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| LOCAL COMMISSIONERS MEMORANDUM |
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Transmittal No: 99 LCM-4

Date: March 5, 1999

Division: Budget, Finance and
Data Management

TO: Local District Commissioners

SUBJECT: Federal Tax Refund Offset Program (FTROP)

ATTACHMENTS: None

Background:

Each tax season, questions arise regarding the Federal Tax Refund Offset Program (FTROP). The following is a review of the FTROP settlement procedures under normal conditions and the procedures under exception situations.

Normal Procedures

The IRS will notify the Office of Temporary and Disability Assistance (OTDA) twice a month of tax refunds that have been intercepted. The IRS also notifies the client.

The intercepted refunds are then auto posted to CAMS. As a result of the CAMS posting, CAMS reports are generated detailing the collections and identifying the Federal/State/Local shares. These reports, which are sent to each district's BICS cluster, are as follows:

Summary For FTROP	CAMS0051
Rebates For FTROP	CAMS0052
Disputed Offsets For FTROP	CAMS0053
Applied/Reversed For FTROP	CAMS0054
Penalties For FTROP	CAMS0055

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A bottom line adjustment is made to the Federal settlement to pay the District the local share of the collection. This adjustment will be made on a quarterly basis. The cycle number(s) of the intercept will be referenced on the adjustment.

Districts will report the FTROP refunds on line 3b of the DSS-3214, Status of Claims Against Households report as a negative adjustment. The CAMS generated DSS-3214 will include the F-TROP collection on line 3b, as a negative adjustment.

Exception Procedures

Reversals: Reversals are situations where the IRS has intercepted a tax refund, but it is then determined that the intercept has occurred in error. The IRS will give back the money directly to the client.

Reversals will be displayed as such on the shares report. The district is not required to make adjustments or payments to the client. The details of the reversals will be displayed on the CAMS 0054 Report.

The claim balance will be decreased for collections (refunds) and increased for reversals. Reversals are netted against the FTROP refunds. The net amount is reported on line 3b of the DSS-3214. For districts only using CAMS for the intercept, line 3b must be manually adjusted to include this net amount.

District To Pay Client - Refund Not Posted To CAMS

When the district determines that a tax refund was improperly intercepted, the first step is for the district to terminate the claim in CAMS.

If the claim is terminated before the CAMS posting of the tax intercept, the shares report will identify this as a Rebate. A Rebate is displayed on the shares report as 100% Local District share.

Example: A client makes a voluntary payment of \$100 on an Inadvertent Household Error claim. The payment is posted to CAMS and the transaction results in the claim being paid in full. The district would receive \$5 in retention revenue through the normal DSS-3214 reporting process. The IRS intercepts \$100 from the client's tax refund. The tax intercept will not post to CAMS, because the claim is paid in full. This intercept will be included on the shares report as a Rebate (100% Local District share).

The district would pay the full amount of the rebate to the client. The district will receive the money to pay to the client through a bottom line adjustment to the Federal Settlement. This payment to the client, therefore, should not be claimed.

Rebate details will be displayed on the CAMS 0052 Report.

District To Pay Client Posted To CAMS

When the district determines that a tax refund was improperly taken and the refund has been posted to CAMS, special procedures are required.

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A posting reversal must be entered in CAMS. The posting reversal will be reported on line 3b, balance adjustment, of the DSS-3214 report. See page III.26 of the CAMS manual for instructions on reversing postings.

The posting details will be displayed on the CAMS 0054 Report.

The district must send a check to the client for the incorrectly recovered amount. This payment to the client is not claimable since the district receives funding for the check in the manner described as follows.

The district receives a portion of intercepted amount (as Local District share displayed on the Shares Report) through the Claims Settlement process. For the district to receive the full amount of the intercept to return it to the client, the district should add the amount of the refund, less the Local District share, to the retention amount on line 22 of the DSS-3214 report.

Example: A \$200 tax intercept is posted to CAMS as an Inadvertent Household Error payment. The district would receive the \$10 Local District share through the Settlement process. The district later determines that the intercept was done in error. The district must send the client a check for \$200. The district must add \$190 (\$200 refund less \$10 Local share through Settlement process) to the Household Error retention amount on line 22 of the DSS-3214 report. This will result in the district receiving 100% of the refund amount.

If you have any questions, please call:

Regions I-IV--Roland Levie at 1-800-343-8859 extension 4-7549 (User ID FMS001) or

Region V--Marvin Gold at 212-383-1733 (User ID OFM270).

Philip Maher
Assistant Commissioner
Office of Budget, Finance
and Data Management