

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

Merced County Tax Intercept
Refreshing the CALTRECS file for Megabyte Users

1. In Megabytes, run “Debt Offset IIC” from Jobs/Job Scheduler. This may take an hour or so.
2. When complete, run “Debt Offset IIC” from reports.
 - a. Export to Excel.
 - b. “Save-As” Excel Data-Only to X:Unsecured/Tax Intercept/2019/Megabyte Downloads using today’s date (Example.: April 12 2019).
 - c. “Save-As” again but as Excel Workbook, 2010 or more recent.
3. In X:Unsecured/Tax Intercept/2019 (or where ever you store your completed files), open the most recent file that begins that was sent to CalTRECS (Example: Merced March 25, 2019).
 - a. “Save-As” with today’s date. (Example: Merced April 12 2019.)
4. Use View to arrange the 2 documents side by side.
5. In the file called Merced *****, insert a column just before the dollar amount. Copy/paste the column called DebtUniqueKey.
6. Do the same thing in the most recent Megabyte file.
7. Now comes the fun stuff! Set up the formula as follows:
 - a. Place cursor in the first dollar amount in Column L in the Merced ***** file.
 - b. Type =VLOOKUP(
 - i. Select the cell to the immediate left the dollar amount where you are creating the formula. Comma (,)
 - ii. In the other file, highlight everything in the columns with the new DebtUniqueKey and dollar amount (Columns K & L) from row 2 to the last row used. Comma (,)
 - iii. Type 2. Comma (,)
 - iv. Type FALSE.
 - v. Type Close Parenthesis).
 - c. The formula should look something like this. =VLOOKUP(K2,'[Apr 4 2019 (1).xlsx]Sheet1'!\$K\$2:\$L\$2726,2,FALSE)
8. Now copy paste this formula in all the other cells in the same column of the Merced ***** file.
9. Highlight the whole column again. This time you will do a copy/paste special (values). This gets rid of the formula and saves the new \$\$ amounts.
10. Hold on! You’re not done yet. You will see #N/A in several places. This means the debtor has paid so there is no longer a record to find. To fix these, do a find #N/A and replace with 0.00.
11. Now get rid of that extra DebtUniqueKey column (column K) and save. You are now ready to send to CalTRECS!
12. That was easy, wasn’t it. You just learned a super powerful advance Excel formula.
13. The last step is to upload the file to CalTRECS.
 - a. Click on Upload at the top of the page.
 - b. Scroll to the bottom and click browse. Find the file you wish to upload on your computer. Click OPEN.
 - c. Click Upload on the CalTRECS website. A message will appear at the top of the website and tell you if the upload is successful.

- d. Shortly afterward, you will get an email telling you if the file was accepted. (And it will let you know why not, if it is not accepted.)
- 14. This process can be done as often as you like.

Merced County Tax Intercept
Preparing the Initial CALTRECS file for Megabyte Users
By November 15th

1. In Megabyte, run "Debt Offset IIC" from Jobs/Job Scheduler. This may take an hour or so.
2. When complete, run "Debt Offset IIC" from Reports.
 - a. Export to Excel.
 - b. "Save-as" Excel Data-Only to X:Unsecured/Tax Intercept/2019/Megabyte Downloads using today's date and INITIAL (i.e.: November 2018 INITIAL.)
 - c. "Save-as" again but as an Excel Workbook, 2010 or more recent.
3. Delete any businesses that do not also contain an individual's name.
 - a. For example, an account billed to Sierra Auto Part DBA Sierra Auto Parts should be deleted, whereas an account billed to Joe Smith DBA Sierra Auto Parts should not be deleted.
4. Delete any accounts that indicate the business is Incorporated or an LLC, even if it contains the name of an individual.
5. Delete Column AB. This is a control field used by MB.
6. Save again. This will be your master file for the upcoming year.
7. Upload the file to CalTRECS.
 - a. Click on Upload at the top of the page.
 - b. Scroll to the bottom and click browse. Find the file on your computer that you wish to upload. Click OPEN.
 - c. Click Upload on the CalTRECS website. A message will appear at the top of the website and tell you if the upload is successful.
 - d. Shortly afterward, you will get an email telling you if the file was accepted. (And it will let you know why not, if it is not accepted.)