
FOOD AND NUTRITION SERVICES CERTIFICATION
CLAIMS
NC Debt Setoff Collection (Tax Intercept) Procedures

FS 850 NC DEBT SETOFF COLLECTION (DOR) PROCEDURES
Change #2-2010
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850.01 WHAT IS SETOFF DEBT COLLECTION (TAX INTERCEPT)?

A. Definition of Setoff Debt Collection (Tax Intercept)

NC Debt Setoff (Tax Intercept) is the process by which the North Carolina Department of Health and Human Services (DHHS) intercepts income tax refunds through the North Carolina Department of Revenue (DOR) to repay Intentional Program Violation (IPV) and Inadvertent Household Error (IHE) Claims.

B. Legal Basis

North Carolina General Statute 105A provides that the North Carolina DHHS collect from North Carolina income tax refunds money owed by "debtors" as a result of Food and Nutrition Services IPV and IHE Claims. Senate Bill 39 revised the DOR processing of setoff claims effective January 1, 2000. EPICS selects debtors/claims that meet the criteria to be submitted for tax intercept, and sends the DSS-8653 when DHHS receives the intercept and posts the payment at the appropriate time.

850.02 RULES FOR SELECTING CLAIM DEBTORS FOR TAX INTERCEPT

A. EPICS selects Food and Nutrition Services debtors for submission to the NC DOR for NC Debt Setoff using the following criteria:

1. Claim must be in Collection Status or Terminated Status (Referral Status = 'CO' or 'TE').
2. Claim Type must be 'IHE' or 'IPV.'
3. Total of all selected claim current balance amount(s) must be \$50.00 or more.
4. Must not be in Recoupment status (identified as a recoupment in the last 60 days).
5. Claim Debtor must be delinquent on DOR eligible claims. Delinquent is defined as:
 - a. The Claim Establishment Date (located on the Claim Detail Screen) must be at least 60 days prior to the Current Date **and**
 - b. The debtor has not entered into a county approved repayment agreement, or
 - c. The debtor entered into a county approved repayment agreement, but has skipped payments or paid less than the approved amount.
6. Must not have a NC Debt Setoff Indicator of H, L, S, or X.

B. The Repayment Approach information in EPICS such as the frequency of payment and the repayment amount has no impact on the determination of delinquency for DOR selection. Delinquency is determined at the Claim Debtor level.

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- C. In determining delinquency, EPICS examines the Payments and/or Adjustments (adjustments could offset a payment) that have been recorded in EPICS within the last 60 days.

The following types of payments are considered:

- C - Cash
- R - Recoupment

EPICS looks at the methods of collections (payments) and adjustments for the past 60 days, tracking the total dollar amounts of all payments versus adjustments. The only value that offsets a payment for delinquency determination is ADJ-Adjustment.

- D. 'NC Debt Setoff' field on the Debtor Detail Screen must be blank for setoff to occur. A blank field indicates that the debtor has not been determined exempt from a NC Debt Setoff for the claim or he has already been selected for NC Debt Setoff.
- E. If a debtor has entered into a repayment agreement with a county, and is making payments accordingly, send a request to the State office for DOR interception to be blocked. The request must identify the debtor, state why the debtor is to be blocked, and be signed by the investigator and supervisor. Attach a copy of the repayment agreement as justification for blocking DOR. If a debtor stops making payments according to the repayment agreement, the block must be removed as the repayment agreement is void. Send a request to the State office to remove the block. This request must have the identifying information and be signed by the investigator and supervisor
- F. A Claim Debtor is submitted for NC Debt Setoff if he meets all the requirements, and the current balance for all claims in which he is a debtor totals \$50.00 or more.
- G. EPICS sets the 'NC Debt Setoff' flag to 'Y' on each claim debtor record that has been identified as 'eligible' and forwarded for collection to DOR. The NC Tax Debt Setoff field is on the Debtor Detail Screen.
- H. The claim is forwarded to DOR without an address if a Claim Debtor does not have an EPICS mailing address. A debtor is not forwarded to DOR if he has neither a Common Client ID (CCID) Name nor a SSN.

850.03 CLAIMS SELECTED FOR NC DEBT SETOFF REPORT (FRD213)

- A. FRD-213, 'Claims Selected for NC Debt Setoff' report is produced for each investigator to report debtors and claims that were selected for the NC Debt Setoff process. It is sorted by individual name and program. This report runs weekly and is in X/PTR. The report is not mailed.
- B. This report includes Name, Program, SSN, Individual ID, Referral ID, Case ID, Claim Balance, Claim Category and Claim Status. This statewide report is viewable by all counties.
- C. This report does not identify which debtors have had a NC tax refund intercepted by DOR. That information is provided on FRD-431, '30 Day Notice Report'.

850.04 NOTICE TO THE DEBTOR (DSS-8653)

- A. EPICS generates the DSS-8653, Notice to the Debtor also known as the 30 Day Notice. EPICS enters code 'D' in the NC Debt Setoff field on the Debtor Detail Screen upon

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receipt of intercepts. A claim debtor may receive multiple notices if he has multiple claims in different counties. The multi-county indicator on the "NC Debt Setoff 30 Day Notice Report" indicates when more than one county is involved. Each notice provides the Claim Debtor with the county name, address and phone number for the Owner County. The "Amount Eligible for NC Tax Intercept" column on each notice is the total balance for which DOR sent money for that particular county.

- B. The NC Debt Setoff Pending Intercepts Screen allows an EPICS user to determine if a Claim Debtor had his NC Income Tax refund intercepted as a result of NC Debt Setoff. Claims appear on this screen from the time the NC Debt Setoff 30 Day Notice is sent, until the time the payment is applied and/or the money is refunded to the Claim Debtor. Claims no longer appear on this screen after the money is applied to the claim balance or refunded, as the NC Debt Setoff is now considered complete.
- C. The debtor has 30 calendar days from the date on the notice to appeal the intercept. EPICS post the payment on the 35th day unless a waiver is signed.
- D. The debtor can waive the right to a hearing by signing a statement that he does not want EPICS to wait 30 days before proceeding with the process. When the waiver is signed, fax a signed copy of the waiver to Program Integrity at Food and Nutrition Services. The State office will enter the appropriate code. Include the EPICS referral number for purposes of identifying the debtor. EPICS post the payment that night.

850.05 NC DEBT SETOFF 30 DAY NOTICE REPORT(FRD431)

- A. FRD-431, 'NC Debt Setoff 30 Day Notice Report' is produced for each Investigator to list Claim Debtors mailed a DSS-8653 30 Day Notice. The 'Notice Date' is the date the 30 Day Notice Letter was mailed. It is sorted by name and program. This report runs weekly. The report is not mailed but is viewable in X/PTR. The statewide report is viewable by all counties.
- B. The report contains the name, program, amount that was sent for NC Debt Setoff and shown on the 30 Day Notice, amount intercepted, a multi-county indicator to identify if a claim debtor has one or more claims in other counties, address, SSN and Individual ID

850.06 HEARINGS

A debtor may request a hearing through the Office of Administrative Hearings (OAH) by filing a written Petition when he receives a DSS-8653, Notice to Debtor stating that his state tax refund has been intercepted. The debtor has a right to request a hearing to contest the intercept unless the debt had been previously litigated in a court proceeding.

- A. The debtor must obtain the Petition from the Office of Administrative Hearings (OAH) by calling or writing the (OAH) and requesting the form. Additional information may also be obtained online at <http://www.oah.state.nc.us/hearings> or calling by 919-733-2698.
- B. The request for a hearing must be mailed with postage prepaid and properly addressed or delivered to OAH by the 30th calendar day following the date of the DSS-8653. The debtor may not request a hearing by telephone nor by contacting the county department of social services.
- C. The debtor must mail or deliver the original and one copy of the Petition requesting the hearing to the Office of Administrative Hearings at the following address:

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OAH Mailing Address:	OAH Physical Address:
Office of Administrative Hearings	Office of Administrative Hearings
6714 Mail Service Center	424 North Blount Street
Raleigh, NC 27699-6714	Raleigh, North Carolina
(919) 733-2698	(919) 733-2698

- D. As DHHS is the Respondent, the debtor is also required to mail or to deliver a copy of the Petition to: Ms. Satana DeBerry, Office of Legal Affairs, DHHS, 2005 Mail Service Center, Raleigh, NC 27699-2005.
- E. When OAH receives the Petition, a "Notice of Contested Case and Assignment" is sent to all parties, including the Office of Legal Affairs, DHHS, and to Food and Nutrition Services and Energy Programs.
- F. FNSEP will then contact the county and notify them that the debtor has requested an appeal. In order for the State DSS office and the NC Attorney General's office to prepare for the hearing, a copy of the claims file may be requested from the county.

850.07 HOW PAYMENTS ARE APPLIED

- A. Money intercepted by DOR is applied to all selected claims for a single program. It is possible that EPICS may receive up to three separate intercepts for a Claim Debtor. A DOR intercept for Food and Nutrition Services **can not** be applied to a Work First or Medicaid claim under any circumstance.
- B. The claim is 'closed' by EPICS when it is paid in full by tax intercept.
- C. EPICS applies intercept payments to eligible claims nightly. Claims are paid off in the order of oldest claim first based on the Claim Establishment Date. Payments are applied randomly when two or more claims have the same Establishment Date.
- D. The debtor is refunded any money intercepted that exceeds the total owed by the debtor for that program. The remainder is **not** applied to any other program. It is possible for a debtor to receive a refund due to overcollection in one program, and still have an outstanding balance in another program. This may be confusing to the debtor.
- E. DOR intercept is applied to the debt even if the debtor becomes nondelinquent from the time of the intercept to the end of the 30 day notice period. A refund is issued to the debtor for the amount of any overcollection.
- F. All NC Debt Setoff refunds are made by the State Controller to the debtor. All NC Tax Intercept Refunds will appear on the FRD105 Refund Report for TOP and DOR overcollections. This report is produced daily and available in X/PTR. Debtors should expect refunds 8 to 10 weeks after interception.
- G. All claims that were part of the intercept will have their NC Debt Setoff Indicator set to space by EPICS once the intercept is applied, refunded, or both.
- H. All NC Debt Setoff payments are recorded by EPICS with "N" for the 'method of collection.' The payment is visible on the Payment History by Referral and Payment History by Individual screens, once it is applied.

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850.08 CLAIMS EXEMPT FROM NC DEBT SETOFF REPORT (FRD429)

- A. EPICS generates a weekly "DOR Exempt Report" of debtors who meet the selection criteria for NC Debt Setoff but were not submitted for the following reason.
 - 1. Claim Debtors on the report have one of the following codes entered in the NC Debt Setoff field – H, L, S or X.
 - 2. The Appeal Indicator on the NC Debt Setoff Pending Intercept Screen has an 'R' or 'Y'.
- B. This report contains Name, Program, SSN, Individual ID, Referral ID, Case ID, NC Debt Setoff Indicator and Appeal Indicator. This report is produced for each Investigator and is sorted by name and program. This report is mailed and also available in X/PTR. The statewide report is viewable by all counties.

850.09 DOR INTERCEPT REQUIREMENTS

- A. Agencies must register with DOR in order to participate in the NC Debt Setoff Collection Act. The priority order for DHHS programs to collect intercepts is: Child Support, Medicaid (TPR), Food and Nutrition Services, AFDC/Work First, Medicaid (recipient overpayments), respectively.
- B. DHHS provides a file to DOR each week on Tuesday. Each weekly file replaces the previous week's file. It reflects EPICS latest claim balance and adds or drops records depending on current balance and selection criteria.
- C. DHHS receives a file back from DOR reporting the offset amounts. DOR sends a notice directly to the taxpayer as soon as they make the intercept. In the 7 weeks time it takes DHHS to apply the payment, other payments by the debtor may reduce the claim balance, which may result in a refund.

EXAMPLE: A Claim Debtor entitled to receive a \$300.00 NC Tax Refund has a \$400.00 Food and Nutrition Services claim and \$200.00 AFDC/Work First claim. These amounts were submitted to DOR. Treasury Offset Program (TOP) pays off the Food and Nutrition Services claim after submission to DOR but before the intercept is received by DHHS. DOR sends the \$300.00 refund to Food and Nutrition Services. The State Controllers Office will refund \$300.00 to the debtor because the Food and Nutrition Services claim is paid in full. DOR does not allow intercepts targeted for one program to be applied to another program.

- D. The following procedure explains the approximate 7 weeks time frame for posting payments in EPICS:
 - 1. DHHS creates a file of the current Food and Nutrition Services claim balances each weekend.
 - 2. DOR decides which tax refunds can be intercepted and processes the Refund Job on the following weekend.
 - 3. DHHS receives the file from DOR to show individual offset amounts by SSN the following Monday.

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4. DOR sends electronic funds transfers to DHHS Controller's Office twice each month. The DHHS Controller's Office and State DSS reconcile balances. The State Controller then notifies EPICS to run the DSS-8653.
5. EPICS produces the DSS-8653, 30 Day Notice, mails it to the debtor using DOR address, and waits 35 calendar days (30 days for the client to request a hearing plus 5 days for mailing). EPICS displays the referral on the NC Debt Setoff Pending Intercept screen during this time frame.
6. EPICS automatically applies payments 35 calendar days after the 30 Day notice date unless the setoff is appealed. The payment may be applied earlier if the debtor waives the right to a hearing. If an intercepted debtor waives his/her right to a hearing, send a copy of the signed waiver and a request to the State office at Fax number 919-334-1266. The referral is removed from the NC Debt Setoff Pending Intercept screen once the payment is applied.