



CALTRECS
A PROGRAM OF THE CSAC FINANCE CORPORATION AND NACO FSC

Debt Offset FAQs and Timeline

What is the CalTRECS debt offset program?

The CSAC Finance Corporation's CalTRECS program allows any local government agency to submit eligible delinquent debts through the CalTRECS clearinghouse to the California Franchise Tax Board's (FTB) debt offset program. FTB will run a match file of the debtor's name and social security number against all taxpayers to determine if a personal income tax refund, lottery winnings, or state unclaimed property payment is due.

If a match is found, FTB offsets the refund for unpaid debts and submits these funds to the participating local agency.

What authorizes local government agencies to participate in the state's personal income tax debt offset program?

California Government Code 12419.8 authorizes the California State Controller (SCO), in conjunction with the FTB, to offset personal income tax refunds, lottery winnings and unclaimed property payments to satisfy an eligible debt due a city, county or special district.

What local government agency debts are eligible for collection through the CalTRECS debt offset program?

State law defines local agency delinquent debts as those amounts that have been reduced to a judgment, contained in a court order, are from a bench warrant for payment of any fine, penalty, or assessment, or for 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.

FTB has set the minimum debt eligible for offset at \$10 dollars.

How does a local government agency sign up to participate in CalTRECS?

A new agency must obtain the State Controller's one-time approval to participate through completion and submission of FTB 2282PC. Returning agencies indicate their annual FTB participation through completion and submission of FTB 2280PC. Each participating agency also completes and submits annually FTB's Vendor/Contractor Confidentiality Statement (FTB 7904) to designate the CalTRECS clearinghouse as its offset agent.

(All state and CalTRECS forms are available at the CalTRECS' website.)

Local agencies execute a memorandum of understanding with CSAC FC. Individual departments within a local government can be considered as separate local agencies and can execute separate MOUs.

The participating local agency completes the participation form and registration process accessed via CalTRECS' website. The clearinghouse hosts web-based orientation and training for all interested agencies.

Is there a cost for participation in the CalTRECS debt offset clearinghouse?

There is no cost for the local government to participate. Local agencies are asked to impose a \$25 local collection assistance fee per debt, to be charged to the debtor, to support CalTRECS operations and processes.

As of 2020, the FTB charges \$2.50-\$3.00 from each successful offset for its administrative expenses. These costs will be billed by the SCO to each participating local agency in the year following the offset action.

CalTRECS will add the \$25 and \$2.50-\$3.00 to each debt.

Is a local government required to notify the debtor in writing about its intent to submit debts for offset?

Local agencies must send to each debtor a pre-intercept letter which references the Government Code Sections that authorize a local government agency to submit debts for intercept, provides the local agency's contact information, and allows the debtor 30 days to resolve or dispute the debts.

The notice requirement applies to each new debt incurred and any increases in the requested intercept balance. No debts can be submitted to the clearinghouse until the 30-day resolution period as lapsed.

To maximize collections potential, it is recommended that the pre-intercept notice be mailed by October 1st.

What process must a local government agency follow to submit debt records to the clearinghouse?

Local agencies submit eligible debts to the clearinghouse through a secure, web-based file transfer process.

Each debt of \$10 or more is submitted separately within the file format requirements (provided on CSAC FC's website). Local agencies may combine debts less than \$10 to meet the \$10 threshold, but debts less than \$10 cannot be forwarded to FTB for potential offset.

How often should a local government agency send data files (debtors/debts) to the CalTRECS debt offset clearinghouse?

Participating agencies are encouraged to refresh their files at least weekly to add new debts or adjust as needed dollar amounts on existing debts submitted earlier.

If the local agency no longer wishes to pursue the debt through offset, the local agency must zero out the debt amount in order to release a pending offset or debt. Individual debt records cannot be erased.

CalTRECS sends to FTB a new file daily to ensure that debt records are as current as possible.

Does a local government agency need a debtor's social security number to submit debtors to the CalTRECS clearinghouse?

CalTRECS provides an SSN look-up service for debtor identification. However, if the local agency collects and stores SSNs, then the clearinghouse can use this information to validate the debtor's identity.

Can a local government agency submit debts for business owners?

Yes, but an offset will only occur if the business owner files a personal income tax return.

How are multiple claims prioritized against the same taxpayer refund?

State law establishes the initial priorities for offsets if two or more debts are claimed against 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.

How will a local government agency receive its offset funds and be able to reconcile the debts recovered through offset?

FTB will offset the refund up to the amount needed to repay the debt and SCO will disperse these offset funds directly to the local agency. The clearinghouse will bill each local agency monthly the \$25 local collection assistance fee for each successful offset occurring in the previous month.

An automated file will be generated for easy upload into the local agency's existing software system for funds reconciliation.

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

FTB sends the debtor a letter with the amount that was offset for indebtedness and includes a clearinghouse-provided toll-free number for the debtor to contact the local agency receiving the offset. Thereafter, a local government agency will receive information from the clearinghouse on successful offsets and the funds disbursement process.

For further questions, please contact Jim Manker at jim@csacfc.org.



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