

N. C. Local Government Debt Setoff Clearinghouse

2007 Workshop Information

<p style="text-align: center;">LEGISLATION</p> <ul style="list-style-type: none"> ▪ North Carolina General Statute 105-A http://www.ncga.state.nc.us/EnactedLegislation/Statutes/HTML/ByArticle/Chapter_105A/Article_1.html <p style="text-align: center;">ELIGIBLE PARTICIPANTS</p> <ul style="list-style-type: none"> ▪ County (not considered a state agency) ▪ Municipality ▪ Water & Sewer Authority (Article 1 of Chapter 162) ▪ Regional Joint Agency (Article 20 of Chapter 160A) ▪ Public Health Authority (Part 1B of Article 2 of Chapter 130A) ▪ Metropolitan Sewerage District (Article 5 of Chapter 162A) ▪ Sanitary District (Article 2, Part 2 of Chapter 130A) 	<p style="text-align: center;">REQUIREMENTS FOR NEW PARTICIPATION</p> <ul style="list-style-type: none"> ▪ Set-up account with N.C. Capital Management of the Carolinas ▪ Process all of the following and send to either the N.C. Association of County Commissioners or the N.C. League of Municipalities: <ol style="list-style-type: none"> 1) Sign, and mail or fax, the N. C. Capital Management Trust Inter-Fund Trust Authorization Form http://www.ncsetoff.org/InterFundTransfer.pdf 2) Sign, and mail or fax, the Memorandum of Understanding http://www.ncsetoff.org/MemorandumofUnderstanding.pdf 3) Sign, and mail or fax, the Local Agency Certification http://www.ncsetoff.org/LocalAgencyCertification.pdf 4) Sign, and mail or fax, the Multiple Unit Collection Rider (if applicable) http://www.ncsetoff.org/MultipleUnitCollectionRider.pdf 5) Complete, print, sign, and mail or fax, the online 2008 Participation Form www.ncsetoff.org/2008ParticipationForm.htm
<p style="text-align: center;">REQUIREMENTS FOR PARTICIPATION RENEWAL</p> <ul style="list-style-type: none"> ▪ Process all of the following and send to either the N.C. Association of County Commissioners or the N.C. League of Municipalities: <ol style="list-style-type: none"> 1) Complete, print, sign, and mail or fax, the online 2008 Participation Form www.ncsetoff.org/2008ParticipationForm.htm 2) Sign, and mail or fax, the Multiple Unit Collection Rider (if applicable) http://www.ncsetoff.org/MultipleUnitCollectionRider.pdf 	<p style="text-align: center;">DEBT REQUIREMENTS</p> <ul style="list-style-type: none"> ▪ Debts must be at least 60 days old ▪ Debts must be \$50 or greater ▪ Debts may be combined to meet the required \$50 minimum if they are for the same debtor with same social security number and same type of debt. (i.e. water bills, electric, parking tickets) ▪ Tax debts must stand alone, they cannot be combined with other tax debts or any other type of debt ▪ Must give proper notice (due process) of the debt to the debtor and the right of appeal
<p style="text-align: center;">DUE PROCESS</p> <ul style="list-style-type: none"> ▪ Send letters to last known address ▪ Does not have to be certified mail ▪ Retain a manifest report of all notification letters ▪ Allow 30 days before sending to Clearinghouse or set the Compliance Date to 30 days from date notification letter sent ▪ Establish a Hearing Officer ▪ Have your attorney review your process ▪ Sample Notification Letters: http://www.ncsetoff.org/SampleLetters.htm ▪ Sample Hearing documents: http://www.ncsetoff.org/HearingDocuments.htm 	<p style="text-align: center;">COSTS/FEES</p> <p>To Local Governments:</p> <ul style="list-style-type: none"> ▪ No cost for any service or support other than optional data entry from hard copy forms faxed or mailed: <ul style="list-style-type: none"> ○ \$ 25 one-time set-up ○ \$ 2 per debtor (includes one debt) \$1 each additional <p>To Debtors:</p> <ul style="list-style-type: none"> ▪ A Legislated \$15 Clearinghouse fee is added to each debt of \$50 or more for each refund setoff of at least \$50 <ul style="list-style-type: none"> ○ Maximum one fee per debt per local govt. per year ▪ A Legislated \$5 fee is added by Department of Revenue for each tax refund setoff ▪ A Legislated \$5 fee is added by the Lottery for each lottery setoff
<p style="text-align: center;">EDUCATION LOTTERY</p> <ul style="list-style-type: none"> ▪ Debtors winning \$600 or more are subject to setoff and funds also processed with Capital Management of the Carolinas ▪ Notification letters should be modified with “Additionally, as authorized by North Carolina General Statute 18C-134, if applicable, the local agency intends to submit the above _____ (debt/debts) against certain lottery prizes to which you may become entitled. 	<p style="text-align: center;">HIPAA</p> <ul style="list-style-type: none"> ▪ Due to HIPAA regulations, participating counties will need Business Associate Agreements ▪ The debts in question flow from county health departments and public health authorities ▪ Business Associate Agreements are available

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<p style="text-align: center;"><i>SOCIAL SECURITY NUMBERS</i></p> <ul style="list-style-type: none"> ▪ Regulations for the collection and use of social security numbers ▪ Mandatory disclosure to all ▪ Social security numbers can no longer be printed on mailed documents 	<p style="text-align: center;"><i>METHODS FOR SUBMITTING DEBTS</i></p> <ul style="list-style-type: none"> ▪ Clearinghouse Client Software ▪ ASCII http://www.ncsetoff.org/ASCIILayout.htm ▪ Excel http://www.ncsetoff.org/ExcelSample.xls (review ASCII) ▪ Hard copy forms (see Costs/Fees) ▪ Clearinghouse can import an ASCII and/or EXCEL and return loaded with our Client software
<p style="text-align: center;"><i>DEBTOR FILE DETAILS</i></p> <ul style="list-style-type: none"> ▪ Once first data file transmitted to the Clearinghouse (ASCII/Excel): <ul style="list-style-type: none"> ○ Transmit all debtors/debts each time ○ Transmit only additional debtors/debts ○ Transmit only updated debtors/debts ▪ Allowable at any time: <ul style="list-style-type: none"> ○ Switch from ASCII/EXCEL to Client software or vice-versa ○ Request all current debtors and debts be removed and a substitute data file to replace 	<p style="text-align: center;"><i>FILE ACCESS/SHARING/COMBINING</i></p> <ul style="list-style-type: none"> ▪ Client Software Users: <ul style="list-style-type: none"> ○ Operates on a single workstation or network for multiple, simultaneous users ○ If networked, an unlimited number of users can access Client software (must be one shared file/database, file server recommended) ▪ All local Governments must combine all debtors/debts into a single file in order to transmit to the Clearinghouse ▪ Client software users can import ASCII and/or Excel files ▪ Clearinghouse will transmit only one file of setoffs to the local government regardless of the number of departments
<p style="text-align: center;"><i>DEBT PRIORITY STRUCTURE</i></p> <ul style="list-style-type: none"> ▪ Each debt associated with a debtor is time and date stamped as it is processed by the Clearinghouse ▪ When a debtor's refund is setoff it is applied against the debts based on the date/time stamp received at the Clearinghouse ▪ Priority is retained until debt amount is \$0.00 before moving to next debt based on date/time received at the Clearinghouse <p style="text-align: center;"><i>DEBT DETAILS</i></p> <ul style="list-style-type: none"> ▪ Must provide to the Clearinghouse: <ol style="list-style-type: none"> 1) Social Security Number or Dept. of the Treasury IRS Individual Taxpayer Identification Number (ITIN) 	<p style="text-align: center;"><i>DEBT DETAILS (cont.)</i></p> <ol style="list-style-type: none"> 2) Names: First and Last 3) Current Debt Amount 4) Dates: Compliance and Expiration 5) Unique Key <ul style="list-style-type: none"> ▪ Compliance Date: beginning date that a debt is eligible to be sent to the Department of Revenue for setoff ▪ Expiration Date: ending date that a debt is eligible to be sent to the Department of Revenue for setoff ▪ Unique Key: each debt for each SSN must have a Unique Key that does not change ▪ Remember: when debtor pays a debt in full, send a \$0.00 debt amount, don't delete or remove
<p style="text-align: center;"><i>NOTIFICATIONS/REPORTS/FILES</i></p> <ul style="list-style-type: none"> ▪ Emails: <ul style="list-style-type: none"> ○ Confirmation of successful transmit of file of debtors sent to the Clearinghouse * ○ Import Status Report with totals and rejections ○ Report of any errors/rejections from file of debtors and debts * ○ Setoffs at the Dept of Revenue and a file ready for download into Client software or external system (ASCII and EXCEL) * • Reports/Files: <ul style="list-style-type: none"> ○ Setoffs available for download as a report, ASCII file and Excel file <p>* To up to 10 email addresses</p> <p style="text-align: center;"><i>SETOFF FILE AVAILABILITY</i></p> <ul style="list-style-type: none"> ▪ Setoff files remain on secure folder and are available for 10 days before removed for additional security reasons ▪ Can be restored by contacting the Clearinghouse ▪ Status of the Setoff File process: http://www.ncsetoff.org/setoffprocess.htm 	<p style="text-align: center;"><i>TIMING/SCHEDULING</i></p> <ul style="list-style-type: none"> ▪ Debtor files from Local Government to the Clearinghouse <ul style="list-style-type: none"> ○ Local Governments may send an unlimited number of files ○ Cut-off is Friday 5:00 p.m. ○ If not using Client software and sending multiple files in same week, use unique file names as sending it writes over previous file with same name before we processed ▪ Clearinghouse files to the Department of Revenue <ul style="list-style-type: none"> ○ Process all local government files each Monday that were received by previous Friday at 5:00 p.m. ○ Sent to Department of Revenue each Tuesday morning ▪ Department of Revenue to Clearinghouse <ul style="list-style-type: none"> ○ Setoff files sent twice per month from February through December, normally on Tuesdays unless a holiday ▪ Funds Transfers: <ul style="list-style-type: none"> ○ Dept of Revenue deposits directly to Capital Mgt ○ Office of the Treasurer (Education Lottery) deposits directly to Capital Management of the Carolinas ○ Clearinghouse provides Capital Management with information to distribute the funds to local governments

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REFUNDS

- Due to several timing issues:
 - Clearinghouse can only transmit once per week to the Dept. of Revenue (Tuesday morning)
 - Clearinghouse only receives two setoff files per month (Feb – Dec) from Dept. of Revenue
- Debtor files multiple tax returns over a 1-3 week period
- Local Governments don't send a \$0.00 amount when debtor pays in full
- Report provided stating that a surplus setoff occurred and to initiate a refund, Excel file lists the addresses of all debtors as to where they filed their tax return

REFUND FEES

- Recommend no return of the \$15 Clearinghouse fee nor the \$5 Dept. or Revenue fee if debtor did not pay entire debt prior to the Compliance Date, regardless of the timing issues (unless you made an error and should not have been submitted to the Clearinghouse)
- If the Department of Revenue requests a refund, the local government returns the amount the Clearinghouse deposited into the local government account and the Clearinghouse pays the \$15 fee (if taken)
- If fees were taken from multiple collections means, i.e. Wage Garnishment and Debt Setoff

INTERACTIVE VOICE RESPONSE

- 24 hours, 7 days per week automated system using a telephone
- Asks the caller to enter:
 - Their nine digit Social Security Number
 - Their ten digit telephone number
- Responds with a random listing of all submitting a setoff amount:
 - Local government entity name
 - Contact name (from Participation form)
 - Contact Telephone Number (from Participation form)
 - Current Debt Amount (may be \$0.00)

CLIENT SOFTWARE

- Provided at no cost
- Imports ASCII or Excel from external systems
- Clearinghouse can provide a password for local government to do ASCII or Excel imports into the Client software once the Clearinghouse has approved the first ASCII/Excel file
- Comprehensive online HELP system
- Integrated, secure encrypted electronic file transfers to the Clearinghouse
- Detailed reports
- Optional Interest Accrual
- Allows for separate user accounts for audit trails
- Create departmental/groups for separate reports of setoffs
- Creates export file for generating notification letters
- Creates export file for importing into other billing systems or software

CLEARINGHOUSE SUPPORT

- Client Software assistance
- Import ASCII or Excel from external system into Client software
- Secure web Browser interface for transmitting debts from external billing system(s) (ASCII or EXCEL)
- Documentation and support for generating notification letters http://www.ncsetoff.org/Mail_Merge_Instructions_MSWord.pdf
- Reports: Expired and Non-compliant, Deposits for Fiscal or Calendar Year
- Consultation with your I.T. staff and vendors
- Liaison with Department of Revenue and Capital Management
- Restore your database and Client software in the event of a disaster
- Hours are Monday-Friday 8:00 a.m. - 5:00 p.m

WEBSITE

- <http://www.ncsetoff.org>
- Information/News
- Forms
 - Online Participation form
 - Online Participation Changes form
- Participating Local Governments
- Setoff Process – status of upcoming/ongoing setoff file
- Statistics
 - Current Year
 - Past Years
 - Current Top 10
- Support
 - Frequently Asked Questions
 - Letter generation instructions

IMPORTANT INFORMATION

- N.C. Local Govt. Debt Setoff Clearinghouse: (866) 265-1668
- Interactive Voice Response (IVR): (877) 843-0330
- Secure Encrypted File Transfers: <https://setoff.fivestarcomputing.com> (requires assigned username and password)
- Capital Management Trust of the Carolinas: (800) 222-3232

IMPORTANT INFORMATION

- N. C. Association of County Commissioners: www.ncac.org
 - John Whitehurst (919) 715-2893
 - Fax: (919) 733-1065
- N. C. League of Municipalities: www.nclm.org
 - Tom Medlin (919) 715-2906
 - Wanda Veasey (919) 715-2218
 - Fax: (919) 715-1900

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<i>Department of Revenue</i>	<i>Department of the Treasury/ IRS</i>
<ul style="list-style-type: none"> ▪ Social Security Number and 1st four characters of last name must match ▪ If requests a refund from the local government, funds must be returned (Clearinghouse refunds the \$15 fee, Dept of Revenue returns the \$5 fee) ▪ Provides a setoff file to the Clearinghouse with addresses of the taxpayers, provided on the setoff Excel file to local govts ▪ Provides a letter to the Taxpayer if funds withheld <ul style="list-style-type: none"> ○ Lists the amount setoff with an explanation: “Your refund has been applied against your indebtedness to a North Carolina county and/or city. You previously received written notice about the indebtedness including a time in which to appeal. If you have any questions about your indebtedness, please call toll-free (877) 843-0330”. ○ Lists their fee amount (\$5.00) with an explanation: “This portion of your refund has been retained by the Department of Revenue to cover the costs incurred by the Department in applying your refund against your indebtedness to the agency or agencies noted”. ▪ Department of Revenue Setoff Schedule http://www.ncsetoff.org/DORCalendar.htm 	<p>What is an ITIN?</p> <ul style="list-style-type: none"> ▪ An Individual Taxpayer Identification Number (ITIN) is a tax processing number issued by the Internal Revenue Service. It is a nine-digit number that always begins with the number 9 and has a 7 or 8 in the fourth digit, example 9XX-7X-XXXX. ▪ IRS issues ITINs to individuals who are required to have a U.S. taxpayer identification number but who do not have, and are not eligible to obtain a Social Security Number (SSN) from the Social Security Administration (SSA). ▪ ITINs are issued regardless of immigration status because both resident and nonresident aliens may have U.S. tax return and payment responsibilities under the Internal Revenue Code. ▪ Individuals must have a filing requirement and file a valid federal income tax return to receive an ITIN, unless they meet an exception. <p>Who needs an ITIN?</p> <ul style="list-style-type: none"> ▪ Non-resident alien filing a U.S. tax return and not eligible for an SSN ▪ U.S. resident alien (based on days present in the United States) filing a U.S. tax return and not eligible for an SSN ▪ Dependent or spouse of a U.S. citizen/resident alien <ul style="list-style-type: none"> Dependent or spouse of a non-resident alien visa holder