

Debt Setoff— 2015 Pre-Workshop Edition

Reminders:

- Registration is required for the Training Workshops—register now, click [here](#) for the form.
- Training Workshops hand-outs should be available by August 3, 2015, click [here](#).
- 2016 Participation Form will be available beginning September 1, 2015

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Six FREE Training Workshops Set for September 2015

The 2015 training workshop locations are set:

1. Tuesday, September 15
New Hanover County Government Center
 230 Government Dr
 Wilmington, NC 28403
2. Wednesday, September 16
Beaufort County Comm. Coll.
 5337 Hwy 264 East
 Washington, NC 27889
3. Thursday, September 17
Raleigh Quorum Center
 323 West Jones Street
 Raleigh, NC 27603
4. Tuesday, September 22
Asheboro Public Works Conference Room
 1312 N. Fayetteville Street
 Asheboro, NC 27204
5. Wednesday, September 23
Hickory Council Chambers
 76 North Center Street
 Hickory, NC 28601
6. Thursday, September 24
Waynesville Police/Planning Zoning Building Board Room
 9 S. Main Street
 Waynesville, NC 28786

- Agenda will be available by August 3—an email will be sent when ready and posted on the [Training](#) page

Each Training Workshop has two Different Sessions:

1. 10:30—11:30: New participants

Main topic is the required one-time paperwork/contractual agreements and preparing to submit debts for the first time. Others who should consider:

- Local governments that have not completed all of the required paperwork to participate should attend
- Attendees who have attended this presentation in past and want a refresher
- First time attendees to a debt setoff workshop
- Your local government is currently participating in debt setoff but it is a new responsibility

2. 1:00—3:30: All Attendees

Some of this year's topics:

- Explanation of decline in setoffs in 2015
- Recap changes since last workshop
- Planned changes for 2015-2016
- 2016 Participation form

- Preparing for 2016
- Dept. of Revenue update
- Security
- Website
- ASCII/Excel - status of Excel file imports
- Client Software update and demonstration

The presenters will be:

- NC Assoc. of County Commissioners
- NC League of Municipalities
- NC Dept. of Revenue
- Five Star Computing

[Online registration](#) is required and is now available

Some locations may limited capacity so don't delay. There is currently no limit on the number of attendees for a local government. However, if your vendor/ third-party administrator is attending, someone from your local government is required to attend the same workshop.



After fourteen consecutive years of continued increases in setoffs and for the first time since inception in 2002, the amount returned to local governments is lower than the year before. 2015 is currently operating close to 2008 levels.



**The
Clearinghouse
sincerely
appreciates the
local
governments
that attend the
workshops each
year.**

2015 Debt Setoff Amounts Decline for 1st Time

If you have participated in debt setoff prior to 2015, you are already aware that this year is much different than in past years. And not in a good way...

After fourteen consecutive years of improvement and for the first time since inception in 2002, the amount returned to local governments is lower than the year before. 2015 is currently operating close to 2008 levels.

A look at the past several years at the end of June:

- 2015: \$15,097,760
- 2014: \$31,605,483
- 2013: \$30,395,479
- 2012: \$27,906,943
- 2011: \$25,695,652
- 2010: \$22,736,587
- 2009: \$20,528,944
- 2008: \$16,449,033
- 2007: \$11,530,199

What is the reason for this reduction? Well, there are several reasons but the main reason is a change in the tax tables.

The personal income tax rates were replaced with a flat tax of 5.8% during the 2014 tax year and 5.75% for post-2014 tax years. Currently the personal income tax rates range from 6% to 7.75%.

Beginning with the 2014 tax year, the computation of personal income tax has changed significantly. The personal exemptions are repealed, but the standard deduction is increased to \$15,000 for joint filers (currently \$6,000), \$12,000 for heads of household (currently, \$4,400), and \$7,500 for single taxpayers and married taxpayers filing separately (currently \$3,000). Itemized deductions

are limited to deductions for charitable contributions, personal residence interest, and real property taxes. The deduction amounts for personal residence interest and real property taxes are capped at \$20,000. However, there are no limits on the charitable deduction amount. Click [here](#) for the link to the legislation.

In summary, most employees received more take-home pay in their paychecks resulting in a much smaller refund and in most cases, no refund at all. Another major factor is the change in Earned Income Credit (EIC).

According to the NC Department of Revenue the average participating entities in the debt setoff program are down around 50%.

Already Participating—So Why Attend?

There must be a good reason that over 400 people have attended workshops EACH of the last five years.

There will be updates from staff with the N.C. Association of County Commissioners, League of Municipalities and Department of Revenue. Five Star Computing, the vendor for the Clearinghouse will also provide training and explain the latest upgrades on the client software.

If your local government is already participating there is probably no reason to attend the 10:30—11:30 morning session as that mostly covers the eligible participants and the required one-time paperwork/agreements. But feel free to

attend and bring others if interested in seeing what we discuss. This session is entirely optional except for new prospective participants.

We highly advise that ALL local governments attempt to have at least one person attend the 1:00—3:30 afternoon session. There is always new information at that session.

The past five years have focused a great deal on security and our client software and this year is no different.

Over the years we have had many local governments who attend each year to hear about recent changes to legislation and processes. In addition, both recent and future changes are

discussed and ample time given in case vendors and/or I.T. changes are required.

We encourage counties and municipalities with large numbers of debts and/or multiple departments to bring I.T. staff. Third-party vendors are welcome but need to be accompanied by local government staff.

If you have any ideas, suggestions or questions you would like addressed at the workshops please specify in the area designated on this year's registration form.

If you cannot attend this year be sure to view the online handouts and presentation materials coming soon.

More Secure Methods For Excel ONLY Participants

While an Excel file may be the simplest method for a local government to submit an entire file of debtors, there are security concerns. Excel is an easy way for anyone who can access the file to open and view SSNs and names.

There are three options for those local governments currently submitting Excel files.*

1. Convert to our client software which has encryption and additional security features like masking SSNs by user.

2. Allow us to do your data entry (if only 150 debts or so and minimal additions/edits monthly). A great option for municipalities, housing authorities and most agencies.
3. Stay with Excel, but send with an encrypted password (contact us to provide your password). Not as secure as options 1 and 2 above, but better than not encrypting with a password.

* does not refer to users of client software who import Excel files into the software.

Beginning in December 2015, we will begin requiring an encrypted smart password for the Excel files uploaded to secure folders. Beginning in December 2016 NO Excel files may be submitted to secure folders. However, Excel files may be imported into the client software.

So, if you are currently using Excel and would like to upgrade to our software call us or go ahead and complete the [required online request form](#).

The two safest alternatives to securing Excel data: 1) switch to our client software; or 2) let us do your data entry and eliminate the need to store Social Security Numbers

Can You Use Our Software If You Have Vendors/3rd Parties?

We have more than twenty local governments that use our software and receive ASCII and/or Excel files from another provider. There are at least four third-party vendors submitting files to their own secure folders. We transfer the files to the local gov't's folders then connect via remote software to the local government and do the imports for them.

There are also varying methods of files that can be imported:

1. An entire replacement file for a department/account code
2. (ADDS Only) Add the entire file to existing debts
3. (ADD and ADJUSTMENTS) Add any new debts while also updating any existing debts (uses SSN and Unique Key)
4. (ADJUSTMENTS ONLY) Update existing debts and replace with new balance

The best method is NOT to do an entire replacement. That wipes out history and loses the priority. The other options do retain history and priority. See if your vendor/3rd party can provide just new debts and updates to existing debts that they collected/adjusted.

Note: the Clearinghouse doesn't need 3rd parties to send us debts that the Clearinghouse has setoff as we have those balances.

A Replace Option in our software will remove the debt history and priority. Get the vendor/third-party to send ONLY new debts and updated balances

We No Longer Monitor Your Setoff Downloads

Up until the end of the major tax year (end of April), we do check our audit logs to see that local governments downloaded their setoff information. If not, we send reminders and sometimes even call. We expect you are receiving calls from debtors even before we send you the setoff details. In addition, you will be receiving deposits into your Capital Management accounts and your financial staff and possibly auditors, will want to know who the funds apply

to. When you realize a prior-setoff file wasn't downloaded, contact us and we can restore the setoff file(s). However, setoff files from 2014 or older have been archived to encrypted drives and take longer to make available.

Please make every effort to check for setoff files since they are removed every 10 days and are often replaced as soon as every 14 days with another setoff file. We hope that local

governments have checks and balances to ensure that all setoff files are downloaded and reports printed. We suggest that local governments check their Capital Management statements and ensure that reports were generated and match the deposit. Over the past few years we have relied on local governments to self-monitor by checking against their Capital Management statements to ensure all setoffs were downloaded.

If you DO NOT download your setoff files and send us updated balances without applying, we may setoff this person in the future!

ANNOUNCEMENTS, REMINDERS, UPDATES and TIPS:• **ANNOUNCEMENTS****Latest Version—2015.04 (April 2015)**

There has not been a major release update since May 2014 version (2015.05). For those that we do ASCII and or Excel imports, we have loaded the latest version (2015.04). There have been only a few changes since May 2014 so we suggest you wait until the next major release in September, after the workshops.

- Changes since May 2014:
 - Social Security Number cannot be less than nine digits
 - Sped up ASCII/Excel imports and progress bars are accurate representations of time used/remaining

• **REMINDERS**

- Passwords—when you receive the Expiration Warning Notice giving 14 days before expiration:
 - Email warning goes to ALL email addresses in the secure folder but only needs to be done by one person (or the Clearinghouse)
 - All TRANSMIT options (IMPORT from Clearinghouse and EXPORT to Clearinghouse) are immediately disabled until the password is changed
 - Must need “admin” sign-on to change unless the Clearinghouse staff changes
 - This password does NOT affect userid and password sign-ons, ONLY the TRANSMIT options
 - The Clearinghouse staff will be happy to assist in changing this password. Will be done using a remote software request and only takes a few minutes

• **UPDATES****Software issues we have on our list:**

- Ensure the Import/Export option matches the setoff.txt file and setoff report information (estimated completion is Sept. 14, 2015)
- When editing a debt, if changing Compliance Date, the Expiration Date changes to three years from Compliance, overriding the Account Code Configuration setting (estimated completion is Sept. 14, 2015)
- When adding or editing debt, have cursor appear on the debt amount (estimated completion is Sept. 14, 2015)
- Add the account number to the Composite Report (estimated completion is Sept. 14, 2015)
- Notification Letters to allow for an additional option, NEW only (estimated completion is Sept. 14, 2015)
- If password has expired and an attempt is made for a TRANSMIT option, a message is displayed to contact the Clearinghouse for password assistance (estimated completion is Sept. 14, 2015)
- Online Help and PDF (to be current with the above software changes) - (estimated completion is September 14, 2015)

Are there any errors or bugs you are experiencing? Our latest version may correct it, if not we will add to our list. Or do you have a suggestion for the software? Send to ncsetoff@ncsetoff.org.

Website:

<http://www.ncsetoff.org>

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