any fine, penalty, or assessment.
4. Where the amount is delinquent unsecured property taxes on which a certificate lien has been filed for record in the office of the county recorder.

State statute also specifically allows intercepts for any amount overdue and unpaid for a fine, penalty, assessment, bail, vehicle parking penalty, or court-ordered reimbursement for court-related services.

10. How often can a local government entity send data files (debtors/debts) to the CalTRECS debt offset clearinghouse?

We send a new file everyday to keep as up-to-date as possible. Participating agencies are encouraged to refresh their files at least once a week.

11. Does a county need a debtor's social security number to submit debtors to the CalTRECS clearinghouse?

No, this is provided by CalTRECS.

12. Can a county submit debts for business owners?

Not at this time. There may be opportunities in the future for this.

13. What is the statutory order for debt satisfaction?

State law establishes the initial priorities for offsets if claimant agencies have two or more delinquent accounts for the same taxpayer, with child support, restitution fund, and employment development listed in order. Thereafter, the controller is authorized to set priorities, with state agencies having priority over local government claims. If there are multiple identical priority accounts, FTB directs funds to the account with the largest liability.

14. How will a county be able to reconcile the debts?

A file will be generated for easy upload into the county's existing software system.

15. How are debtors notified that their tax refund has been offset?

The debtor receives an official letter from the Franchise Tax Board listing the amount that was setoff for indebtedness to a local government and a toll-free number to call for information. Thereafter, a county will receive information from the clearinghouse on successful setoffs and the funds disbursement process.

For further questions, please reach out to Jim Manker, jim@csacfc.org ; 916.548.3280