

Slide #1

Intro: Hello and welcome to the Franchise Tax Board's Interagency Intercept Collection Program Webinar for participating agencies.

My name is Eric Briggs, and I will be the presenter for today's program. Joining me is Jennifer Ballard, who is here to answer the most frequently, asked questions. I'm glad you joined us.

We designed this webinar to provide an overview of the Franchise Tax Board's Interagency Intercept Collection Program, which I'll refer to as the Intercept Program.

Slide #2

On today's agenda we will go over

- Explain the benefits of the Intercept Program
- Define who's eligible to participate
- Describe what kind of debts you can refer to us
- Explain how to register for the program
- Explain your role and responsibilities
- Explain our role in the process
- Explain the 30-day Pre-Intercept Notice
- Explain the new requirements for Pre-Intercept Notices

Slide #3

For first time participating agencies, let me start with explaining what we do.

Slide #4

On behalf of the State Controller's Office we administer the Intercept program. Our program redirects state tax refunds, California State Lottery winnings, and unclaimed property funds to pay individuals' debts to government agencies and California colleges.

In 2015 the Interagency Intercept Program:

- 274M dollars
- to more than 500,000 accounts

Slide #5

Benefits of the Intercept Program

Our program can collect more money in less time at reduced costs, as opposed to expensive and exhaustive collection programs.

Intercepted payments come from three sources:

- Personal income tax refunds
- Lottery winnings, and
- Unclaimed property disbursements

Slide #6

Qualifying Debts: Many debts qualify for our program:

- State agencies can submit *any* type of debt owed to them.
- Counties and cities can submit debts for property taxes, delinquent fines, bails, vehicle parking penalties, court-ordered payments, or other permitted debts.
- California colleges can submit debts for delinquent registration, tuition, bad check fees, library fines, federally subsidized student loans, or other permitted debts.
- Special districts can submit debts in accordance with specified California Government Code Sections.

Check with your legal department to determine what debts are acceptable for the Intercept Program.

Slide #7

Debt Criteria: Submit only debts where:

- The debt type qualifies under the Intercept Program authority and State Controller's Office approved it.
- A Pre-Intercept Notice was mailed and the required 30 day response time has elapsed.
- The debt amount is at least \$10.
- Debtor is not in an active bankruptcy.

- The debtor has a valid Social Security Number.
- There is one total debt amount for each debtor.

- Slide #8

- **List of Forms (don't read listing of forms)**
- Use the following forms to participate in the Intercept Program. Go to **ftb.ca.gov** and search for **intercept** to get the most recent version.

Slide #9/10

Who's Eligible to participate in the Intercept Program

You must be:

- A California state, city, county agency, or special district.
- A California state college, community college district, or other post-secondary educational institution.
- The Internal Revenue Service.

Private collection firms and data service providers are not eligible to participate. However, they can submit accounts on behalf of participating agencies. We will only correspond with client agencies.

Slide #11

- The following information will show you :
- How to participate
- How to register
- Roles and responsibilities

Slide #12

How to Register for the Intercept Program

(Show FTB 2646, IIC Program Yearly Time Line)

You can join the Intercept Program at any time. However, since we process most state tax refunds during the first three months of the calendar year, your agency will benefit most by following FTB 2646, *IIC Program Yearly Time Line*.

Slide #13

Initial Request to Participate Form

(Show FTB 2282 PC, Initial Request to Participate)

The executive officer or director for your agency signs and submits FTB 2282 PC, *Initial Request to Participate*, to the State Controller's Office. Only new agencies submit this form. After the State Controller's Office approves your request to participate, they mail an approval notice to you and Franchise Tax Board. Once we receive your *Intent to Participate/Agency Certification* form from the State Controller's Office, we will send you a welcome letter with your two-digit agency code.

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Slide #14

Intent to Participate/Agency Certification

(Show FTB 2280 PC, Intent to Participate/Agency Certification)

Your agency's executive officer or director signs and submits an FTB 2280 PC, *Intent to Participate/Agency Certification*, yearly.

Note: You can submit the *Intent to Participate/Agency Certification*, to us while awaiting your approval from the State Controller's Office.

Slide #15

Our Role

Once you submit an annual load, you cannot make changes until the first week of January. Between December and February, we complete the following tasks during our annual process:

- Purge all prior debts in late December.
- Process your annual debtor accounts for the upcoming calendar year by the first week in January.
- Send you a listing of accounts we received, accepted and rejected by mid-February.

If you are a new agency we approved *after* November 1, use the modified debtor account method as explained in the 2016 Participation Guide for your first records submission.

Slide #16

Your Role and Responsibilities

As a participating agency your role is to:

- Update debts immediately upon learning
 - A debt is paid in full.
 - Your debtor has filed bankruptcy.

You are responsible to:

- Refund debtors any amount you over collect.
- Pay the annual Intercept Program service fee.
- Follow the confidentiality guidelines such as:
 - Only using debtor information we provide for the requested purpose.
 - Ensure that all information we provide you is safeguarded (in accordance with the IRS Publication 1075, *Tax Information Security Guidelines for Federal, State, and Local Agencies*).
 - Only send confidential information in a secure environment, never through unsecured email.
- **Please note:** Unauthorized disclosure of confidential information is a misdemeanor.

Slide #17

Other Program Requirements: Your role in the Intercept Program

Besides certifying your program participation yearly and agreeing to meet all program and debt eligibility requirements, you must:

- Submit your annual load by December 1, via Secure Web Internet File Transfer (SWIFT).
- Provide updated certification and contact information.
- Assign staff to respond to your debtors' questions about their accounts.
- Send a *Pre-Intercept Notice* at least 30 days before submitting debts to us.

• Slide #18

- **Modified Debtor Accounts**

- After you have registered, been approved and assigned an agency code; you can then submit or modify accounts as needed.
- You can add, delete, or change an account at any time during the year. Mid-December is the deadline to submit modified accounts for the current process year before we begin annual processing for the upcoming year. We don't require you to update the balance for offsets during the year; however you should modify the balance for voluntary payments or deletions to avoid over collection.

Slide #19

(Show FTB 2288 *Pre-Intercept Notice Sample*)

You are *required* to send your debtors a Pre-Intercept Notice that contains due process language.

Slide #20

See *Pre-Intercept Notice Sample as shown* for suggested language. **In fact, we strongly recommend that you insert this language into your Pre-Intercept Notice to ensure you meet the due process requirements.** Please note: offsetting debtors' tax refunds, lottery winnings, or

unclaimed property is a serious and involuntary collection action. You must allow your debtors 30 days to resolve or dispute the debts, *before* submitting their debts to us.

For 2016, we are requiring both new and returning agencies to provide a copy of your Pre-Intercept Notice with the Intent to Participate form. The form asks you to confirm that you have or will provide your debtors a Pre-Intercept Notice prior to submitting your debts to us. Starting fall 2016 we will *not* accept your debt submissions until you meet this requirement.

Slide #21

We notify a participating agency when an offset occurs. We also send the debtor an Intercept Notice with the following information:

- Debtor's account number with the agency.
- Original payment amount.
- Offset amount.
- Remaining refund amount.
- Agency's public contact address and telephone number.
- Government code authorizing the Intercept Program.

Slide #22

Update Records with Offsets

We update debtor records on our system with offsets to reduce the debt amounts. We send the State Controller's Office reconciliation reports for Lottery and unclaimed property payments. The State Controller's Office credits these funds to the appropriate agency and sends a transaction record or a warrant for these offsets to the participating agencies.

Slide #23

Weekly Offset Reports

These files provide the successful offset information you need to post payments to your debtors' accounts and reconcile your receivables. We provide separate reports for each payment type: personal income tax, Lottery, and unclaimed property. If there is no offset activity, we will not generate a report.

If we reject any accounts, we send you a Rejected Account Report/File, with an explanation.

Slide #24

Fund Disbursement

The State Controller's Office disburses offset payments to you each month through a fund transfer or check warrant. If you cannot reconcile this amount with your weekly offset reports, please contact us.

Occasionally, we may intercept funds in error. If we determine your agency received funds in error, we will reduce your monthly payment by the reversal amount. We will then send you a weekly/monthly Reversal Notice advising you of these changes.

Slide #25

Administrative Costs

The State Controller's Office charges a fee to reimburse the administrative costs of the program. We base this fee on actual costs incurred, which can vary each year. We will send a bulletin to advise you of the yearly cost. Last year the fee was approximately \$2 per offset.

The State Controller's Office bills each agency in April for each successful offset we collect during the previous calendar year.

Slide #26

If you need more information or if you have questions for the Intercept Staff

Slide #27

Our program staff can answer your questions or provide services and support, including:

- Help your staff with general information.
- Provide copies of missing reports.
- Help you reconcile your weekly reports to monthly fund transfer.
- Register you for SWIFT.
- Answer your billing questions.

Slide #28

You can Use the following to contact us. FTB only works with participating agencies regarding the Intercept Program. Debtors and third parties who have questions must contact the referring agency directly.

Slide #29

You can contact the State Controller's Office for questions pertaining to their involvement in the intercept program. This information can also be found in our program guide for future reference.

Slide #30

Now, Jennifer will answer a few of our most Frequently Asked Questions.

Frequently Asked Questions: (Eric will ask the questions)

Slide #31

Is it optional to send a Pre-Intercept notice to debtors that are submitted for offset?

Answer: No: Sending a Pre-Intercept notice to your debtors is not optional. You are required to send a Pre-Intercept notice that allows the debtor at least 30 days to dispute the liability with your agency. Our Participation Guide provides a sample letter; we require your notice to have similar language.

Slide #32

How do I obtain an agency code?

Answer: To obtain an agency code, complete the *Initial Request to Participate* and mail or fax to State Controller's Office and complete the *Intent to Participate* and mail or fax to Franchise Tax Board Intercept Program. Upon receiving approval from State

Controller's Office authorizing your participation, we will assign you an agency code, notify you via telephone, and send you a welcome letter.

Slide #33

Is the Intent to Participate form required to be submitted each year?

Answer: Yes, each year in October we require an updated *Intent to Participate* form. Also an updated form is required when your contact information changes during the course of the year.

Slide #34

What is SWIFT?

Answer: SWIFT is FTB's required Secure Web Internet File Transfer Service that provides our customers with a secure method for transferring files to Franchise Tax Board. See the 2016 Participation Guide for more details or visit our website at **ftb.ca.gov** and search for **swift**.

Slide #35

Can I obtain a list of all the individual accounts that I submitted during the year?

Answer: We do not maintain a list with this information; however *you* can keep your own records by maintaining a list of your annual load and modifications submitted to Franchise Tax Board throughout the year.

Closing Slide #36

This concludes the webinar. We hope you have found this information helpful. We look forward working with you for the upcoming year.

Post Webinar Survey Questions:

- What kind of government agency do you represent? (IRS, state, county, city, special district, college)?
- Are you are a new or returning client to the Intercept Program?
- How many debts you plan to submit this calendar year?
- What challenges or concerns do you have with the Intercept Program?