

Debt Setoff Begins Edition

Reminders:

- 1st Setoff File of 2012 was received Tuesday, February 7. Available to local governments Friday, February 10
- Status of the 1st Setoff File: <http://www.ncsetoff.org/setoffstatus.htm>
- The 2012 Department of Revenue Setoff Schedule: <http://www.ncsetoff.org/DORCalendar.htm>
- Now is a great time to call the Interactive Voice Response (877) 843-0330 and check the pronunciations and information for you local government
- Do NOT put an SSN in an email to us!
- Contact us if you don't receive your Import Status Email by the following Tuesday after uploading

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Volume 2: Issue 2

February 10, 2012

The 1st Setoff File for 2012 is Largest Ever—\$9.83M

The largest file ever received before this one was \$6.8M on February 15, 2011.

The best month ever was February 2011 with \$10,922,434.27

We've come a long way since 2002 when we only collected 234,248,89—FOR THE ENTIRE YEAR!

We now have 385 local governments submitting debts.

- Counties: 98
- Municipalities: 261
- Joint Regional Agencies: 5
- Public Health Authorities: 6
- Sanitary Districts: 9
- Metropolitan Sewerage Districts: 1
- Water and Sewer Authorities: 7

ties: 7

There were 355 local governments that received funds from the February 7, 2012 setoff file

- Counties: 95
- Municipalities: 238
- Joint Regional Agencies: 5
- Public Health Authorities: 4
- Sanitary Districts: 6
- Metropolitan Sewerage Districts: 1
- Water and Sewer Authorities: 7

Congratulations to these seven new local governments who received funds for the first time:

- Counties: (2)**
 Ashe and Alleghany

Municipalities: (4)

Carthage, Faith, Oakboro, Roper

Agencies: (1)

Western Piedmont Council

Although we send instructions on what to do to access the various files and reports. If this is your first setoff we suggest you wait until we contact you. We will explain each file so you are comfortable with what is available. Calls will begin Friday morning.

The next setoff file is Tuesday, February 21. The files and reports should be available Friday morning, February 24.

To check the status view Status of the current setoff file: <http://www.ncsetoff.org/setoffstatus.htm>

Receiving Phone Calls From Debtors ?

If you submitted debts by the start of January 2012 it is highly probable that you have received calls from the debtors you've submitted. How did they get your contact information? From our Interactive Voice Response (IVR) system. The letter they receive from the Department of Revenue refers them to our toll-free number (877) 843-0330.

Tips for calls with debtors:

- The Clearinghouse proba-

bly hasn't received the funds at the time they call. It can be up to two weeks before we receive the information from the Dept. of Revenue

- If they no longer owe you, it may be other local government(s) that will get the funds. Tell them to listen to the ENTIRE IVR information as it may list multiple local governments

- If filing a joint return have them enter a spouse SSN
- Call the IVR yourself and listen to the entire recording
- There are over 100 other participants to the N.C. debt setoff program besides the local government debt setoff Clearinghouse. Give them the N.C. Dept. of Revenue Tax Care Assistance (877)252-3052



Your funds are safe! The Clearinghouse does not receive the funds, only an electronic file of the debtors setoff

Download your important reports, files and spreadsheets. For the critical ones we check to be sure you do.

There is nothing more important than protecting the integrity of the data you are responsible for. The Clearinghouse is committed to ensuring this.

The Funds Transfer Process—how does it work?

Once funds are recovered by the N.C. Department of Revenue and Education lottery there is a set schedule for the year to transfer funds. The Clearinghouse does not receive the funds directly. The N.C. Department of Revenue and Education Lottery transfer the funds electronically to the North Carolina Capital Management Trust. The Clearinghouse faxes a report to Capital Management Trust (NCCMT) with the local government name, account number and amount to deposit. NCCMT

transfers the funds into each local government's account. Once the Dept. of Revenue electronically transfers the funds they are available to the local governments by the following business day. This is normally the following Tuesday.

Q&A:

1. Is an account with NCCMT required? YES. That is the only way funds can be deposited from the Clearinghouse to the participating local governments.

2. Can a local government have multiple NCCMT account numbers for the Clearinghouse? NO, only one NCCMT account is used for Clearinghouse deposits.
3. Are there different options for a local government such as online access and/or receiving a check from their NCCMT account? Yes, call them at (800) 222-3232 to discuss the options.

We Track What You Download

If we recover funds for you we want you to be aware of it. Most local governments can't wait to see the list of debtors and even the source of funds: Dept. of Revenue or Lottery.

But others either get busy or forget so we have to send reminders. We start with another email reminder after one week. The files stay in the folder for 10 days. After that period we can restore them.

If more than 10 days we may call and remind you and wait while you download the information. We can even connect remotely to your computer and assist you to be sure it is done completely and properly. We always check these files are downloaded:

- Setoff.txt OR match.zip OR *.txt
- *.xlsx

- Surplus.xlsx
- (Client software users)
- *ME.txt (ASCII Match Errors)

Starting in 2012 we will begin tracking to be sure other files are downloaded:

- Import Status Error Report
- * - Agency Code

Security—Using a Vendor or Third-Party Company

If you have a vendor or third-party company that submits just one department or multiple departments but not all departments we can assist.

For security and confidentiality reasons you probably don't want them having access to other files for other departments. And HIPAA requires that you do not.

We can provide the vendor or third-party company with their

own secure folder in which to submit the debts they are managing. We will then copy that file into your secure folder.

Once we recover funds we will create an excel file of just the debts they are responsible for.

If you are interested in separating your departments from the vendor please contact us. We will reset your password and give the vendor their own username and password.

Currently seven local governments are utilizing this secure feature:

- Counties: (4) Chowan, Haywood, Jones & Surry
- Municipalities (3): Beaufort, Maxton & Newport

Surpluses/Refunds Happen—Why and What to Do?

Refunds will always occur, especially with the fact we can only submit one file per week, each Tuesday, to the Dept of Revenue and Lottery. So as debtors pay you directly please send us an updated file as soon as possible, every Friday is recommended.

Thousands of debtors per year file more than one tax return per year, called amended returns, often within the same setoff file period or in the next one. The Dept. of Revenue will setoff their refund for

EACH tax return filed and assess a \$5 legislated fee. However, the Clearinghouse will assess only one \$15 legislated fee per debt per year.

Also, we do not recommend that you return any fees for debts that were setoff that were just recently paid directly to you. Often the debtors receive a letter in the mail from the Dept. of Revenue informing them that they were setoff. Some will rush to your office and pay expecting to get the surplus and the fees back. You

should only return the surplus unless they paid you weeks before the debt was setoff. Remember, the debts are at least 90 days delinquent when they are setoff.

You are required to refund surpluses, you cannot apply to another debt UNLESS the debt meets the setoff requirements.

TIP: Use the address for the refund check from the Surplus.xlsx file. It includes the address the debtor used on their tax return which is highly likely to be more accurate.

Local governments must send refunds/surpluses to the debtor. These funds are deposited into your Capital Management account.

Some Insight to How We Apply Setoff Funds

It is simple when there is only one debt for an SSN. But often a local government has several debts for an SSN. What is the priority if there are several debts or if there are multiple local governments with debt(s) for an SSN?

When a debt is loaded at the Clearinghouse for the first time we store the date and time.

For one local government with multiple debts we apply the

funds recovered to the oldest debt (in order first submitted). If multiple debts are in the same file it is still the order in the file. If the oldest debt is paid in full then the remaining funds continue to apply to the next oldest debt. This process continues to pay off until the funds are exhausted.

Is there a way for a local government to prioritize what debts have prioritization? For example, can taxes be paid

before EMS and Health? Since we establish priority as debts are loaded the only way would be for the local government to create an entirely new file with taxes listed first in the file and then request a purge and reload. It can be complicated, contact us to discuss.

Another way would be to manually apply the funds as received as you desire. Then adjust the debt balances sent back to the Clearinghouse.

The Clearinghouse could apply as little as \$0.01 to a debt. If that is all that remains after other debt(s) are paid.

Fees—How Are They determined?

When a debt is submitted to the Clearinghouse we add \$15.00 before we send to the N.C. Department of Revenue and Education Lottery. DO NOT add the fees yourself, just send us what the debtor owes. As long as it is \$50 or more we will try to collect it as long as the Compliance Date has passed but the Expiration Date has not.

Once we collect one \$15 fee for each debt we setoff, we no

longer collect a fee for the remainder of the calendar year. If a debtor files an amended tax return or wins more than \$600 in the Education Lottery and is setoff, we do not keep another fee. If an additional fee was taken we will deposit into your Capital Management account the fee and any funds taken. The entire surplus can then be returned to the debtor by the local government. There is at least one scenario that causes an additional fee in the same

year: If you use our new client software and replace an entire department or submit an ASCII or Excel file and request a Purge and Reload. At the Clearinghouse we retain each debt that is submitted and just change to a \$0.00. When someone submits additional tax refund or wins a lottery it may apply the fee to a another debt that is \$0.00. We look for these and are working on an automated process to identify them.



One \$15 fee per DEBT per LOCAL GOVERNMENT per YEAR.

NORTH CAROLINA LOCAL GOVERNMENT

DEBT SETOFF CLEARINGHOUSE

Website:
<http://www.ncsetoff.org>
 Toll-free Support:
 (866) 265-1668
 Interactive Voice Response
 (IVR): (877) 843-0330
 E-mail: ncsetoff@ncsetoff.org

N.C. Clearinghouse Staff:
 Bill Walsh
 (President/Operations Manager)
 Fran McClary
 (Customer Services)
 Brandon Walsh
 (Customer Services)
 Drew Bryant
 (Software Developer)



North Carolina Association of
 County Commissioners
 Website: <http://www.ncacc.org>
 Contact: Lisa Nolen
 Phone: (919) 715-4362
 E-mail: lisa.nolen@ncacc.org



North Carolina League of
 Municipalities
 Website: <http://www.nclm.org>
 Contact: Wanda Veasey
 Phone: (919) 715-2218
 E-mail: wveasey@nclm.org

N. C. Department of Revenue
 Tax Care Assistance
 (877) 252-3052

N. C. Capital
 Management Trust (NCCMT)
 (800) 222-3232


Client Software Version 2011 Setoff Information

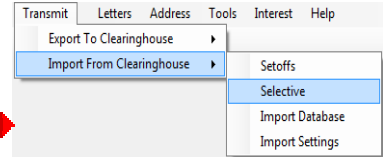
• Downloading and applying the setoff file for the first time or has it been awhile?

Once you receive the email "NC Local Govt. Debt Setoff Clearinghouse has processed a file from the Dept of Revenue & Education Lottery" the information is available in several formats.

Remember, you do not have to go to the secure website to access and download, our software will connect you to the secure site.

Excel file downloads:


- An excel file contains all of the debts setoff by Revenue or Lottery for all of your departments. File name is your local govt. code number.xlsx
- An excel file contains all the surplus debts we identified. Research and determine if you need to send them a check. File name is surplus.xlsx
- To download either of the above use this function: 
- We recommend you download and save each one of the above to your workstation or network. Put the setoff date in the file name, i.e. Surplus-Feb 7 2012.xlsx

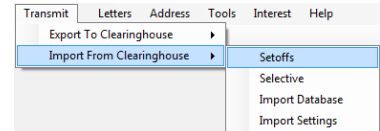



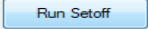
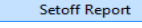
Setoff File Download:

Follow the instructions in the email. If the first time, been awhile, or just want assistance contact us. We can remote to your computer and assist.

The setoff file only needs to be downloaded once, regardless of the number of departments. Running the process updates the balances for all debts. The person downloading just needs to have Transmit-YES access rights. Whomever does this function will see ALL debts setoff regardless of the user rights to particular departments. If there are multiple departments we suggest the person who executes the Import Setoffs to inform the users of the other departments that the setoff file has been processed.

- To download the setoff file use this function: 
- Select the file setoff.txt



- Select  and when file is downloaded
- Select 
- View the reports—if the first report lists any errors please contact the Clearinghouse immediately. We need to be sure our Unique Keys match your database. If the debtor is no longer in your database it is possible someone deleted the debtor and the debtor was setoff anyway. We recommend you do not delete debtors until after the last setoff file in mid December.
- When prompted for the update to the addresses from the Department of Revenue decide whether to apply or not. They are retained and can be printed and applied at any time in the future. NOTE: If the UPDATE option is chosen it does it for all debts, all departments that have a difference.
- Run the Report option  and choose the Setoff Date, not today's date. It will be the Tuesday of that week, i.e.: 02/07/2012
- This report will print only the debts that the user has User Rights set to ACCESS. The report lists the source: REVENUE or LOTTERY and the fee, if taken.

Contact us with errors, questions, etc. as soon as possible. Please be aware that we will be extremely busy the first few business days after this first setoff file as we have more than 15 users of the new client software receiving their first setoff file.