





NORTH CAROLINA LOCAL GOVERNMENT
**DEBT SETOFF
 CLEARINGHOUSE**
 2016 Training Workshop






A Message from NCACC
 Executive Director, Kevin Leonard



During this tough economy, the North Carolina Association of County Commissioners is proud of our partnership with our counties that helps ensure tax equality and fairness for our citizens.





A Message from NCLM
 Executive Director, Paul Meyer

For many of our member cities, towns and other League members, the Debt Setoff Program has been instrumental in helping them continue to provide a high quality of services to their citizens— even in a very tough economy. We are grateful for this partnership and encourage other local governments to consider using this program.



Debt Setoff Program Purpose

A program approved by the N.C. Legislature for the purpose of collecting county and municipal delinquent debts by seizing North Carolina Individual Income Tax Refunds and Education Lottery winnings.

Participating Agencies



- N.C. Department of Revenue
- N.C. Education Lottery
- Capital Management Trust Fund

Which units of government can participate?

- A **COUNTY**, to the extent it is not considered a State agency
- A **MUNICIPALITY**
- A **WATER AND SEWER AUTHORITY** created under Article 1, of Chapter 162A of the General Statutes
- A **PUBLIC HEALTH AUTHORITY** created under Part 1B, of Article 2, of Chapter 130A of the General Statutes



(continued)

Which units of government can participate?



- A **REGIONAL JOINT AGENCY** created by inter-local agreement under Article 20, of Chapter 160A of the General Statutes between two or more counties, cities or both
- A **METROPOLITAN SEWERAGE DISTRICT** created under Article 5, Chapter 162A of the General Statutes
- A **SANITARY DISTRICT** created under Part 2, of Article 2, of Chapter 130A of the General Statutes

(continued)


Which units of government can participate?

- **HOUSING AUTHORITIES** created under Chapter 157 of the General Statutes. Session Law 2011-365 (HB 399) which goes into effect on October 1, 2011 allows for the collection of debts which have been reduced by a final judgment in favor of the housing authority. (This doesn't apply to housing authorities created under Article 20, of Chapter 160A of the General Statutes between two or more counties, cities or both).
- A **REGIONAL SOLID WASTE MANAGEMENT AUTHORITY** created under Article 22, of Chapter 153 of the General Statutes

Required Forms at Initial Sign-Up

- **Resolution for Board Approval**
 - Sample: <http://www.ncsetoff.org/SampleResolutionBoardAdoption.pdf>
- **Memorandum of Understanding**
 - <http://www.ncsetoff.org/MemorandumofUnderstanding.pdf>
- **Inter Transfer Fund (for deposits to Capital Management of Carolinas)**
 - Contact Capital Management (800) 222-3232

Other Required Forms (if applicable)

- **Local Agency Certification**
 - Only if not municipality or county
- **Multiple Unit Collection Rider**
 - Only if collecting for other local governments (Counties only)
- **Business Associate Agreement**
 - Only if submitting Health and/or EMS data (any entity that is handling protected health information)
- **Housing Authority Rider**
 - Only for collecting Housing Authorities Debts



Participation Form

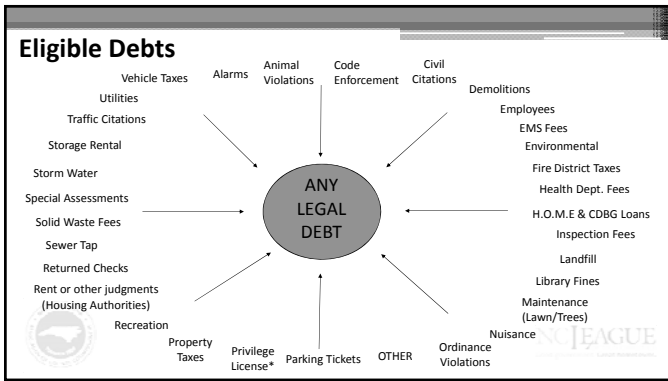
- Required annually (September 1 – December 15)
- Complete online
- Print BEFORE click Submit
- Signature of Local Government Official
 - Keep a copy for records
 - Mail signed copy to NCACC or NCLM
 - If not done by December 31 any existing debts will be changed to \$0.00 and will no longer be sent to Department of Revenue until signed original received



Debt Requirements

- Delinquent at least 60 days
- Must be an individual debt, not corporate, etc.
- Must be \$50 or greater
- Debts can be combined to meet the \$50 minimum
 - Same debtor
 - Same social security number or Individual Tax Identification Number (ITIN)





Most Frequent Types of Debt



| | Type of Debt Currently Submitting (from past year Participation Forms) | Local Governments |
|----|---|-------------------|
| 1 | Utilities | 334 |
| 2 | Taxes- Property | 219 |
| 3 | Taxes- Vehicle | 122 |
| 4 | Returned Checks | 109 |
| 5 | Ordinance Violations | 88 |
| 6 | Privilege Licenses | 84 |
| 7 | Solid Waste | 78 |
| 8 | EMS | 75 |
| 9 | Health | 75 |
| 10 | Assessments | 72 |
| 11 | Parking Tickets | 66 |
| 12 | Maintenance (Lawns/Trees) | 65 |
| 13 | Animal Violations | 50 |

Most Frequent Types of Debt

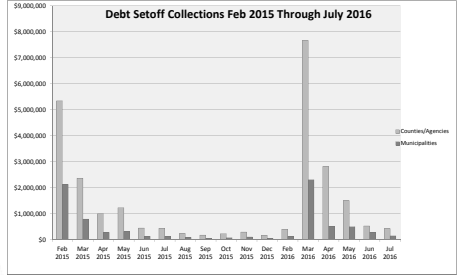


| | Type of Debt Currently Submitting (from past year Participation Forms) | Local Governments |
|----|---|-------------------|
| 14 | Code Enforcement | 49 |
| 15 | Fines (Library/other) | 46 |
| 16 | Inspections | 43 |
| 17 | Civil Citations | 40 |
| 18 | Nuisance | 40 |
| 19 | Employees | 38 |
| 20 | Traffic Citations | 30 |
| 21 | Demolitions | 28 |
| 22 | Sewer Tap | 26 |
| 23 | Housing | 24 |
| 24 | Storm Water | 24 |
| 25 | Landfill | 18 |
| 26 | Loans | 17 |

Most Frequent Types of Debt

| | Type of Debt Currently Submitting (from past year Participation Forms) | Local Governments |
|-----------------------|--|-------------------|
| 27 | Recreation | 16 |
| 28 | Alarms | 11 |
| 29 | Environmental | 10 |
| 30 | Storage Rental | 3 |
| Total Types of Debts: | | 4,900 |






Debt Setoff Collections Feb 2015 Through July 2016



What is the Cost for Local Governments?

- No direct cost to the local governments
- Two Legislated fees are charged to debtor
 - \$15 added to each debt (once per year) for Clearinghouse cost recovery
 - ☐ Only taken if refund if over \$50
 - \$5 added to each setoff for Department of Revenue or Education Lottery cost recovery



Required Due Process Procedures

- Written notice of intent to submit to local government debt setoff program
- Send to last known address (even if know it will be returned)
- Use first-class postage (no registered or certified mail required)
- Determine and list how much is delinquent
- Use local government letterhead (not third-party vendor/collection agency)
- Sample Notification Letters: <http://www.ncsetoff.org/Forms.htm>
- Sample Hearing Documents: <http://www.ncsetoff.org/SampleNotification-Appeals-Tracking.pdf>

Getting Started Suggestions

- Send due process notification letters even if not yet ready to submit to the Clearinghouse
- Social Security Numbers not needed to send notification letters
 - Some will pay in order to avoid fees or other types of collection processes
- Publicize participation in N.C. Local Government Debt Setoff Program
 - Newspapers
 - Television
 - Social media, etc.
- Getting Started Checklist: <http://www.ncsetoff.org/NewParticipantChecklist.pdf>

Contact Information

| Name | Website |
|---|--|
| Wanda Veasey N.C. League of Municipalities (919) 715-2218 | www.ncm.org |
| Matt Gunnet N.C. Association of County Commissioners Membership Services Coordinator (919) 715-2354 | www.ncacc.org |
| Bill Walsh Clearinghouse (866) 265-1668 | www.ncsetoff.org |

