



Advocacy. Service. Innovation.

Welcome to:

Municipal Association of South Carolina's

# Setoff Debt Collection Program

## New Participants Training Session

August 23, 2016

---

---

---

---

---

---

---

---

This program enables participants to collect past due debts for:

- Court fines
- Tuition & Fees
- Garbage fees
- Utility bills
- Property taxes
- Etc.



---

---

---

---

---

---

---

---

## Who can participate?

- Municipality
- Utility
- Special purpose district
- Housing authority
- State agency, board, commission, committee
- Institution of higher learning (public and private)



---

---

---

---

---

---

---

---

Okay, I understand the concept.



Explain the “big picture.”



---

---

---

---

---

---

---

---

Customers owe participants money for delinquent debts.



---

---

---

---

---

---

---

---

Participants use the Setoff Debt application to manage debtor information.



---

---

---

---

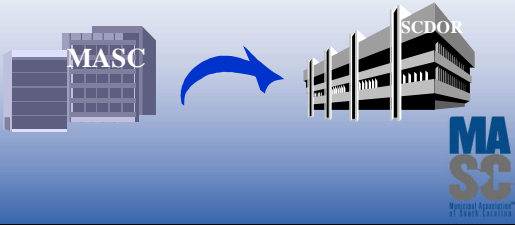
---

---

---

---

The Association compiles all the information and sends it to the SC Department of Revenue by December 1.



---

---

---

---

---

---

---

---

The Department of Revenue reduces the debtor's state income tax refund by the debt amount plus the \$25 DOR fee.



---

---

---

---

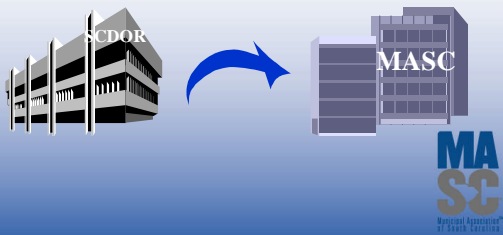
---

---

---

---

DOR returns money collected to the Association minus a \$25 fee.



---

---

---

---

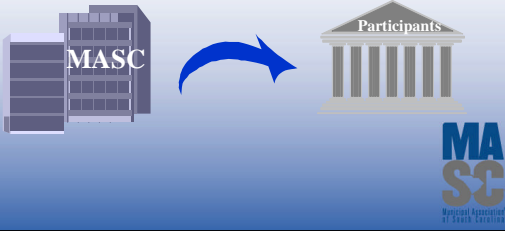
---

---

---

---

The Association returns money collected to the appropriate participants less a \$25 administrative fee.



---

---

---

---

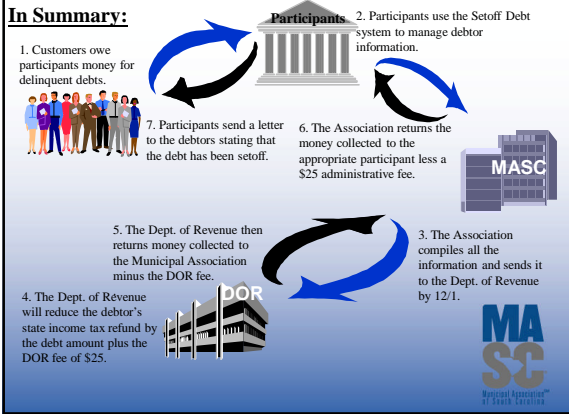
---

---

---

---

**In Summary:**



---

---

---

---

---

---

---

---

What authorizes participants to collect these outstanding debts?

The Setoff Debt Collection Act



---

---

---

---

---

---

---

---

The Setoff Debt Collection Act requires:

Guaranteeing Due Process

1. Give debtors 30 days notice by mail that debts will be turned over to DOR.

- Initial Letter.

- Mail notice to last known address.
- Notice must follow substantially the text in (§12-56-62).
- Notice must include appeal procedures (§12-56-62).



---

---

---

---

---

---

---

---

The Setoff Debt Collection Act requires:

Guaranteeing Due Process

2. Establish an appeal process.

- Hearing officer must be appointed (§12-56-65A).
  - *The Hearing officer cannot be a magistrate or municipal judge. (#3)*
- Notify DOR of hearing officer's name, address, phone number (§12-56-65 A).
  - Form due to the Association by 10/19 (DOR #1A).



---

---

---

---

---

---

---

---

DOR 1A

SC Code 12-56-65 states a hearing officer shall be appointed to hear a protest of a debtor.

Name of Claimant Agency \_\_\_\_\_

Hearing Officer's Name \_\_\_\_\_

Address \_\_\_\_\_

Telephone number \_\_\_\_\_

SC Code 12-56-100 states that the claimant agencies shall indemnify the Department of Revenue against any injuries, actions, liabilities, or proceedings arising from performance, under the debt setoff provisions.

Signature of Setoff Debt Coordinator \_\_\_\_\_

Date \_\_\_\_\_

Form must be uploaded to the Setoff Debt Website by 5:00 p.m. on Wednesday, October 19.



---

---

---

---

---

---

---

---

The Setoff Debt Collection Act requires:

Guaranteeing Due Process  
Provide an Opportunity to be Heard

**What the Debtor must do:**

- File a written protest within 30 days of initial letter (§12-56-63).
- Protest must include name, address, SSN, type of debt in dispute and detailed statement of reason for protest.



---

---

---

---

---

---

---

---

The Setoff Debt Collection Act requires:

Guaranteeing Due Process  
Provide an Opportunity to be Heard

**What the Participant must do:**

- Using DOR #1B form, notify DOR when a protest letter is received (§12-56-65 B).
- Notify debtors who protest of date, time, and place of hearing (§12-56-65 B).
- Hold an informal hearing where debtor may present evidence.



---

---

---

---

---

---

---

---

The Setoff Debt Collection Act requires:

Guaranteeing Due Process  
Provide an Opportunity to be Heard

**What the Hearing Officer must do:**

- Hear the protest.
- Decide either in favor of the debtor or the claimant agency.
- Send Certificate of Hearing to the Department of Revenue (DOR 1C) (§12-56-65 B).



---

---

---

---

---

---

---

---

The Setoff Debt Collection Act requires:

Guaranteeing Due Process  
Provide an Opportunity to be Heard

*After the hearing is completed...*

- If officer rules in favor of claimant agency – proceed to setoff.
- If officer rules to decrease debt – adjust debt and proceed to setoff.
- Send notification to debtor of decision. (DOR 1C and DOR 1D)

If officer rules in favor of debtor – debt will not be setoff.



---

---

---

---

---

---

---

---

The Setoff Debt Collection Act requires:

Guaranteeing Due Process  
Provide an Opportunity to be Heard

*Debtor's next action...*

- Debtor has 30 days to contest hearing officer's decision
- Debtor can contest before an administrative law judge (Circuit Court if applicable)



---

---

---

---

---

---

---

---

The Setoff Debt Collection Act requires:

Guaranteeing Due Process  
Provide an Opportunity to be Heard

*ALJ Ruling Favors Debtor...*

- Before setoff,
  - reduce debt in the Setoff Debt application.
- After setoff occurs,
  - refund to debtor the setoff, administrative fees and the \$25 administrative fee retained by DOR.



---

---

---

---

---

---

---

---

## Guaranteeing Due Process Notifications to the Debtor

Debtors must be notified in writing when their debts are setoff.

❖ Send notification letters to debtors



**Note:** The DOR sends a Notice of Adjustment to the debtor after a setoff has occurred.




---

---

---

---

---

---

---

---

## Summary of the Setoff Debt Collection Act Appeal Procedures/Process

- Initial letters\* must be sent to all debtors via regular mail
- An appeal process must be established, as explained in §12-56-65
- Debtors must be notified in writing\* once debts are setoff
  - Notice of Adjustment - DOR (#4)



*\*The setoff debt application generates the letters for you.*

---

---

---

---

---

---

---

---

### South Carolina Department of Revenue - Notice of Adjustment




---

---

---

---

---

---

---

---



## Multiple Claims Priority

*S.C. Code §12-56-70*

- Department of Revenue
- DSS – Division of Child Support
- Other DSS and state agencies
- IRS and institutions of higher learning
- Other agencies



---

---

---

---

---

---

---

## Participating in

## Setoff Debt Collection Program

Step-by-Step



---

---

---

---

---

---

---

## Requirements

TO DO LIST  
□□□□□

1. Participation Form (#5)
2. Direct Deposit Authorization Form (#6)
3. Resolution to Participate (#7)
4. → *Municipalities Only* – Ordinance (#8)  
→ *Non-municipalities* – Resolution relating to the recovery of collection costs (#8)
5. Agreement (#9)
6. Copy of Customer's Agreement/Service Contract (#10)
7. Initial Letter Certification (#12)



---

---

---

---

---

---

---

## Recommendations

- Include in your service contracts language such that the applicant authorizes your entity to run credit checks including, but not limited to, the setoff debt system.
- Try to obtain SSNs when service first setup (§12-56-30 C).
  - Cannot deny service if customer refuses to submit his/her SSN. (*Privacy Act of 1974*) (#17)
- The Municipal Association will help you obtain missing SSNs (#11)



---

---

---

---

---

---

---

---

## Method of Identifying SSN's

The Municipal Association will use a widely accepted locate and research tool.

- Debtors can be flagged in the setoff debt application software as needing to be researched.
- The Association will invoice the claimant agency based on what the research agent charges.



---

---

---

---

---

---

---

---

## Timeline

### September 28

- ✓ Complete Participation Form
- ✓ Enter contact, user and fee information into the system

### October 12

- ✓ Enter new claims and bills
- ✓ Deadline to enter all information in the application for SSN research
- ✓ Mail initial letters to debtors at their last known address

### October 19

- ✓ Hearing Officer form due to the Association
- ✓ Initial Letter Certification form due to the Association



---

---

---

---

---

---

---

---

## Timeline *Continued*

### November 16

- ✓ Complete Direct Deposit Authorization Form
- ✓ Pass resolution to participate
- ✓ Pass ordinance, if municipality
- ✓ Pass collection cost resolution, if non-municipality
- ✓ Signed agreement sent to Municipal Association
- ✓ Provide copy of enacted Customer Agreement/Service Contract Addendum to the Municipal Association
- ✓ SSN research return data entered into the system
- ✓ Release initial data to the Municipal Association



---

---

---

---

---

---

---

---

**MASC** Municipal Association of South Carolina

Setoff Debt System

Home | Login | Register | Administration | Change Your Mail | Change Password | Your Profile | Logout

Welcome to the Setoff Debt System.

**Upcoming Deadlines**

- Mandatory training session for New Participants will be held in Columbia on 8/23/2016.
- Mandatory training session for New Employees of Current Participants will be held in Columbia on 8/25/2016.
- Enter/Update Settings, Contact, User and Fee Information by 9/28/2016.
- Participation form due to the Association by 9/28/2016.
- All claims to be used for SDR research must be entered into the system by 10/12/2016.
- Print and Mail Initial Letters by 10/12/2016.
- Enter New Claims & Bills for Tax Year 2016 by 10/12/2016.
- CDRLA Hearing Officer form is due to the Association by 10/19/2016. This form can be printed from the system's Administration section under Resources & Forms.
- Initial Letter Certification form is due to the Association by 10/19/2016. This form can be printed from the system's Administration section under Resources & Forms.
- Direct Deposit Authorization Form Due from New Participants 11/16/2016.
- Agreement & Resolution due from New Participants by 11/16/2016.
- New Participants: Ordinance due from Municipalities by 11/16/2016. Resolution due from Non-municipalities by 11/16/2016.
- Release Initial Data to the Association by the 11/16/2016 deadline.
- A copy of the enacted Customer Agreement/Service Contract Addendum is due from all New Participants 11/16/2016.
- The deadline to enter information returned from the SDR research is 11/16/2016.

**Ongoing Activities**

- Print Setoff Letters & Reduced Letters
- Enter Payments & Adjustments

Contact Us

Municipal Association of South Carolina  
1611 Columbia St., PO Box 1700, Columbia, SC 29211  
Phone: 803.733.1514 Fax: 803.733.1500 [www.masc.org](http://www.masc.org)

---

---

---

---

---

---

---

---

## Frequently Asked Questions

### *Injured Spouse*

S.C. Code § 12-56-62

...If you file a joint return with your spouse, the amount will be deducted from the total joint refund without regard to which spouse incurred the debt or actually withheld the taxes...

### *Bankruptcy*

If you receive notice that a debtor is in bankruptcy, the claim cannot be setoff.

### *Accepting Payments After January 1*

Yes, you should accept payments after January 1.



---

---

---

---

---

---

---

---

## Why use the Association's Setoff Debt Program?



The Association provides:

- a user manual
- yearly training session
- on-going support
- Web-based application:
  - designed and available at no charge
  - has all necessary letters and reports
  - allows users to upload data from existing software
  - allows users to download data



---

---

---

---

---

---

---

---

Since 1993 - \$45.8 million

**2015 Tax Year**

174 Participants

\$2,475,797.65 (YTD)



---

---

---

---

---

---

---

---

## Useful Resources

- Records Retention – SC Dept. of Archives & History
- State of SC Administrative Law Court
- Disabling Popup Blocker



---

---

---

---

---

---

---

---

It all sounds great!



But what does the actual software application look like?



---

---

---

---

---

---

---

---