



## **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

