

TRECS

Tax Refund Exchange and Compliance System

The California State Association of
Counties Local Government Debt
Offset Clearinghouse



California State Association of
Counties Finance Corporation
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CSAC FC Local Government Clearinghouse Timeline

- 1. County sends to SCO and FTB all required documentation:**
 - a. Form 2282 – Initial Request to Participate (required 1 time)
 - b. Form 2280- Intent to Participate (required annually in September)
 - c. Form 7904- Vendor Confidentiality Agreement (submitted with Form 2280 annually)
- 2. County sends written pre-intercept notice to debtor to start 30-days appeals process**
 - a. Notice must be postmarked by October 1 to maximize intercept opportunities
 - b. Debtor has 30 days from agency notice to resolve or dispute debt
- 3. County creates delinquent file in required debt file format and uploads to clearinghouse site after 30 days from pre-intercept notice**
 - a. File to be submitted by November 1 to maximize intercept opportunities
 - b. County uploads an updated file to clearinghouse every week beginning Jan. 1 to reflect debt payments or other changes**
 - i. All original debt files must be included; debt repayments set to \$0
- 4. Clearinghouse validates file and submits for social security look up – November 8**
- 5. Clearinghouse submits initial consolidated file to FTB – December 1**
- 6. Clearinghouse submits refreshed file to FTB – January 15**
 - a. Clearinghouse refreshes file to FTB daily thereafter
- 7. FTB notifies clearinghouse of intercepts and requests State Controller to deposit offset moneys into county account**
- 8. Clearinghouse uploads county-specific detailed information of intercepts to the clearinghouse website**
- 9. FTB sends notice to taxpayer of offset action**



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

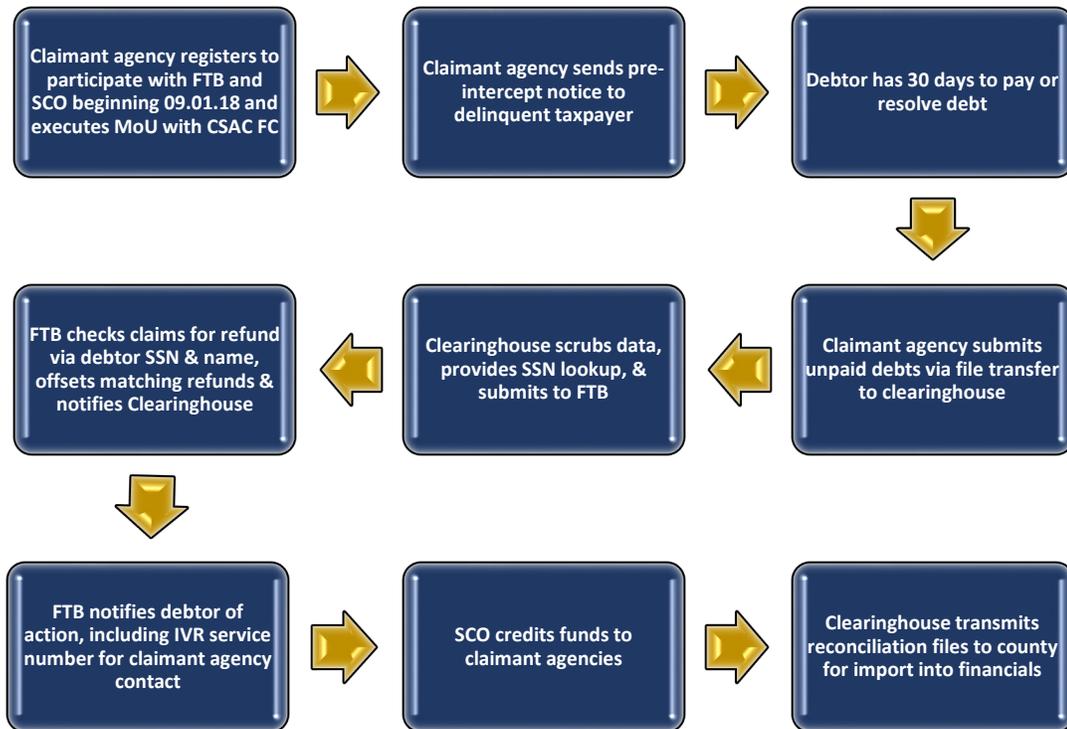
- California county treasurers confirmed that CalTRECS' workflow process should include a social security number look-up service as counties do not collect SSNs with property tax and other fees data. The Franchise Tax Board offers this service at \$6 per SSN but CSAC TRECS would include the lookup service 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





CalTRECS Debt Offset Clearinghouse Overview of Program Requirements

To: County Treasurers and Local Government Financial Officers
From: Alan Fernandes, CSAC Finance Corporation Director
Date: September 1, 2018
Subject: CalTRECS, CSAC FC's Local Government Debt Offset Clearinghouse Program
CC: Board of County Supervisors

The California State Association of Counties' Finance Corporation has launched a program to compile local government debts for processing through a centralized clearinghouse for potential offset against state personal income tax refunds and lottery winnings. CalTRECS builds upon the California Franchise Tax Board's Interagency Intercept program to increase local government efficiencies and revenue collections.

California Government Code 12419.8 defines the following local governments as eligible to participate in the program:

- *A county*
- *A city*
- *A special district*

The debt offset program permits the above local government agencies to submit any outstanding delinquent debt (totaling \$10 or more) if the debt is:

- *Where the amount has been reduced to a judgment.*
- *Where the amount is contained in an order of a court.*
- *Where the amount is from a bench warrant for payment of any fine, penalty, or assessment.*
- *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 pursuant to Section 2191.3 of the Revenue and Taxation Code;*

CSAC FC has contracted with the National Association of Counties Financial Services Corporation (NACo FSCorp) to perform the back-office functions of the debt offset program. FSCorp receives individual debt files from each participating local government, processes these files and provides a social security number lookup service and submits the compiled debts to the Franchise Tax Board. The FSCorp has established an Interactive Voice Response system to receive telephone calls from taxpayers who have had their refunds offset, in whole or in part—the IVR directs the debtor to the entity holding that debt. CSAC FC, working with NACo FSCorp, will also submit successful offset information back to the participating local agencies as their designated service provider. CSAC FC has put on their website information and documents for participation.

Participating counties are asked to impose a \$25 local collection assistance fee per debt, to be charged to the debtor, to support CalTRECS operations and processes. CalTRECS will be responsible for adding the \$25 to each debt. **Each delinquent debt that is successfully matched incurs the \$25 collection assistance fee. This applies to individual debts of \$10 or more, and to those combined debts to meet the \$10 minimum. No clearinghouse charges accrue unless a successful tax refund offset is made. Again, the clearinghouse will add the \$25 to the amount of debt submitted by the participating local agency. (This fee may need to be approved by the government agency's governing body.)** The Franchise Tax

Board charges an additional \$2 per each successful offset and their fee may also be charged to the debtor. To help with financial records processing, CalTRECS will add this amount to the debt total.

An individual local agency may combine debts under a single debtor in order to meet the \$10 minimum. The local agency must furnish the full name and last known address of each debtor.

In order to participate in the program, each unit of local government should become familiar with California Government Code 12419.2 - 12419.12 and the FTB's annual Interagency Intercept Collection Program Participation Guide. By way of a Memorandum of Understanding, each participating entity must attest to complying with the requirements therein.

State requirements oblige local agencies to send their debtors a pre-intercept notice before submitting their debts for offset. Pre-intercept notices must provide the Government Code Sections that authorize a local government agency to submit debts for intercept, provide the local government's contact information where the debtor can dispute the liability, and allow debtors 30 days to resolve or dispute the debts. To maximize collections potential, it is recommended that the pre-intercept notice be mailed by October 1st. Please see the available sample notification letter on the CSAC FC website.

Please note that no debt can be submitted to the clearinghouse until the entire notification and appeals process is completed for that debt.

CSAC FC's CalTRECS Debt Offset Clearinghouse Program and Match Guidelines highlights include:

- Counties, cities, and special districts under California law may participate in the state's Interagency Intercept program and may contract with the local government clearinghouse as a service provider
- Local governments may submit debts of at least \$10 each individually by debtor name and last known address to the clearinghouse. Smaller debts less than \$10 can be combined to meet the \$10 threshold
- Debts must be submitted in the format and media required by CalTRECS; please see the *File Layout* requirements
- Per state law, priorities for multiple claims against the same refund are set according to the account hierarchy below (Government Code Section 12419.3):
 - Child or family support enforced by an agency or court.
 - Spousal support enforced by an agency or court.
 - Victims Compensation and Government Claims Board agency.
 - Internal Revenue Service (Effective January 1, 2015).
 - Employment Development Department benefit overpayments
 - SCO determines the priority of all other account types.
 - If there are multiple identical priority accounts, then FTB directs funds to the account with the largest liability.
- Each delinquent debt successfully intercepted will incur the \$25 local collection assistance fee and the \$2 FTB offset charge

For local agencies wishing to participate, please see the *Memorandum of Understanding with the CSAC FC Tax Refund Exchange and Compliance system* for your execution. Please also complete the *Registration/Participation Form* that requires the designation of a CalTRECS' local government contact (see CSAC FC website). Please return an original executed copy of the Agreement and the

registration/participation form to jim@csacfc.org. Please note that each participating agency will need to have executed FTB Forms 2282, 2280, and Vendor Form 7904 (CalTRECS will assist in the completion of these forms as needed).

Please see the following documents:

- Memorandum of Understanding and Agreement, CSAC FC's CalTax Refund Exchange and Compliance system
- File Layout
- Registration/Participation Form
- FTB Forms 2282, 2280, and 7904
- A Sample Debtor Notification Letter
- Talking Points for Program Adoption by Board of County Commissioners or governing body

The California State Association of Counties' Finance Corporation is pleased to provide this service to their local government partners. We believe it will prove useful as a method of debt collection. If you have any questions, please contact:

CSAC FC: Jim Manker

Director of Business Development

Jim@csacfc.org

(916) 650-8107 O

(916) 548-3280 M



CalTRECS Debt Offset Requirements Checklist

1. Complete and execute the documentation requirements.

State of California Documentation:

CalTRECS will assist in the completion and submission of these forms as needed.

- FTB Form 2282 PC *Initial Request to Participate*: Local government agencies must receive initial, one-time approval from the California State Controller in order to participate in the state's offset program. This form is sent to the SCO, and upon its approval, is shared with the FTB. To maximize collection opportunities, the form should be submitted in September of the preceding tax cycle for participation in the upcoming tax year but can be submitted at any time.
- FTB Form 2280 PC, *Intent to Participate and Agency Certification*: This form notifies the FTB of the local government agency's annual plans to participate in the debt offset program, and provides with the FTB local agency contacts, debt type identification, and certification that the pre-intercept notice requirements will be followed
- FTB Form FTB 7904 *Vendor / Contractor Confidentiality Statement*: This form certifies the local agency's compliance with state security and confidentiality requirements. This form also designates CalTRECS as the participating local government's service provider for debt offset operations.

CalTRECS Documentation:

- Memorandum of Understanding: The MoU between participating local government agencies and the CSAC FC clearinghouse is an agreement attesting the local government's desire and intention to participate in the CalTRECS program.
 - Please attach your submitted FTB forms to the CSAC FC MoU
- 2018 Registration/Participation form: The registration/participation form provides the clearinghouse with local government contact information for debtor questions and program coordination.

2. Determine the method for submitting debts.

- Debt records will need to be submitted in the appropriate file layout with two options available:
 - i. ASCII with each column-delimited by pipe(|). The file extension should be .TXT.
 - ii. Excel (version 2010 or later). The file extension should be .xlsx.

Please see the file layout requirements on the CSAC website.

3. Assemble the debt information to submit to the clearinghouse.

- Eligible debts must meet the statutory definitions of debt and be at least \$10
- Debts under bankruptcies, settlements, litigations, or garnishments are excluded
- Only debts to individuals and not corporations, businesses, partnerships, etc.
- Last Name, First Name, and Middle Initial or suffix if available or a combined field that the clearinghouse will parse on behalf of the local government
- Debtor's last known address
- Any additional information such as date of birth that may help with increased match rates

- Multiple debts for the same debtor are submitted individually if at least \$10 or more
- Multiple debts less than \$10 for the same debtor can be combined to meet the \$10 minimum or added to any single debt more than \$10

This information will be used by the clearinghouse to verify the debtor, parse combined names, flag any debtors who are deceased, and locate debtors' social security numbers. Parsed names and SSN will be used to by the Franchise Tax Board to match debtors against income tax refunds and lottery proceeds.

4. Send pre-intercept notification letters to debtors; sample debtor notification letters are available on the CSAC FC website.
 - Mailed to last known address

Pre-intercept notices must provide the Government Code Sections that authorize a local government claimant agency to submit debts for intercept, provide local government agency contact information where the debtor can dispute the liability, and allow debtors 30 days to resolve or dispute the debts. No debts may be submitted to CalTRECS until these requirements are met.

5. Submit debts to the clearinghouse via the secure login and upload clearinghouse process; link is provided on the CSAC FC website
 - Debts submitted by mid-November will benefit from the earliest refund match opportunities in the most recent tax year, but files can be submitted at any time thereafter.
 - Subsequent files to refresh the initial debt files as needed may be submitted to reflect any debtor payments. Files must be refreshed at least on a weekly basis, to provide updated files to the FTB as soon as possible.
 - Each subsequent file will rewrite in its entirety the earlier file submitted so all existing debt records should be included with each refresh, included those with \$0 balances.
6. Finalize debt repayments upon notification from the clearinghouse of successful matches and receipt of SCO debt offset funds.
 - FTB will notify clearinghouse of successful matches and the clearinghouse will send the claimant agency a file of updated records for reconciliation.
 - The FTB will also send a notice to the debtor informing them of the offset action. The FTB notice will include the CalTRECS automated voice response system number to connect the debtor to the local government.

Reminders

- The CalTRECS local collection assistance fee of \$25 per successful offset imposed on the debtor may need the local government agency's governing board's approval.
- It is free for the local government to participate; however, the participating entity is responsible for the debtor pre-intercept notification letters.
- The clearinghouse provides technical assistance through email and a toll-free helpline.

**MEMORANDUM OF UNDERSTANDING AND AGREEMENT
CALIFORNIA STATE ASSOCIATION OF COUNTIES – FINANCE CORPORATION
TAX REFUND EXCHANGE AND COMPLIANCE SYSTEM (CAL-TRECS)**

This **MEMORANDUM OF UNDERSTANDING AND AGREEMENT** ("Agreement") is entered into this ___ day of ___ September, year 2018 by and between the Governing Body of the Unit of Local Government of _____ ("Claimant Agency") and the California State Association of Counties Finance Corporation ("CSAC FC"), serving on behalf of the agency as a designated vendor as the California Local Government Debt Offset Clearinghouse ("Clearinghouse").

RECITALS

WHEREAS, the 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, a debt (as defined in the Code) owed to a Claimant Agency; and

WHEREAS, the Code provides that eligible amounts due a city, county or special district are:

- (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 pursuant to Section 2191.3 of the Revenue and Taxation Code; and

WHEREAS, the FTB 2018 Participation Guide (the "Guide") establishes the procedures by which a claimant agency may participate in the FTB Interagency Intercept Collection (IIC) program; and

WHEREAS, Clearinghouse offers a debt offset program ("Program") that: (1) complies with the FTB's secure data submission requirements for the offset of tax refunds under the Code and the Guide; (ii) acts as an agent on behalf of a Claimant Agency with respect to the FTB for purposes of the Code and the Guide; and (iii) submits Claimant Agency debts for the offset of tax refunds with the FTB on behalf of a Claimant Agency pursuant to the Code and the Guide; and

WHEREAS, Claimant Agency desires to enter into this Agreement with Clearinghouse in order to participate in the Program in order to increase the collection rate of debts owed to Claimant Agency; and

WHEREAS, Clearinghouse has agreed to submit debts on behalf of Claimant Agency pursuant to the Program:

NOW THEREFORE, in consideration of the mutual covenants and agreements, terms and conditions contained herein, Claimant Agency and Clearinghouse mutually agree as follows:

I. TERM/TERMINATION. This Agreement shall be become a legally binding agreement between Claimant Agency and Clearinghouse with full legal force and effect upon mutual execution by Claimant Agency and Clearinghouse. This Agreement shall remain and continue in full force and effect from year to year unless modified or terminated in writing by either party upon ninety (90) days written notice to the other party. Upon termination of this Agreement all sums due and owing from either party to the other shall remain a lawful obligation of the party and be due and payable. Clearinghouse will erase all claimant data files from its debt offset system upon termination.

II. REPRESENTATIONS AND OBLIGATIONS OF CLAIMANT AGENCY

- A. Claimant Agency hereby designates, appoints, and authorizes Clearinghouse to process delinquent debts to be submitted to FTB. For purposes of the Program, "Delinquent Debt" means:
- (i) a single account or monetary obligation which is at least ten dollars (\$10.00) owed by a debtor to Claimant Agency; or,
 - (ii) any group of accounts or monetary obligations, that, when combined, total at least ten dollars (\$10.00), owed by the same debtor to Claimant Agency.

Delinquent debts are defined in the Code as an amount: that has been reduced to a judgment; or contained in an order of a court; or is from a bench warrant for payment of any fine, penalty, or assessment; or is delinquent unsecured property taxes on which a certificate lien has been filed for record in the office of the county recorder pursuant to Section 2191.3 of the Revenue and Taxation Code.

To become a delinquent debt, Claimant Agency must have provided the debtor with the pre-intercept notice requirements as stipulated by the Guide. Pre-intercept notices must provide the Government Code Sections that authorize a local government claimant agency to submit debts for intercept, provide Claimant Agency's contact information where the debtor can dispute the liability, and allow debtors 30 days to resolve or dispute the debts, before submitting their debts to Clearinghouse.

- B. Claimant Agency shall comply with any and all applicable provisions of the Code and the Guide prior to the submission of a debt to Clearinghouse for offset, including the submission of required forms to the SCO and FTB.
- C. Claimant Agency shall, upon execution of this Agreement, file a participation form with Clearinghouse designating a debt offset coordinator and a debt offset contact. Such participation form shall be updated on an annual basis and at any time there is a change in the information provided thereon. Clearinghouse shall administratively provide participation forms, as needed, for use by Claimant Agency. The debt offset coordinator shall be the designated local government employee authorized to receive notices and communication from Clearinghouse to insure that the requirements of this Agreement and the requirements of the Code and the Guide are met. The debt offset coordinator shall supply Clearinghouse with any and all information that in the opinion of Clearinghouse is necessary for the proper implementation of this Agreement. The debt offset contact will receive all referrals from debtors.
- D. Claimant Agency shall use a file format specified by Clearinghouse to prepare debt files and adjustments to debt files that Claimant Agency certifies to Clearinghouse are owed to Claimant Agency and that Claimant Agency desires to have Clearinghouse submit to FTB. The Clearinghouse shall timely notify the Claimant Agency of any changes to the file format and the Claimant Agency covenants and agrees that it shall immediately implement any changes required by Clearinghouse. Clearinghouse will establish capability of date and time stamping submitted debt files for priority setting.
- E. Claimant Agency shall transmit a debt file to Clearinghouse in a method and format acceptable to the Clearinghouse. The Claimant agency shall make every effort to submit a file the week of November 15.

- F. Claimant Agency shall comply with the pre-intercept notice requirements set forth in the Guide prior to the submission of a debt file to Clearinghouse.
- G. Claimant Agency shall, after a debt file has been submitted to Clearinghouse, advise Clearinghouse of any debtor repayment or protests and instructions to delete or reduce a delinquent debt by submitting a new debt file. If Claimant Agency accepts full or partial payment against a debt file that has been submitted to Clearinghouse and sufficient notice is not provided to Clearinghouse to make a timely change to debt file reflecting the payment, Claimant Agency is responsible to refund any resulting fee that may be due to debtor. If claimant agency erroneously submits a debt file to the Clearinghouse, the claimant agency is responsible for any fees charged the debtor by the Clearinghouse or FTB.

III. REPRESENTATIONS AND OBLIGATIONS OF CLEARINGHOUSE

- A. Clearinghouse shall, upon receipt of Claimant Agency's debt file, compile the information and submit the data to the FTB.
- B. Clearinghouse shall make access to Internet-based functionality available to Claimant Agency through which Claimant Agency shall submit debt files.
- C. Clearinghouse shall provide a social security number look up service to match each debtor as submitted by Claimant Agency to the best of its ability.
- D. Clearinghouse will provide Claimant Agency an accounting of funds collected which will include the name of the debtor and the amount of the debt offset by debt unique identification number.
- E. Clearinghouse will provide a toll-free telephone number for use by Claimant Agency to receive technical support and provide information on the use of the Clearinghouse internet-based functionality and the processing of debts for submission to FTB. Technical support and information shall be available from 8:00 a.m. until 5:00 p.m. (Pacific Time), Monday through Friday, excluding holidays. Voicemail and e-mail access shall also be provided as a part of the support/information response system.

IV. UNDERSTANDING OF PARTIES

- A. To recover the costs incurred by SCO and FTB in collecting debts, the Code authorizes SCO to charge Claimant Agency a fee on each successful offset that FTB collects for a claimant agency. The 2018 fee is established at two dollars (\$2.00) per successful offset. Clearinghouse will add this fee to each debt for payment by the debtor prior to its submission to FTB. SCO bills Claimant Agency in April or May for each successful offset collected during the previous calendar year.
- B. To recover the costs incurred by Clearinghouse in submitting debts for collection, a local collection assistance fee of twenty-five dollars (\$25.00) is imposed by Claimant Agency on each delinquent debt submitted to FTB and collected through offset. This fee may be assessed as part of California Government Code GOV Code § 54985(a). On behalf of Claimant Agency, Clearinghouse will add this fee to each debt for payment by the debtor prior to its submission to FTB. Claimant Agency will remit the local collection assistance fee upon monthly billing by Clearinghouse for each successful offset collected during the previous month.

- C. If Claimant Agency is due a refund of more than ten dollars (\$10.00), Clearinghouse will request on behalf of Claimant Agency the tax refund offset in the amount of the delinquent debt plus the FTB fee and the local collection assistance fee. If FTB is able to collect only part of a debt through offset, its fee has priority over the local collection assistance fee and over the remainder of the delinquent debt. The local collection assistance fee has priority over the remainder of the delinquent debt.
- D. When multiple claims among local claimant agencies are submitted for offset to Clearinghouse, the claims have priority based on the date and time each claimant agency requested Clearinghouse to submit debts on its behalf. The date and time of submission of the debt file shall constitute the date and time to establish the priority. Clearinghouse shall use submission receipt date and time of original file for priority date and time of specific debt. Additions to a delinquent debt through accrued interest and/or penalties will not change the priority date. Any new delinquent debt for same local claimant agency will have a new submission date and time, including new debts for a previously submitted debtor.
- E. Existing submitted delinquent debts may be adjusted upwards for interest and fees and will retain their original priority order. A later new delinquent debt, even if from the same debtor shall be date stamped by Clearinghouse with the later submission date.
- F. In the event of partial payment of a delinquent debt, Claimant Agency may continue to submit the balance of the debt, if ten dollars (\$10.00) or more, as a part of subsequent data files. If the delinquent debt is reduced to an amount of less than ten dollars (\$10.00), it may be combined with a future delinquent debt submission for the same debtor and will be treated as a part of the new delinquent debt for purposes of priority and imposition of the local collection assistance fee.
- G. Claimant Agency acknowledges that Claimant Agency is responsible for the pre-intercept notice requirements of the Guide. Clearinghouse shall not accept a debt file that is not prepared as specified by Clearinghouse and that has not been certified by Clearinghouse as having complied with the pre-intercept notice procedures as set forth in the Guide. Clearinghouse agrees to submit delinquent debts to FTB; provided, however Claimant Agency is solely responsible for complying with the Guide, specifically including the pre-intercept notice provisions and other requirements of the Guide.
- H. Intercepted funds will be disbursed by FTB to Claimant Agency at the direction of Clearinghouse. Claimant Agency shall establish and maintain any necessary accounts to receive intercepted funds as directed by Clearinghouse. Clearinghouse shall timely direct Claimant Agency to establish and maintain such necessary accounts.

V. COMPENSATION

- A. Clearinghouse shall receive as compensation for its services the twenty-five dollars (\$25.00) local collection assistance fee added to each delinquent debt that is submitted by Clearinghouse and collected through a successful interception. "Successful Interception" occurs when FTB matches all or a portion of a debt submitted by Clearinghouse against a State tax refund or other State payment for interception and payment towards a delinquent debt owed to Claimant Agency.
- B. Clearinghouse will bill Claimant Agency monthly the local collection assistance fee collected on each successful offset occurring in the previous month.

C. Claimant Agency agrees that Clearinghouse shall retain the local collection assistance fee collected by it in the event Claimant Agency is required, by statute or otherwise, to return to a debtor funds that have been offset by FTB.

VI. INDEMNIFICATION; REIMBURSEMENT; DISCLAIMER. Claimant Agency fully understands and warrants to Clearinghouse that by submission of any delinquent debt submitted to Clearinghouse for offset Claimant Agency has complied with all of the provisions of this Agreement and all of the provisions of the Code and the Guide that are required prior to submission of a debt for offset. Claimant Agency shall hold Clearinghouse free and harmless and shall indemnify Clearinghouse against any and all damages, claims, of action, injuries, actions, liability, or proceedings arising from the failure of Claimant Agency to so perform. Claimant Agency shall be responsible for the repayment of any sums received by it, including interest, penalties and court costs, to a debtor in the event a court of competent jurisdiction rules that said repayment is due to a debtor or debtors. Except as expressly stated in this Agreement, Clearinghouse disclaims any representations and warranties that might otherwise be implied in connection with this Agreement and Clearinghouse's services, including, without limitation, any implied warranties of merchantability, fitness for a particular purpose, date accuracy, system integration, and non-infringement.

VII. NOTICE. Any notice required to be given under this Agreement shall be sent by certified or registered mail postage prepaid to:

_____ (Clearinghouse);
_____ (debt offset coordinator)
_____ (local agency)
_____ (local agency address);

VIII. ASSIGNMENT; SUBCONTRACTING. This Agreement is not assignable by either party. To facilitate efficient administration of the Program, Clearinghouse may utilize the services of contractors in connection with Clearinghouse's obligations under this Agreement, provided that Clearinghouse shall remain responsible for any such contractor's acts and omissions in connection with this Agreement as if such acts and omissions were conducted by Clearinghouse's own personnel. Any contractor personnel authorized to request or receive information relating the Clearinghouse's exchange of date with FTB or Claimant Agency for purposes of administering the Program shall be designated, in writing, to Claimant Agency as contemplated herein.

IX. CONFIDENTIAL INFORMATION; OWNERSHIP RIGHTS.

A. In the course of performance of this Agreement, the parties may find it necessary to disclose to the other party certain confidential information ("Confidential Information"). Confidential Information includes, but is not limited to, information relating to the parties' employees, trade secrets, customers, vendors, finances, operations, products, and other business information. Except as otherwise provided by law, the following terms apply to Confidential Information: (i) the receiving party shall treat as confidential and use the same degree of care as it employs in the protection of its own similar confidential information, but in no event less than a reasonable degree of care; and, (ii) the receiving party will only use the information in connection with its business dealings with the disclosing party, and shall disclose information only to employees or contractors having a need to know and who agree to be bound by the terms of this Section, unless otherwise authorized in writing by the disclosing party. Information shall not be subject to these terms if: (i) it is in the public domain at the time of

disclosure, or enters the public domain without breach of this Agreement; (ii) it is known to the receiving party prior to the disclosure, or it is independently developed by the receiving party; or (iii) it is obtained by receiving party in good faith from a third party not under obligation of secrecy to the disclosing party. Receiving party will be permitted to disclose that portion of Confidential Information which is the subject of a court or government agency order to disclose, provided the receiving party gives prompt notice to the disclosing party to allow the disclosing party to contest such order. The obligations set forth in this Section survive termination, rescission, non-renewal or expiration of this Agreement

- B. All information, including but not limited to printed, written, oral or computer-formatted information, which Clearinghouse may gain access to during the course of the performance of this Agreement shall be the property of Claimant Agency, shall be held in the strictest confidence, and shall be used solely for the business purposes that are the subject of this Agreement. Clearinghouse shall maintain confidentiality of such information not only during the course of the performance of this Agreement, but following its termination.
- C. Claimant Agency acknowledges that, as between the parties, Clearinghouse owns and retains title to all intellectual property rights embodied in, or practiced by, Clearinghouse in connection with the Program and the proprietary methods utilized by Clearinghouse in performance of its services under this Agreement, and no licenses of such intellectual property rights to Claimant Agency are granted or implied by this Agreement.

X. MISCELLANEOUS

- A. This Agreement represents the full and final understanding of the parties with respect to the subject matter described herein and supersedes any and all prior agreements or understandings, written or oral, express or implied. This Agreement may be modified or amended only by a written statement signed by both parties.
- B. The laws of the State of California shall govern the terms and conditions of this Agreement.
- C. Claimant Agency shall enter into no other contract for similar tax return intercept services with any other entity so long as this Agreement remains in effect.
- D. This Agreement is subject to appropriation.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on the day and date first above written, all by authority of their respective governing bodies.

CLAIMANT AGENCY

Name of Governing Body of Unit of Local Government: _____

Signature: _____
Name of Authorized Individual: _____
Title: _____

Signature: _____
Name of Authorized Individual: _____
Title: _____

Signature: _____
Name of Authorized Individual: _____
Title: _____

ATTEST:

Auditor

(SEAL)

CLEARINGHOUSE

CALIFORNIA STATE ASSOCIATION OF
COUNTIES – FINANCE CORPORATION

Alan Fernandes, Executive Director

ATTEST:

Jim Manker, Program Administrator

CalTRECS Debt Offset Registration/Participation Form

Unit of Local Government Entity Name: _____

Unit of Local Government FTB Identity Number _____

This is the 2-digit number allocated by the State Controller's Office for identification and disbursement of funds.

Coordinator for Liaising with CalTRECS Clearinghouse

First Name: _____

Last Name: _____

Title: _____

Contact Phone Number: _____

Contact Email Address: _____

Unit of Government Address: _____

Contact for Automated Voice Response System for Debtors to be Referred to for Questions about Debt (can be same as Coordinator)

First Name: _____

Last Name: _____

Title: _____

Contact Telephone Number: _____

Local Government Authorized Official Signature and Date:

Name

Date

CalTRECS Debt Setoff Registration/Participation Form Instruction

Please be aware of the following statement after all questions:

“The above authorized official attests that our local government agency will follow the requirements pursuant to California Government Code 12419.2 - 12419.12 and the FTB Annual Participation Guide, as well as those stated in the California Tax Refund Exchange and Compliance System (CalTRECS) Memorandum of Understanding.

By signing the local government official is attesting that he/she understands the requirements of both the California Code, the FTB Annual Participation Guide, and the Memorandum of Understanding. The Memorandum of Understanding has already been signed and submitted for participating members along with the required and approved SCO and FTB documents. The applicable California Code, the FTB Annual Participation Guide, FTB forms 2282, 2280, 7904, and a copy of the MoU are available on the California State Association of Counties website.

Please submit copies of the following application and approval documents:

2282PC Initial Request to Participate

2280PC Intent to Participate

7904 Vendor Form

CSAC Finance MoU



Initial Request to Participate

Interagency Intercept Collection Program

The _____ requests authorization to participate
Agency/College/District
in the Interagency Intercept Collections Program beginning with the 20 _____ process year.

We are a:

- State Agency**
We request intercept services for delinquent debts owed to our agency. Our request and debts meet the legal requirements for participation. (California Government Code Sections 12419.5, 12419.10, 12419.11, and 12419.12; State Administrative Manual Section 8790; California Revenue and Taxation Code Section 19551)
- College**
We request intercept services for delinquent debts owed to our college/post-secondary education institution. These debts may include delinquent registration, tuition, bad check fees, library fines, or other permitted debts. Our request and debts meet the legal requirements for participation. (California Government Code Sections 12419.7, 12419.9, and 12419.12; State Administration Manual Section 8790)
- City or County Agency**
We request intercept services for delinquent debts owed to our agency. These debts may include property taxes, delinquent fines, bails, vehicle parking penalties, court-ordered payments, or other permitted debts. Our request and debts meet the legal requirements for participation. (California Government Code Sections 12419.8 and 12419.10)
- Special District**
We request intercept services for delinquent debts owed to our special districts. (California Government Code Sections 12419.8, 12419.10, and 12419.12)

All agencies need to read, sign, adhere to, and maintain FTB 7904, *Vendor/Contractor Confidentiality Statement*, and *Interagency Intercept Collection Program Special Terms and Conditions*. Agencies need to identify and maintain these documents for **every** employee within their agency that has access to the daily and weekly reports. This requirement includes, but is not limited to, agency/vendor IT department staff, agency/vendor management, agency/vendor fiscal staff, agency/vendor collection staff etc. **It is the responsibility of the agency, college, or district to safeguard the data** as outlined in the *Interagency Intercept Collection Program Special Terms and Conditions*.

Failure to maintain *Interagency Intercept Collection Program Special Terms and Conditions* and FTB 7904 could result in unauthorized disclosure or access. Penalties for unauthorized disclosure or access could result in fines and imprisonment under California Law (R&TC Sections 19542, 19542.1, and 19542.3 and Government Code Section 90005). Penalties may extend to the signature and names listed on the intent form as well as individuals listed on FTB 7904.

Contact the Interagency Intercept desk for the *Interagency Intercept Collection Program Special Terms and Conditions* and FTB 7904. Franchise Tax Board may request a completed copy of the FTB 7904 at any time.

Check applicable boxes below to indicate the type of debt(s) you intend to submit to the Intercept program.

<input type="checkbox"/> Dishonored Check	<input type="checkbox"/> Fees	<input type="checkbox"/> Fines	<input type="checkbox"/> Parking Citations	<input type="checkbox"/> Judgments
<input type="checkbox"/> Taxes	<input type="checkbox"/> Tuition	<input type="checkbox"/> Insurance	<input type="checkbox"/> Unpaid Services	<input type="checkbox"/> Overpayment
<input type="checkbox"/> Other (list the debt type):				

Pre-Intercept Notice

Initial here _____ You are required to send your debtors a *Pre-Intercept Notice* that contains specific due process language, refer to sample FTB 2288, *Pre-Intercept Notice Instructions*. The notice must:

- Provide the Government Code Sections that authorize your agency to submit debts for intercept.
- Allow your debtors 30 days to resolve or dispute the debts, **before** submitting their debts to us.
- Provide your agency’s contact information where the debtor can dispute the liability.

We require both new and returning agencies to provide a copy of their *Pre-Intercept Notice* along with FTB 2280 PC, *Intent to Participate*, and FTB 7904. Failure to meet this requirement may result in a suspension of intercepts for your agency.

Effective and Cooperative Communication

It is critical that the FTB Intercept Program liaisons listed on FTB 2280 PC, *Intent to Participate*, effectively communicate with our staff on account information, resolution of issues, and ensuring customer needs are met. Failure to cooperate in effective communication and account resolution may result in a suspension of intercepts for your agency.

 Executive Officer/Director
 (print name)

 Executive Officer/Director
 (signature required)

 Date

 Agency Address

 Telephone Number:

Send your completed *Initial Request to Participate* to:

OFFICE OF THE STATE CONTROLLER
 DIVISION OF ACCOUNTING & REPORTING
 TAX ADMINISTRATION SECTION
 ATTN OFFSET COORDINATOR
 PO BOX 942850
 SACRAMENTO CA 94250-5880

Or
 Fax: 916.327.2563



Mark this box if you are making revisions.

Email: iicgroup@ftb.ca.gov
 Telephone: 916.845.5344
 Fax: 916.843.2460

Intent to Participate

Complete both sides of this form, sign, and either fax or mail it to us.

Part 1 – Agency Type

Individual debts:

State City County Court College Special District

Corporation or limited liability company (LLC) debt:

State

Part 2 – Agency

Agency name:	Process year: 20 __
Division/branch:	Agency code:

Part 3 – Public Contact Unit (provide an address and phone number for your debtors to contact you directly)

Agency name:	Unit name:	Phone:	Ext.
Agency address/PO Box:		Room/suite/floor:	
City:	State:	ZIP Code:	

Mark this box if the public contact unit is a private collection firm.

Provider name: _____

Part 4 – FTB Intercept Program Liaisons

Provide the names and **direct** phone numbers of up to three individuals we may contact to resolve issues or obtain account information. These individuals should be authorized to request intercept services. We may provide email addresses to the State Controller's Office (SCO) for billing purposes.

Name:	Position:	Phone:	Ext.
Email address:			
Name:	Position:	Phone:	Ext.
Email address:			
Name:	Position:	Phone:	Ext.
Email address:			

Part 5 – Agency Mailing Address (to send warrants, fund transfers, and billings [exclude private collection firm information]) We may provide email addresses to the State Controller's Office (SCO) for billing purposes.

Agency name:	Unit name:	Phone:	Ext.
Agency address/PO Box:		Room/suite/floor:	
City:	State:	ZIP Code:	
Contact name:	Phone:	Ext.	
Email address:	Fax:		

Part 6 – SWIFT Agency Contact Information

Name: _____ Phone: _____
Ext. _____
SWIFT email address or group email address: _____

Part 7 – Select Your Account Type (select only one)

- State agency (complete either A, B, or C [the State Controller will credit the intercepts accordingly])
 - A. General checking account number (three digit number): _____
 - B. Special fund – Fund number: _____ Organization code: _____
State Controller’s account number: _____ (contact your accounting office for this number)
 - C. Warrant

- City county agency, or college.
Special Districts – bridge tolls and high occupancy toll lane fees. (Government Code Section 12419.12)

A warrant will be issued to your agency listing the intercept funds sent to you.

Agency Certification

Complete the following information in full and sign.

This document notifies FTB that the _____ plans to participate in the Interagency Intercept Collections Program for the 20____ process year. In doing so, I certify that all debtors received due process and the debts submitted for offset comply with the following Government Code Sections (please mark one):

- State agencies and colleges — 12419.5, 12419.7, 12419.9, 12419.10, 12419.11, and 12419.12
- Counties, city agencies, and special districts — 12419.8, 12419.10, and 12419.12
(does not apply to corporations or LLCs)

Type of debt we intend to collect for individual debts:

- Fines Parking Citations Dishonored Check Fees Judgments
- Taxes Tuition Insurance Unpaid Services Overpayment

Type of debt we intend to collect for corporation and LLC debts:

- Dishonored Check Fees Taxes

Other (list the debt type):

I certify that the _____ agrees to pay administrative costs to the California State Controller’s Office for processing these offset accounts, and that I am authorized to request services on behalf of this agency/college. Administrative costs include any direct or indirect expense incurred by FTB or SCO to process your request, including any expense to respond to administrative or civil complaints for an offset performed at your request.

I certify that all records, copies, files, and media submissions received by the _____ shall be destroyed in a manner acceptable to FTB.

The approved destruction methods that permanently render data unreadable and unusable include:

- Damage to disks that prevents their use in any disk drive.
- Crisscross shredding if the shreds are 5/16 inch or smaller.

All unauthorized or suspected access, uses, and/or disclosures (incidents) of the information received under this agreement shall be thoroughly reviewed by FTB. We comply with the incident reporting requirements, in accordance with Civil Code Section 1798.29 and SAM Chapter 5300 (Information Security). The participant shall immediately notify FTB’s Information Security Audit Unit of all incidents involving the information obtained under this agreement as applicable, and provide the appropriate information to facilitate the required reporting to the taxpayers or state oversight agencies. Notification can be made by email at: SecurityAuditMail@ftb.ca.gov or by calling 916.845.5555.

Agencies using a private collection firm or data service provider need to read, sign, adhere to, and maintain FTB 7904, *Confidentiality Statement*, and *Interagency Intercept Collection Program Special Terms and Conditions*. Agencies need to identify and maintain these documents for **every** employee within their agency that has access to the daily and weekly reports. This requirement includes, but is not limited to, agency/vendor IT department staff, agency/vendor management, agency/vendor fiscal staff, agency/vendor collector staff, etc. **It is the responsibility of the agency, college, or district to safeguard the data.**

Failure to maintain FTB 7904 and *Interagency Intercept Collection Program Special Terms and Conditions* could result in unauthorized disclosure or access. Penalties for unauthorized disclosure or access could result in fines and imprisonment under California Law (R&TC Sections 19542, 19542.1, and 19542.3 and Government Code Section 90005).

Penalties may extend to the signature and names listed on the intent form as well as individuals listed on FTB 7904.

Contact the Interagency Intercept desk for FTB 7904 and the *Interagency Intercept Collection Program Special Terms and Conditions*. Franchise Tax Board may request a completed copy of FTB 7904 at any time.

Pre-Intercept Notice

Initial here _____ You are required to send your debtors a *Pre-Intercept Notice* that contains specific due process language, refer to sample FTB 2288. The notice must:

- Provide the Government Code Sections that authorize your agency to submit debts for intercept.
- Allow your debtors 30 days to resolve or dispute the debts, **before** submitting their debts to us.
- Provide your agency’s contact information where the debtor can dispute the liability.

We require both new and returning agencies to provide a copy of their *Pre-Intercept Notice* along with FTB 2280 PC and FTB 7904. Failure to meet this requirement may result in a suspension of intercepts for your agency.

Effective and Cooperative Communication

It is critical that the FTB Intercept Program liaisons listed on FTB 2280 PC effectively communicate with our staff on account information, resolution of issues, and ensuring customer needs are met. Failure to cooperate in effective communication and account resolution may result in a suspension of intercepts for your agency.

I agree that our agency’s fax signatures sent to FTB should be treated as original signatures.

Print name:	Title:	Phone:
Signature: X		Date:



Contract Number	Begins:
	Ends:

Vendor/Contractor Confidentiality Statement

FTB Information

Unit Number	Unit Name
Contact Person	Phone Number

Contractor/Vendor Information

Your Department/Company Name				
Business Address Where Work Will Be Performed Street	City	State	ZIP Code	FEIN

Confidentiality Statement – I understand that all Franchise Tax Board (FTB), Internal Revenue Service (IRS), and other information provided by FTB and maintained on the above contractor's or vendor's premises is confidential. It is unlawful for any state or other employee to inspect, acquire, or disclose FTB, IRS, or other confidential information under California Revenue and Taxation Code Sections 19542 and 19542.1, Penal Code Section 502, California Public Contract Code Section 10426, Government Code Sections 90005 and 91000, 26 USC (Internal Revenue Code) Sections 7213(a)(2), 7213A(a)(2) and (b)(1), and 7431(a)(2) and (c), and 18 USC Section 1030. Violations of these statutes are punishable by fines, imprisonment, and/or the costs of prosecution. I will not enter any premises, access any computers, software, applications, or data not specifically required by my authorized duties, nor will I refer to or read any documents that come within my view other than those related to my authorized duties.

California Revenue and Taxation Code Section 19542 – Penalty for disclosing information contained in a return, report, or document. "Except as otherwise provided in this article and as required to administer subdivision (b) of Section 19005, it is a misdemeanor for the Franchise Tax Board or any member thereof, or any deputy, agent, clerk, or other officer or employee of the state (including its political subdivisions), or any former officer or employee or other individual, who in the course of his or her employment or duty has or had access to returns, reports, or documents required to be filed under this part, to disclose or make known in any manner information as to the amount of income or any particulars (including the business affairs of a corporation) set forth or disclosed therein."

California Revenue and Taxation Code Section 19542.1(a) – Penalty for willful unauthorized inspection or unwarranted disclosure or use of confidential information. "Except as otherwise provided by this article, it shall be unlawful for any person described in Section 19542 to willfully inspect any confidential information furnished or secured pursuant to this part, Part 10 (commencing with [Rev. & Tax C.] Section 17001), or Part 11 (commencing with [Rev. & Tax C.] Section 23001). For purposes of this section, "inspection" means any examination of confidential information. Any willful unauthorized inspection or unwarranted disclosure or use of confidential information by the persons described in Section 19542 is a misdemeanor."

California Government Code Section 90005 – "A member, employee, or agent of the Franchise Tax Board shall not divulge or make known in any manner the particulars of any record, documents, or information that he or she receives by virtue of this chapter, except in furtherance of the work of the Franchise Tax Board or the Commission or in connection with any court proceeding or any lawful investigation of any agency."

California Penal Code Section 502 – Knowingly and without permission accessing a computer, computer system or computer network; or accessing and taking, copying, making use of, adding, altering, damaging, deleting, or destroying any data from a computer, computer system or computer network, whether residing or existing internal or external to a computer, computer system, or computer network; or altering, damaging, deleting, destroying, or otherwise using any data, computer, computer system, or computer network in order to either (A) devise or execute any scheme or artifice to defraud, deceive, or extort, or (B) wrongfully control or obtain money, property, or data (among other prohibited actions prohibited by this section) is a misdemeanor or felony.

California Public Contract Code Section 10426 – It is unlawful for a person to intentionally disclose proprietary information obtained in the negotiation, execution, or performance of an information technology contract with a state agency when the contracting party knew or should have known that the disclosure was likely to cause harm, and such conduct is punishable as a misdemeanor.

26 United States Code Section 7213(a)(2) – "State and other employees. It shall be unlawful for any person (not described in paragraph (1)) willfully to disclose to any person, except as authorized in this title, any return or return information (as defined in Section 6103(b) [26 USC § 6103(b)]) acquired by him or another person under subsection (d), (i)(3)(B)(i) or (7)(A)(ii), (k)(10), (l)(6), (7), (8), (9), (10), (12), (15), (16), (19), (20) or (21), or (m)(2), (4), (5), (6), or (7) of Section 6103 [26 USC § 6103] or under Section 6104(c) [26 USC § 6104(c)]. Any violation of this paragraph shall be a felony punishable by a fine in any amount not exceeding \$ 5,000, or imprisonment of not more than 5 years, or both, together with the costs of prosecution."

26 United States Code Section 7213A(a)(2) – "State and other employees. It shall be unlawful for any person (not described in paragraph (1)) willfully to inspect, except as authorized in this title, any return or return information acquired by such person or another person under a provision of Section 6103 [26 USC § 6103] referred to in Section 7213(a)(2) [26 USC § 7213(a)(2)] or under Section 6104(c) [26 USC § 6104(c)]."

26 United States Code Section 7213A(b)(1) – "In general. Any violation of subsection (a) [of 26 USC § 7213A] shall be punishable upon conviction by a fine in any amount not exceeding \$ 1,000, or imprisonment of not more than 1 year, or both, together with the costs of prosecution."

26 United States Code Section 7431(a)(2) – “Inspection or disclosure by a person who is not an employee of the United States. If any person who is not an officer or employee of the United States knowingly, or by reason of negligence, inspects or discloses any return or return information with respect to a taxpayer in violation of any provision of [26 USC] Section 6103 or in violation of [26 USC] Section 6104(c), such taxpayer may bring a civil action for damages against such person in a district court of the United States.”

26 United States Code Section 7431(c) – Damages that may be awarded for a violation of 26 USC Section 7431(a)(2) include the greater of \$1,000 for each act of unauthorized inspection or disclosure of a return or return information, or the sum of the actual damages and, if the inspection or disclosure was willful or the result of gross negligence, punitive damages; plus costs of the action, plus reasonable attorney’s fees.

18 United States Code Section 1030(a)(2) – Intentionally accessing a computer without authorization or exceeding authorized access, and thereby obtaining information from any department or agency of the United States, or from any protected computer used by or for the United States Government, is punishable by fines and imprisonment from one to ten years.

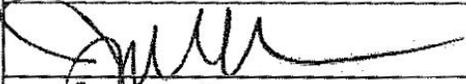
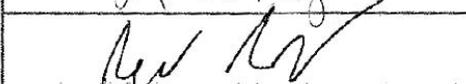
My signature verifies that I read and agree to comply with the state and federal laws on PAGES 1 and 2 of this form. I further understand that failure to comply with these laws may result in my being barred from accessing Franchise Tax Board (FTB), Internal Revenue Service (IRS), or other information provided by FTB and could result in criminal prosecution.

I accept responsibility for having all company employees who will work with FTB, IRS, or other information provided by FTB read these laws, and agree to comply with them by signing and dating this statement or an attached signatory sheet.

I understand that it is my responsibility to retain this document and all signatures throughout the contracted period with FTB. I also understand it is my responsibility to ensure that all new employees read these laws and agree to comply with them before working with FTB, IRS, or other information provided by FTB by signing and dating this document or an attached signatory sheet.

Name (print)	Company Name and Title	
Signature		Date

My signature verifies that I have read and agree to comply with the state and federal laws on PAGES 1 and 2 of this form. I further understand that failure to comply with these laws may result in my being barred from accessing Franchise Tax Board (FTB), Internal Revenue Service (IRS), or other information provided by FTB and could result in criminal prosecution.

Employee Signature	Print Name	Date
		
		
E. J. Bridgers		
Rebecca A. Trenton		
Shrik Nagari		
		
		
Taylor Miller		



Pre-Intercept Notice Instructions

You are required to send your debtors a *Pre-Intercept Notice* after your agency/college sends us FTB 2280 PC, *Intent to Participate*. We provide a sample *Pre-Intercept Notice* only as reference. The *Pre-Intercept Notice* allows the debtor to resolve or dispute the debt before you intercept their funds. The notice requirement applies to each new debt incurred after you submit the account and before you increase the requested intercept balance. You must allow the debtor 30 days prior to submitting their accounts to us.¹ Sending a *Pre-Intercept Notice* notifies them of the 30-day liability review/protest process. Submit debtor accounts to us after you send the *Pre-Intercept Notice* and allow time for the prescribed review/protest period.

Pre-Intercept Notice Information

Your agency's *Pre-Intercept Notice* should be "identical or substantially similar" to the sample *Pre-Intercept Notice* provided below. Send this notice to your debtors by **October 1** for the upcoming process year.

Sending a *Pre-Intercept Notice* to all debtors reduces debtor contacts that occur after intercepts, and you may increase voluntary payments.

Sample of Pre-Intercept Notice

Our records show that you have a \$ _____ delinquent debt due to the _____ Agency/College _____. You have 30 days to voluntarily pay this amount before we submit your account to the Franchise Tax Board (FTB) for interagency intercept collection.

FTB operates an intercept program in conjunction with the State Controller's Office, collecting delinquent liabilities individuals owe to state, local agencies, and colleges. FTB intercepts tax refunds, unclaimed property claims, and lottery winnings owed to individuals. FTB redirects these funds to pay the individual's debts to the agencies/colleges (California Government Code Sections 12419.2, 12419.7, 12419.9, 12419.10, 12419.11, and 12419.12).

If you have questions or do not believe you owe this debt, contact us within 30 days from the date of this letter. A representative will review your questions/objections. If you do not contact us within that time, or if you do not provide sufficient objections, we will proceed with intercept collections.

Pre-Intercept Notice

You are required to send your debtors a Pre-Intercept Notice that contains specific due process language, refer to sample FTB 2288. The notice must:

- Provide the Government Code Sections that authorize your agency to submit debts for intercept.
- Allow your debtors 30 days to resolve or dispute the debts, **before** submitting their debts to us.
- Provide your agency's contact information where the debtor can dispute the liability.

We require both new and returning agencies to provide a copy of their Pre-Intercept Notice along with FTB 2280 PC and FTB 7904, *Vendor/Contractor Confidentiality Statement*. Failure to meet this requirement may result in a suspension of intercepts for your agency.

Effective and Cooperative Communication

It is critical that the FTB Intercept Program liaisons listed on FTB 2280 PC effectively communicate with our staff on account information, resolution of issues, and ensuring customer needs are met. Failure to cooperate in effective communication and account resolution may result in a suspension of intercepts for your agency.

¹ Wightman v. Franchise Tax Board, 249 Cal. Rptr. 207, 202 Cal App. 3d. 966[1988]

Debt Clearinghouse Submission Debt file Format

#	Data	Max Length	Required Field	Comments
1	Full Primary Owners Name	350	C	Conditional Field. If Primary Last Name and Primary First Name fields are provided this field can be left blank. Unable to parse names as First name ,last name etc. Provide the deeded name in this field. Variations to the names can be : <i>Husband and wife names on property : DENNIS , SPARROW H & SAMNTHA</i> <i>2 different names on one property : GOYINS, KENNETH W & HORNICK, JAMES K</i> <i>Single name on property : CHASTAIN, JANICE S</i> <i>Single name on property : CAMPOS, MARIO</i>
2	Primary First Name	50	C	Conditional Field. If Full Primary Owners Name is provided this field can be left blank. Field is At least 2 Characters. Only Individual names should be in the record. Business names are not accepted.
3	Primary Middle Name or Initial	50	O	Optional field. Provide if present else blank
4	Primary Last Name	50	C	Conditional Field. If Full Primary Owners Name is provided this field can be left blank. At least 2 characters. Only individual names should be in the record. Business names are not accepted.
5	Primary Name Suffix	10	O	Optional Alpha. Provide if present else blank
6	AddressLine1	100	R	Required Field
7	AddressLine2	100	O	Optional Field. Address line 2
8	City	20	R	Required Field
9	State	2	R	Required Field. US State Abbreviation
10	Zip Code	9	R	Required Field. (with or without dash). Excel column should be Text to avoid conversions like 02394 to 2394
11	Debt Amount	11	R	Required Field. Numeric, 0-9 with 2 decimal places
12	Agency Code	8	R	Required Field. Unique Alpha numeric code assigned to each Agency/ County. State-assigned code.
13	Debt Expiration Date	6	O	Optional Field. mm/dd/yyyy Month debt is no longer valid for submission to the Department of Revenue. This debt will remain in the Clearinghouse database until the agency changes it to \$0.00. Any debt that has an expiration date that has passed then it no longer is submitted for collection. The date cannot be in past.
14	Debt Compliance Date	8	O	Leave blank
15	Debt Unique Key	20	R	Required Field. This field should be uniquely identifying the debt record for the agency. It should be alphanumeric. When the record is sent again in subsequent files this key should not change for a given record.
16	Debt Type	5	O	Optional Field. Debt Types matrix assigned by NACo. (5 Character Debt Type Key)
17	Record Date	8	O	Leave blank
18	SSN	9	O	Optional Field. Should be supplied without any dashes; SSN cannot begin with "000" or "999", cannot be less than 5 digits.
19	Debt Account Number	25	O	Optional Field. Field will be returned back to agency. Can be used by Agency billing system to track account numbers for a particular debt
20	Source Code	20	O	Optional Field. Agency source if any. (TAX, EMS, MH etc.)
21	Secondary First Name	50	O	Optional Field. Secondary First Name if exists .At least 2 Characters
22	Secondary Middle Initial	50	O	Optional Field. Secondary Last Name if exists .At least 1 Character
23	Secondary Last Name	50	O	Optional Field. Secondary Last Name if exists .At least 2 Characters
24	Email	50	O	Optional Field. email Id of debtor if available. Incorrect format will be ignored.
25	Phone number1	12	O	Optional Field. Phone number formatted as (xxx-xxx-xxxx). Any other format will be ignored
26	Date of Birth	8	O	Optional Field. Date of Birth, YYYYMMDD

All optional fields can be left blank

File format info: 2 options for submission

PIPE delimited ASCII file (.TXT)

PIPE DELIMITED Sample Record

Dennis M Ellis ||| 2775 Meridian Pkwy || Indianapolis | IN | 277137805 | 3568.45 | 49MAR | 03/02/2018 | | D1001 | OTHER | | TAX-236985 | TAX | MARIA | | ELLIS | |||
ELLIS, DENNIS M Jr ||| 2775 Meridian Pkwy || Durham | NC | 277137805 | 2345.67 | MC0110 | 201706 | 20170801 | D1001 | 20170914 | TAX | | TAX-236985 | | MARIA | | ELLIS | |||
GOYINS, KENNETH W & HORNICK, JAMES K ||| 123 Main St. || Indianapolis | IN | 277137805 | 120.00 | MC0110 | 201706 | 20170801 | D1001 | 20170914 | TAX | | TAX-236985 | | ||| |||

Excel spreadsheet (.xlsx); Version 2010 or later

Structure of excel file should be as per the Excel template provided.

File Name:

File names sent by each agency should be unique for the agency . A date/time stamp with file name is preferred in a file name . E.g. MARION_201709300922435

Valid Debt type Keys for Field#16

Debt Type	5 character Debt Type Key
Animal Violations	ANIMA
Assessments	ASSE
Cemetery	CEMET
Daycare	DAYCA
Demolitions	DEMOL
Dental	DENTA
Employees	EMPLO
Environmental Health	ENVIR
False Alarms	FALSE
Fines (library, other)	FINES
EMS	EMSAM
Health	HEALT
Hydrant Usage	HYDRA
Insurance Premiums	INSUR
Judgements	JUDGE
Maintenance (lawns/trees)	MAINT
Nuisance	NUISA
Ordinance Violations	ORDIN
Parking Tickets	PARKI
Property Damages	PROPE
Property Tax Real	TAXRE
Property Tax Mobile Home	TAXMH
Property Tax Agriculture	TAXAG
Property Tax Other	TAXOT
Property Tax Personal	TAXPP
Privilege License	PRIVI
Recreation	RECRE
Rental/Lease Agreements	RENTA
Returned Checks	RETC
Room Occupancy	ROOMO

Sewer Tap	SEWER
Solid Waste	SOLID
Storm Water	STORM
Utilities	UTILI
Other	OTHER



Talking Points for Board Consideration of Participation in CalTRECS Debt Offset Program

- CSAC-FC's CalTRECS debt offset clearinghouse program allows local government agencies, including counties, cities, and special districts, to easily and efficiently collect delinquent debt through the withholding of a debtor's personal income tax refunds, lottery proceeds, or unclaimed property.
- California Government Code 12419.2 - 12419.12, (the "Code"), establishes the state's offset program and authorizes cities, counties and or special districts to participate
- While California state agencies and local governments have been using debt offset for years to collect their debts, the clearinghouse concept significantly reduces staff time now needed to match debtors with social security numbers and to format debt data to meet state requirements
- There is no cost to register or participate other than debtor notification; the local government imposes a \$25 local collection assistance fee on the debtor which is collected as a part of the offset
- A pilot based on Merced County's debts showed that California counties can expect significant debt repayment
- Participating units of local government will receive analysis reports on debts owed to the county and on the amounts of monies returned
- Tax equity is ensured as more citizens are paying their fair share for services
- CalTRECS is favorable to the debtor
 - Lowered credit-rating impacts
 - Receives required pre-intercept notification letters and is allowed 30-day resolution period
 - Notification letter itself often prompts debtors to pay
- Participating units of local government may realize significant revenue just from pre-intercept notice letters before setoffs have occurred
 - Of the 15,000, letters mailed to Marion County, IN debtors, \$2.5 Million in debt was repaid
- Easy and free method for collecting small debts of as little as \$10 or less if it can be combined with other debts to meet the \$10 threshold
- The county may also realize a side benefit of significant records clean-up in collaboration with the county assessor's office.
- Ease of administration through easy download of debt files and upload of debt reconciliation data files that integrate into currently utilized systems
- IT Helpline and clearinghouse house staff are easily accessible and available for questions and assistance

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

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