

State of Iowa Income Offset Program

Administered by:
Department of Administrative Services
State Accounting Enterprise

What Does the Offset Program Do?

- The State of Iowa recovers delinquent payments owed to state government and local governments.
- It is accomplished by “offsetting” (withholding) money from various sources, as allowed by the Code of Iowa, of individuals and vendors.
- This program is a cost-effective method to ensure individuals in debt to government make payments on their debt, so the burden isn’t passed on to the taxpayers.

Code of Iowa Authority

Section 8A.504 of the Code of Iowa directs the Department of Administrative Services (DAS) to establish and maintain a procedure to collect against any claim owed to a person by a public agency, and then apply the money owed to the person against the debt owed by the person to the State of Iowa or political subdivisions of the state. (City of CR = subdivision)



History & Offset Sources

- **Early 1970s** – Department of Revenue and Finance held income tax refunds for liabilities owed to the Department
- **2006** – Program made available to other branches of Iowa government including cities, counties, municipal utilities and community colleges
- Nearly all payments made by the State of Iowa are subject to offset...
 - Tax refunds
 - Vendor payments for goods and services
 - Casino winnings
 - Lottery winnings
 - Great Iowa Treasure Hunt payments

*Over 500 entities currently participate in the Offset Program
\$47.2M recovered through the program in FY15*

Participation Requirements

- Signed Memorandum of Understanding (MOU) between City & DAS
 - Fully executed 4/13/17
 - DAS is paid \$7 for every match/each time funds are held
- Before debt is placed in Offset Program, City must make a good faith attempt to collect the debt from the debtor
- Amount owed by debtor to City must be at least \$50
- City must provide a debtor file to DAS that includes social security number of person liable
- City must provide written notification to debtor within ten calendar days of being notified of a match by DAS.
- City must provide an appeal process

Qualifying Debt

Debts must be legally enforceable and satisfy the following conditions:

- The debt was established by one of the following means:
 - Mutual agreement between debtor and public agency
 - The debt has been reduced to a final judgment or final agency determination that is no longer subject to appeal or shall have been affirmed through appeal
 - The debt must be in an amount certain that is past due and not subject to any legal prohibition to collection

Priority of Payment

In the case of multiple claims to payment the following order applies:

1. Child support or foster care recovery
2. Clerk of the district court
3. College student aid commission
4. Department of inspections and appeals
5. **All other claims filed by public agency**

The order of priority for offset against multiple claims by more than one public agency is determined by the date the liability was listed with DAS

Municipal Collections of America

- Collections Contract fully executed 8/24/17
- Experience collecting for Iowa municipalities
- Experience helping administer participation in Offset Program
- Up to 40% bad debt collection rate anticipated with use of Offset Program
 - \$14M of the \$17.1M in delinquent ATE debts pertain to Iowa residents

MCOA Offset Program Duties:

- Obtain SSN and search for current address
- Prepare file to send to DAS
- Send notification letters to debtors on behalf of City when match is made
- Field calls from debtors regarding Offset Program
- Provide file to be placed on City website where debtors can look up info about their debt

\$75 Citation

Collected by	City Paid	MCOA Paid	State Paid	GATSO Paid
With 25% late fee	MCOA	50	18.75	25
	Offset	43	18.75	7 25
Without late fee	MCOA	31.25	18.75	25
	Offset	35.50	7.50	7 25

- MCOA Fees:
 - With 25% add-on fee, MCOA gets 25% of original debt amount
 - Without 25% add-on fee, recovered by MCOA 25%
 - Without 25% add-on fee, recovered through DAS 10%