



California State Association of Counties Finance Corporation Tax Refund Exchange and Compliance System (CalTRECS) Summary of Program

CSAC-FC's Local Government Debt Offset Program

- CSAC-FC's CalTRECS is a results-oriented process to help counties collect outstanding debts in a timely, cost-effective manner
- CalTRECS debt offset program allows local government agencies to compile and submit their delinquencies for offset against pending state personal income tax refunds and lottery proceeds
- Participating entities incur little if any additional collection costs other than debtor notification letters—the debtor is charged the local collection assistance fee supporting program operations
- To lessen local government work disruption, CSAC-FC has engaged county staff expertise early on during program development to integrate its setoff services into existing financial county revenue billing and collection processes
- CSAC-FC has worked closely with the California Franchise Tax Board (FTB) to meet current state offset requirements for data transmission, data security, and financial process standards
- Existing state debtor notification requirements ensure that county residents are accorded appropriate due process

Perspectives on Debt Offset in California

- Current statutory code allows California state agencies and local governments to submit debts of at least \$10 dollars against state personal tax refunds
- California Government Code 12419.2 - 12419.12, authorizes the California State Controller (SCO), in conjunction with the California Franchise Tax Board, to establish an offset program and to offer the program to a city, county or special district
- The CSAC-FC has worked closely with the Franchise Tax Board to be designated as a local government clearinghouse, acting as a service provider for local governments upon request
- Corporate, limited liability and partnership tax refunds are currently not eligible for intercept

Program Implementation

- California county treasurers confirmed that CalTRECS' workflow process should include a social security number look-up service as counties do not collect SSNs with property tax and other fees data. The Franchise Tax Board offers this service at \$6 per SSN but CSAC TRECS would include the lookup service as a part of its functionality.
- CalTRECS 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, CSAC-FC is working with primary tax software vendors in California to generate the needed data stream with little county intervention and at little or no cost to local government units

- FTB publicly shares its data file requirements online, and a CalTRECS record layout and data dictionary structure incorporating state and clearinghouse data needs was developed to standardize data submission and receipt

Benefits Realized by Local Governments

- Debtors end up paying for their share of county 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
- CSAC-FC will regularly report the total offset dollars received per local government participant and help identify and share best practices to maximize debt offset receipts

The CalTRECS Clearinghouse Process

