



# NONTAX DEBT COLLECTIONS

## BUSINESS PROFILE

### STATEWIDE COLLECTIONS BUREAU

#### NONTAX DEBT CLIENTS

##### CALIFORNIA COURTS

Alameda County Central Collections  
Alameda Superior  
Amador Superior  
Butte County Central Collections  
Calaveras Superior  
Colusa Superior  
Contra Costa Revenue  
Contra Costa Superior  
Dept of Corrections and  
Rehabilitation  
Del Norte Tax Collector  
El Dorado Revenue Recovery  
Fresno Revenue Reimbursement  
Fresno Superior  
Glenn Superior  
Humboldt Revenue Recovery  
Imperial Superior  
Inyo Superior  
Kern County Probation  
Kern County Superior  
Kings Superior  
Lake County Tax Collector  
Lassen Superior  
Los Angeles Superior  
Madera County Revenue  
Madera Superior  
Marin County Central Collections  
Marin County Enhanced Collections  
Mariposa Probation  
Mendocino County Collections  
Merced Revenue & Reimbursement  
Merced Superior  
Modoc Superior  
Monterey Revenue Division  
Nevada Superior  
Orange Probation  
Orange Superior  
Placer County Revenue  
Plumas County Treasurer  
Riverside Superior  
Sacramento Revenue Recovery  
San Benito Superior  
San Bernardino Central Collections  
San Bernardino Superior  
San Diego Revenue Recovery  
San Diego Superior  
San Joaquin Revenue & Recovery  
San Luis Obispo Probation  
San Luis Obispo Superior  
San Mateo Revenue  
Santa Barbara Probation  
Santa Barbara Superior  
Santa Clara Department of Revenue  
Santa Cruz Treasurer  
Shasta Superior  
Sonoma County Central Collections  
Sonoma Superior  
Stanislaus Revenue  
Stanislaus Superior  
Sutter Collections  
Sutter Superior  
Trinity Probation  
Tulare Probation  
Tulare Superior  
Tuolumne Revenue Recovery  
Ventura Superior  
Yolo County Collection Services  
Yuba Superior  
Victims Compensation & Gov't  
Claims Board

##### CALIFORNIA DEPARTMENT OF MOTOR VEHICLES

##### CALIFORNIA DEPARTMENT OF INDUSTRIAL RELATIONS

### BACKGROUND

In addition to income tax liabilities, the Franchise Tax Board (FTB) pursues debts owed to state and local government when they are referred by statute. As authorized by state law, FTB collects delinquent debts in the same manner used to collect personal income tax liabilities. It is important to note that, throughout the nontax collection process, the referring agency retains management responsibility for all cases sent to FTB. For example, FTB refers debtor disputes of amounts owed back to the referring agency for resolution.

### COLLECTION PROCESS

After a case is accepted into one of FTB's Nontax Debt collection programs, FTB first mails a Demand for Payment notice to the debtor's last known address. If the debtor does not resolve the debt within ten days, FTB then pursues monetary assets identified by FTB's automated collection system. In this effort, FTB searches through more than 220 million income records, including wage information on all California employees and interest and dividend information on all California accounts. Once assets are located, FTB administratively issues levies to identified asset sources. In addition, FTB can administratively order any person having control over funds belonging to a debtor to withhold those funds from the debtor.

Levy actions can include:

- An Order to Withhold on bank accounts such as checking, savings, IRA and Keogh
- An Earnings Withholding Order to an employer
- A Continuous Order to Withhold to a miscellaneous payor for commissions, rents and royalties
- Seizure of both real and personal property, including vacant land, cash, safe deposit boxes, and vehicles

When a levy attaches a bank account, the debtor has ten days to pay his debt, or the bank forwards the funds to FTB. When a levy attaches wages, the debtor also has at least ten days to pay voluntarily before the employer begins withholding up to 25% of the debtor's disposable income. In all cases, FTB chooses the best collection remedy and may return a case or rescind action on a case at any time until an issue is settled.

### COURT-ORDERED DEBT COLLECTIONS

In an effort to reduce the amount of court-ordered debt owed in the state, the California Legislature allowed the Franchise Tax Board (FTB) and county superior, municipal and justice courts to form partnerships to collect court-ordered debts. FTB collects for courts that volunteer to participate in the program. FTB's Court-Ordered Debt Collections program is authorized under California Revenue and Taxation Code § 19280.

Court-Ordered Debt Collections is funded by the participating courts. As mandated by California Revenue and Taxation Code § 19282, FTB's administrative costs cannot exceed 15% of collections. In 2004, the legislature made the program permanent and expanded it to accept cases from all 58 counties due to the program's continued success.

California Revenue and Taxation Code § 19280 authorizes FTB to collect certain criminal fines, penalties, forfeitures, court-appointed counsel costs, bail and restitution orders, as well as most Vehicle Code Violations. When a superior, municipal, or justice court orders an amount due for criminal offenses, the county to which it is due may refer the case to FTB for collection. The debt must be at least 90 days delinquent and at least \$100 in the aggregate.

Money collected by FTB for the courts is deposited into the Court Collection Fund – an account created for Court-Ordered Debt Collections. From this fund, the State Controller’s Office transfers to the General Fund an amount equal to FTB’s administrative costs, or 15% of the total amount collected, whichever is less. The remaining balance is transferred to the court, county or state fund to which the debt is owing. These funds include: the Victims of Crime Restitution Fund; the Driver’s Training Penalty Assessment Fund; the Peace Officers’ Training Fund; the Victim Witness Assistance Fund; and the Corrections Training Fund.

## INDUSTRIAL HEALTH AND SAFETY COLLECTIONS

In an effort to effectively pursue individuals and companies owing fines, penalties, and other monetary debts, the California Legislature passed California Revenue and Taxation Code § 19290 and § 19290.1, effective July 1, 1995, mandating that the Department of Industrial Relations (DIR) transfer responsibility for collecting specified delinquent fees, wages, penalties, costs and interest to FTB. The new law also transferred authority to collect unpaid DIR assessments and penalties against employers with workers’ compensation insurance who have the worst safety records and the most preventable accidents.

Funding for FTB’s Industrial Health and Safety Collections is based on the type of debt to be collected. If the debt is from delinquent fees, wages, penalties, costs or interest, funding is reimbursed based on FTB’s actual costs for providing the service. If the debt is based on employer assessments and penalties, funding is reimbursed from the Cal-OSHA Targeted Inspection and Consultation Fund. Reimbursements do not exceed the actual costs of collections.

## VEHICLE REGISTRATION COLLECTIONS

Each year, the Department of Motor Vehicles (DMV) sends an estimated 26 million vehicle registration notices to Californians. Of these accounts, approximately 1,300,000, with an estimated value of \$345 million, become delinquent. In an effort to pursue debtors, the California Legislature transferred the responsibility for collecting delinquent vehicle registration fees to the Franchise Tax Board (FTB) in 1993 with the enactment of California Revenue and Taxation Code § 10878.

The Franchise Tax Board’s Vehicle Registration Collections is funded through the Motor Vehicle Account, State Transportation Fund and the Motor Vehicle License Fee Account, Transportation Tax Fund.

<b>2011-2012 FISCAL YEAR NONTAX DEBT COLLECTION TOTALS</b>	
<b>PROGRAM</b>	<b>COLLECTION ACTIVITY</b>
Court-Ordered Debt	\$93,462,260
Industrial Health & Safety	\$3,034,343
Vehicle Registration	\$141,923,597
	<b>Total Collected</b>
	<b>\$238,420,200</b>