


Handout 3: Federal and State Tax Offset, Administrative Offset

The Federal Tax Offset process is conducted using an electronic file interface throughout the year. If changes occur to a case, a new case is added, or a case is deleted, the information is updated on a weekly basis with the Federal Tax Offset Program. All cases that qualify for Federal Tax Offset are submitted to the Federal Office of Child Support Enforcement (OCSE). This is an automated process that the local child support staff performs. There are no actions in NJKiDS.

The Set-Off of Individual Liability (SOIL), also known as State Tax Offset, includes Gross Income Tax (G), the Homestead Rebate (R), and New Jersey SAVER Property Tax Rebates (V). The master file for SOIL is processed in December; a second file is submitted in April. Deletions are processed throughout the year, and updates are provided when the NCP files taxes and is due a refund from Gross Income Tax, the Homestead Rebate program, or the SAVER program.

Unlike Federal Tax Offsets that are updated weekly, SOIL updates are provided when the NCP files a return and is due a refund. Taxation notifies NJKiDS of the NCP's impending refund and the amount of the refund. NJKiDS notifies Taxation to hold the full refund, hold a portion of the refund, or release the refund to the non-custodial parent (NCP). Arrears must be "0" in order to be deleted from "tax offset."

	<p>Pages associated with Federal and State Tax Offset</p> <ul style="list-style-type: none">• Tax Offset Information by DCN• Rejected Record by County
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Administrative Offset allows for the interception of certain Federal payments to collect past-due child support. In accordance with the Debt Collection Improvement Act (DCIA) of 1996, the process is managed by the Federal Office of Child Support Enforcement (OCSE), through the Bureau of Fiscal Service (Fiscal Service) of the Department of the Treasury, in conjunction with the Federal Tax Offset Program. NCPs who owe child support debts subject to Administrative Offset will be notified through the Federal Tax Offset Pre-Offset Notice, which also includes information about the Federal Tax Offset and Passport Denial programs. The Pre-Offset Notice also provides information about how to contest the debt amount.

Various payments are available for Administrative Offset. They include both recurring and one-time payments. Payments that can be intercepted include payments to private vendors who perform work for a government agency; Federal retirement payments; and relocation and travel reimbursements owed to Federal employees.

Payments that cannot be intercepted through this program include Veterans Affairs (VA) disability benefits, Federal student loans, Railroad Retirement payments, black lung benefits, and payments made under certain programs based on financial need, such as Supplemental Security Income (SSI), and funds received through Federal Emergency Management Agency (FEMA).

All case types that are eligible for Federal Tax Offset are eligible for Administrative Offset. Under the Administrative Offset program the child in a case does not have to be a minor. The case is eligible for Administrative Offset if it meets one of the following two criteria:

- The combined arrears (TANF + non-TANF) become greater than or equal to \$1,000 and there has been no regular payment in the past 35 days for arrears-only cases
- The combined arrears (TANF + non-TANF) become greater than or equal to the three-month-period charge and there has been no regular payment in the past 35 days for currently charging cases

The following Federal payments are currently included in Administrative Offset:

1. Vendor and miscellaneous payments (e.g., expense reimbursement payments and travel payments)
2. Federal retirement payments

Currently, FMS is offsetting retirement pay at a rate of 25%. Vendor payments and income tax refunds can be offset at 100 percent. Under the Consumer Credit Protection Act, salaries, including Federal salaries for Administrative Offset purposes, may be offset at the following percentages:

- 50% if the obligor has a second family and is less than 12 weeks in arrears
- 55% if the obligor has a second family and is at least 12 weeks in arrears
- 60% if the obligor does not have a second family and is less than 12 weeks in arrears
- 65% if the obligor does not have second family and is at least 12 weeks in arrears

The limits are reduced by the amount of any deductions in pay resulting from a support garnishment. For example, if 40% of the salary is being withheld under a support

garnishment, only 10% would be available for offset if the obligor has a second family and is less than 12 weeks in arrears. If there is an income withholding in place, states should exclude the case from salary offset. The Administrative Offset program is not a substitution for such procedures.

The procedures for intercepting child support under this program are identical to Federal Tax Offset procedures.

- The counties' role will be to respond to any contests.
- All payments eligible for offset under the DCIA, other than Federal tax refunds, are categorized as Administrative Offsets.
- FMS will administer a \$16.00 fee per Administrative Offset.

Case Criteria

Federal Tax Offset—Certification Requirements

- Open IV-D case
- No active Enforcement Exemptions (**NOTE:** If a case is exempted from enforcement, then the system will not allow the remedies to be initiated.)
- \$150 or more in combined case arrears for TANF cases
- Verified Social Security Number (SSN) or Individual Taxpayer Identification Number
- \$500 or more in combined case arrears for non-TANF cases
- Valid first and last name
- Address contained in the address history
- Cases with an active income withholding order and payments posted must have arrears greater than one month of current support

Administrative Offset

- Charging cases: Arrears are greater than or equal to a three-month periodic charge and there has been no regular payment in the past 35 days.

- Arrears-only cases: Arrears are greater than or equal to \$1,000, and there has been no regular payment in the past 35 days.

State Tax Offset—Certification Requirements

- Open IV-D case
- No exemptions
- Arrears-only cases with TANF or non-TANF arrears greater than or equal to \$25
- Arrears for current support cases must equal the one-month obligation plus \$25
- Verified SSN
- Valid first and last name
- Valid address contained in the address hierarchy

If the refund is eligible for intercept, Taxation sends a Pre-Offset Notice to the NCP.

(Here, the reference is to SOIL, the Homestead Rebate, and NJ SAVER Rebates.)

NJKiDS also generates a Pre-Offset Notice advising the NCP of the Administrative Review procedures. After 45 days, NJKiDS sends a second submittal to Taxation advising them to do one of the following:

- Intercept the full refund
- Intercept half of the refund because of an injured spouse claim
- Adjust the amount based on the current arrears figure
- Release the refund to the NCP

NOTE

The Federal and State Tax Offset remedies contain the provision that the NCP has a right to an administrative review as a part of the process. See the “Administrative Review” document for more information on how the contest/contest process is performed in NJKiDS.

TAXI - Tax Offset Pages

The **Tax Offset** pages (TAXI) displays arrears information for members who have been submitted for either the Federal Tax Offset (FTO) or the Set-Off of Individual Liability (SOIL) program.

The screen also displays information pertaining to Passport Denial (PAS), Multi-State Financial Institution Data Match (MSFIDM) or (FIN), Insurance (INS), Administrative Offset (ADM), Vendor Payments/Miscellaneous (VEN), Federal Retirement (RET), Federal Salary (SAL), and Debt Check Program (DEBT) submissions, provided the appropriate thresholds have been met.

Pages

Option	Function
Tax Offset Information by DCN	View yearly certified submissions to the Federal Offset Program by Member DCN. Allows authorized users to view exemptions from any Federal Offset Program using the Member DCN and the Member's Tax Name.
Tax Offset information by SSN	View yearly certified submissions to the Federal Offset Program using the Member's SSN. Allows authorized users to view exemptions from any Federal Offset program using the Member DCN and the Member's Tax Name.
SOIL Offset information by DCN	View submissions to the SOIL program by Member DCN.
SOIL Offset information by SSN	View submissions to the SOIL Program by Member SSN.
Update Tax Exemption	Allows authorized users to manually set or update exemptions for a member from any Federal Offset Program or State Tax program (SOIL).
Exclusions Report	View cases that have been excluded from any Federal Offset Program by county.

Producing the BI Portal Report

The following procedure will generate a BI Portal report of open cases excluded from the Federal Tax Offset Program:

1. Click on the **Clear** icon (eraser) in the tool bar to remove previous selections.
2. Under **Report Criteria Options**, click **Select Report Level** to expand the options and select **County**.
3. Select a county from the **Select County** drop-down list.
4. In the **Select Office** drop-down list, select an office within the selected county (optional).
5. Under **Report Criteria Options**, click **Case Detail Options** to expand the options list.
6. Under the section labeled **Case Status**, select the check box next to **Open**.
7. Under **Report Criteria Options**, click **Enforcement Options** to expand the options list.
8. Under the section labeled **Federal Offset Program Exclusions**, select the check box next to **Federal Tax**.
9. Click the **Refresh** icon in the tool bar to execute the report.
10. Click on the county map to see the list of cases that are excluded from the Federal Tax Offset Program.
11. The report can be exported to Microsoft Excel[®] by clicking on the **Export** icon in the tool bar of the **Supporting Details** pop-up.