



NORTH CAROLINA LOCAL GOVERNMENT

DEBT SETOFF CLEARINGHOUSE

2016 Training Workshop

NC LEAGUE
OF MUNICIPALITIES
Good government. Great hometowns.



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?

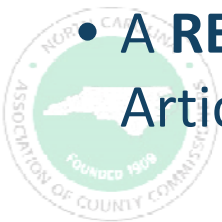
- A **REGIONAL JOINT AGENCY** created by inter-local agreement under Article 20, of Chapter 160A of the General Statutes between two or more counties, cities or both
- A **METROPOLITAN SEWERAGE DISTRICT** created under Article 5, Chapter 162A of the General Statutes
- A **SANITARY DISTRICT** created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



Eligible Debts



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

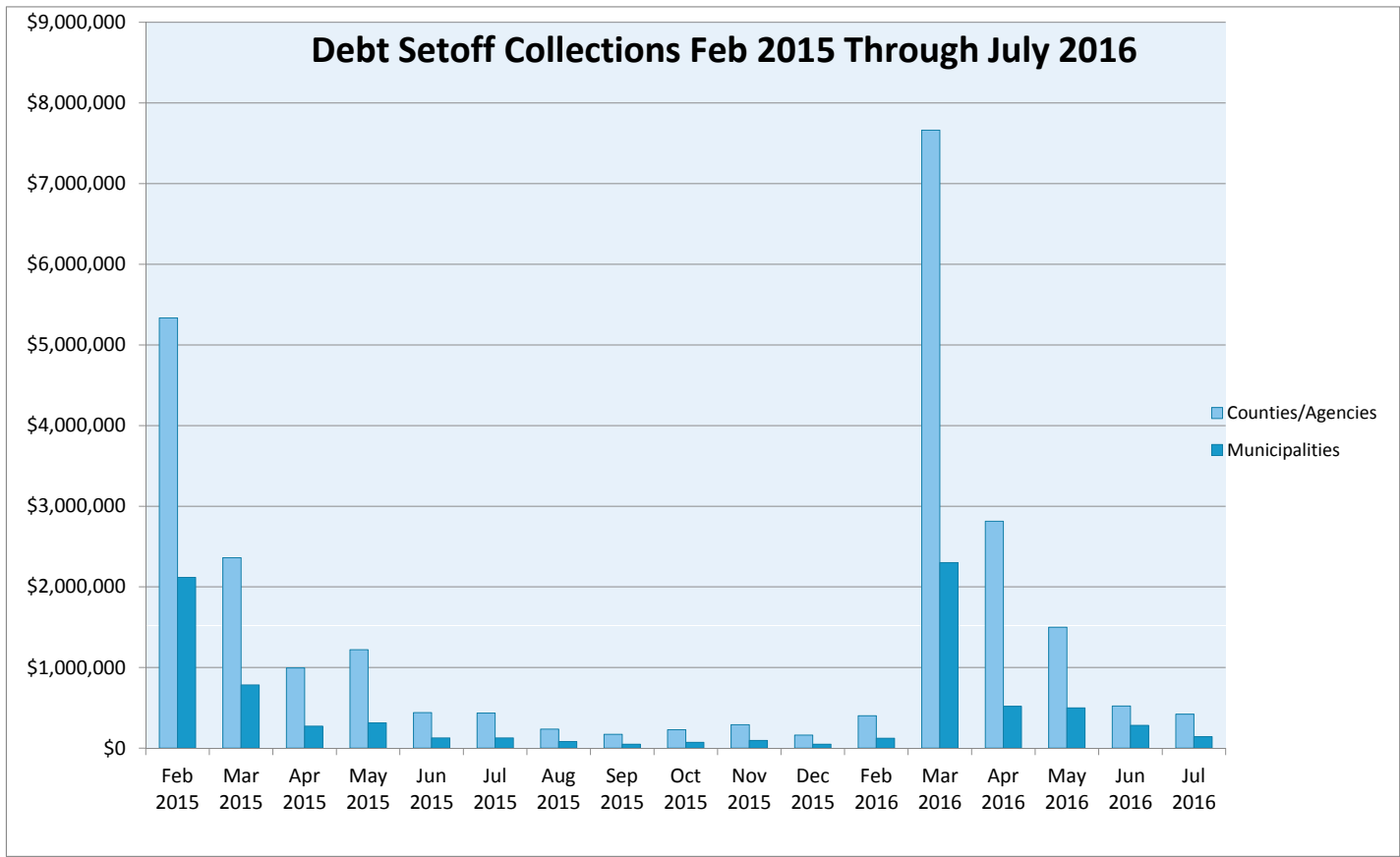


Most Frequent Types of Debt

	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:	1,900



Debt Setoff Collections Feb 2015 Through July 2016



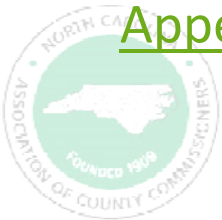
What is the Cost for Local Governments?

- 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.nclm.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

