



TRECS Debt Setoff FAQ's

1. What is the TRECS debt setoff program?

The Association of Indiana Counties' TRECS program allows any local municipality to submit unpaid debts through the AIC clearinghouse to the Indiana Department of Revenue to match the debtor's name and social security number against those taxpayers due a personal income tax refund. If a match is found between the debtor and the debtor's personal income tax refund, IDoR offsets the refund for repayment of the debt. The state's debt setoff program has been used successfully for years by state agencies to recover unpaid state debts, university debts, child support in arrears and misapplied state payments such as unemployment insurance.

2. What authorizes municipalities to participate in the Indiana Department of Revenue's personal income tax debt setoff program?

The Indiana General Assembly enacted legislation in its 2017 session to allow local governments to use the state's debt setoff program to recover unpaid local government debts. The enabling legislation is codified in the Indiana Code's *Set Off of Refunds* IC 6-8.1-9.5.

3. How does a municipality sign up to participate?

Each municipality's governing body approves its participation in the AIC TRECS program. Municipalities execute the MoU and participation form available on the AIC website to register for the program. Please send executed documents to Jacque Clements – jclements@indianamunicipalities.org.

4. Is a municipality required to notify the debtor in writing about their intent to submit debt(s) against their tax refund?

No, the municipality may send a courtesy letter notifying the debtor of their intent, but it is not required.

5. What if a debt is submitted to Indiana Department of Revenue (IDoR) and a refund is setoff?

At the time a setoff is held by IDoR, the municipality must, within 15 days, send a notice to the debtor informing them that their refund is being held and they have 30 days to contest the debt in written form.

6. Is there any cost for participation in the AIC TRECS debt setoff clearinghouse?

No. The program is free for municipalities to participate. However, municipalities are responsible for any postage for mailing of required notices.

7. Can or should a local municipality publicize its intent to participate in the AIC TRECS debt setoff program?

Yes, municipalities are encouraged to "get the word out" with press releases, websites or other means so local debtors will be aware of the potential that their tax refund may be setoff in the event of delinquent local government debts. If you would like a sample press release template, please email Jacque Clements – jclements@indianamunicipalities.org.

8. What are some of the types of debts eligible for submission by local governments?

Animal Violations
Assessments
Cemetery

Demolitions
Dental
Environmental Health

False Alarms
Fines (Library/other)
EMS

Health	Ordinance Violations	Room Occupancy
Hydrant Usage	Parking Tickets	Sewer Tap
Insurance Premiums	Property Taxes (real, mobile-home, Agricultural)	Solid Waste
Judgments	Privilege License	Stormwater
Maintenance (Lawns/trees)	Rental/lease agreements	Utilities
Nuisance		

9. Do the types of debts have to be in the above list?

No, any certified delinquent debt owed to a unit of local government is valid.

10. How often can a local government entity send data files (debtors/debts) to the AIC TRECS debt setoff clearinghouse?

If there are changes or new debts, the participating entity must update their file via a complete refresh by the Thursday COB of the week of change. This will enable the clearinghouse to get an updated file to the IDoR by Monday of the following week.

11. Does a municipality need a debtor's social security number to submit debtors to the AIC TRECS clearinghouse?

No, this is provided by TRECS.

12. Can a municipality submit debts for business owners?

No at this time. There may be opportunities in the future for this.

13. What is the statutory order for debt satisfaction?

IC 6-8.1-9.5-12 establishes priority in multiples claims to refunds allowed to be set off. Local government debts come after those of state agencies. In the case of multiple claims to refunds by local government agencies, the priority order of claims is processed on a first-request basis.

14. How will a municipality be able to reconcile the debts?

A file will be generated for easy upload into the municipality's existing software system.

15. How are debtors notified that their tax refund has been setoff?

The debtor receives an official letter from the Indiana Department of Revenue listing the amount that was setoff for indebtedness to a local government and a toll-free number to call for information. Thereafter, a municipality will receive information from the clearinghouse on successful setoffs.

For further questions, please reach out to Jacque Clements, jclements@indianamunicipalities.org, (317) 684-3655

Talking Points for Board Consideration of Participation in TRECS Debt Setoff Program

- TRECS debt setoff clearinghouse program allows local units of government to easily and efficiently collect delinquent debt through the withholding of a debtor's personal income tax refunds
- SEA 515 amended the Indiana Code in April 2017 to grant units of local government authority to participate in the state's existing debt setoff program from incoming state tax refunds. Please see Indiana Code IC 6-8.1-9.5
- Indiana state agencies have been using debt setoff to collect their debts for years
- No cost to register or participate other than debtor notification
- Ten counties and the City of Indianapolis signed Memorandum of Understanding with The AIC TRECS Clearinghouse. Seven of those counties and the City of Indianapolis sent out notification letters the first year.
 - By the 22nd of February \$6,202,993 of delinquent debt had been collected by these units of local government.
- Participating units of local government will receive analysis reports on debts owed to the county and on the amounts of monies returned
- Equity is ensured as more citizens are paying their fair share for services
- TRECS is favorable to the debtor
 - Lowered credit-rating impacts
 - Receives required notification letters and allowed 30-day contestation period
 - From other state models, very few debtors contest the debt
- Easy and free method for collecting small debts of as little as \$25 or less if it can be combined with other debts to meet the \$25 threshold
- Ease of administration through easy download of debt files and upload of debt reconciliation data files that integrate into currently utilized systems
- IT Helpline and clearinghouse house staff easily accessible and available for questions and assistance

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