

# Beginning a New Tax Year—2017

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**Reminders:**

- J NC. Department of Revenue starting the process of refunds @ February 20
- J 1st Large Setoff File of 2017 is Tues., March 7

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## Clearinghouse Is Ready for Tax Year 2017

**NC Tax Refund Process is underway:**

Later than normal, the NC Department of Revenue (NCDOR) begin processing 2016 tax year refunds around February 20th. Over the past few years the date has been later due to additional testing and fraud control.

The first two setoff files, available February 7 (\$228,858) and 21 (\$251,423) were small as they were 2015 tax years and prior, along with lottery winnings since mid-December. We expect the largest setoff files for 2017 to be in March.

**Year-End Cleanup:** Starting in late December until early January, we assisted several local governments in their year-end cleanups. We removed debts of \$0.00, and/or debts less than \$50. We also helped many extend Expiration Dates or delete debts that were expired.

Over the weekend of January 7-8, before creating the weekly file to go to the NCDOR, we deleted all debts: 1) less than \$50; 2) expired; 3) SSNs rejected by NCDOR. Since we don't submit debts that are less than \$50 or are expired, it helps us

keep our system more efficient and also reduces the number of debtors on our Interactive Voice Response (IVR) system. The debtors that were paid in full, or at least now below \$50, that have never been setoff are now out of the IVR system. This reduces the number of calls to local governments from angry debtors. However, local governments are allowed to maintain information on debtors with debt balances below \$50. Many do choose to remove all debts less than \$50 at the beginning of a new tax year.

## Department Of Revenue (NCDOR) Setoff Schedule Set for 2017

NCDOR has set the schedule for the twenty-one setoff files for 2017. The Clearinghouse will download on these days and take up to several days in which to process and ensure each debt is best applied to the proper local government. We hope to provide the information no later than Wednesdays. The Lottery sends setoffs around the same time and is incorporated with the NCDOR setoff files. Email notifications are sent only to those local governments who receive funds. Capital Management funds are normally available within five business days after these dates:

- J Feb: 7 and 21
- J March: 7 and 21

- J April: 4 and 18
- J May: 2 and 16
- J June: 2 and 20
- J July: 11 and 25
- J August: 8 and 22
- J September: 5 and 19
- J October: 10 and 24
- J November: 7 and 21
- J December 12

**Reminders:**

- J We receive the setoff files on Tuesdays and begin our imports and reconciliation process until normally Wednesday morning.

- J Emails are sent at a rate of 85 per hour beginning late Wednesday mornings so it takes until late Wednesday night for all emails to be sent.
- J Setoff files are normally available by Wednesday afternoon.
- J Downloads can begin even before the emails are received, just check your secure folder (TRANSMIT-IMPORT FROM CLEARINGHOUSE-SETOFFS for software users).
- J NC Department of Revenue and the Lottery transfer funds electronically to Capital Management and the funds are usually available by the following Tuesday.

**If using the client software, only the “admin” sign-on can change the Smart Password. The option is Tools-Administrator-Account Info.**

**Probably the best view of ALL setoffs from NCDOR and Lottery. We recommend you save all of these renamed with the setoff date.**

**Be sure to download your Surplus.xlsx, if provided. Review these debtors and determine if a refund check needs to be sent. Send surplus refunds quickly.**

## Passwords—A Constant Process—Now and Forever

Every local government has to change their secure folder/TRANSMIT password at least every 90 days. Once a password is 76 days old an automated email is generated to all email addresses stored in each secure folder. We appreciate those that have learned to change their own password. It is a bit simpler if you do not use our client software, since there is only one place to change it. The Clearinghouse assists most users of our client software as it only takes a few minutes and we can do with a

simple email remote request. However, since it must be done every 90 days we hope that at least one person at each local government can learn.

Reminders:

- ) only ONE person needs to change the password, even though many may receive the email warning.
- ) does NOT affect signing on to the client software, only the TRANSMIT menu for software users.

) if not changed within 14 days after the warning email, the password expires and the account is locked. This requires Clearinghouse intervention to re-activate.

) once the warning email is sent the TRANSMIT function is disabled in the software and “No files available” may appear in the software.

) **Beginning Monday, March 6 we are changing to a 7 day expiration warning rather than 14.**

## Setoff Files—What is Provided to Local Governments?

**Excel File**— every local government that receives funds gets a detailed excel file. This is a composite list of ALL debtors and debts setoff, whether in full or just a partial. The information provided:

- ) SSN (only last four digits)
- ) Name (from NCDOR - may not be person you submitted)
- ) NCDOR Address, City,

- ) State and Zip
- ) Debt Amount after Setoff
- ) Setoff Amount and Fee
- ) Account Number
- ) Department Code
- ) Unique ID/Import ID
- ) Compliance/Expiration
- ) Source: REV NCDOR or LOT (Educ. Lottery)

) Name Submitted by Clearinghouse for this SSN (Oldest Name ever submitted for this SSN)

Tip—convert Setoff Amount (column “J”) to numeric and sum at bottom— this total matches the deposit to your account at Capital Management. Even if errors on the Import Setoff reports (client software), debtors are ALWAYS in this excel file.

## Setoff Files—What Else Is Provided To Local Governments?

1. Agency Code Number.dat (non-software users only)— a basic report file of setoffs.
2. Match.dat (non-software users and software users by request)—an ASCII file that can be used by a programmer/vendor to automatically update another billing system. NCPTS and ONETax can import it.
3. Setoff.txt (software users)
4. Surplus.xlsx (ALL) —only

created if any possible surplus amounts were taken from debtor(s) if: 1) submits more than one tax return; 2) timing (pays debt too close to tax refund submission); 3) refund and a lottery winning; 4) multiple lottery winnings

- ) SSN/ITIN (last four digits)
- ) Name (Last, First, MI)
- ) Possible Surplus Amount
- ) Unique ID/Import ID

) NCDOR Address, City, State and Zip

) Dept./Account Code

Use this file to research and possibly send a refund to the debtor(s) using the NCDOR address provided. The Clearinghouse does not send refunds, the local government is required to do so. The funds, including surplus is put into your Capital Mgt. account.

## Reminders for 2017

- } You can check for available setoff files anytime, even before receiving the setoff email. If setoff files are in your folder, you can download and process, just use previous email instructions.
- } Once you receive the Password Expiration Notice, you cannot transmit files (upload or download). So please change your password once the expiration notice email appears or contact us to assist with changing.
- } Files stay in your secure folder for 10 days and then automatically delete. Contact us to restore files that were deleted.
- } Do NOT delete debts and/or debtors. Change their debt(s) to \$0.00. Delete them in December after last setoff file. If someone calls or comes in the office upset, then their tax refund or lottery winnings has already been taken. If you delete the debt you will have to add back to make the setoff report balance.
- } Verify deposits from Capital Management in 2016 to be sure you have a corresponding Setoff Report for that amount. If you failed to download a Setoff file and update balances you will probably setoff debts in the future that are already paid in full. You are responsible for the fees that must be returned to the debtor.
- } We will contact you if you fail to download setoffs up until the end of May.

**We check log files to verify setoff files are downloaded from February through the end of May. We no longer monitor starting in June.**

## Interactive Voice Response (IVR)—take Advantage of Departmentalization

We allow local governments the OPTION of having separate contacts and phone numbers for each department rather than just one. Currently, more than 75 local governments are taking advantage of this.

There is still time to make additions or changes. We suggest using a department or section, rather than a person's full name. But we can even specify both if requested. Call

us or send an email to [ncsetoff@ncsetoff.org](mailto:ncsetoff@ncsetoff.org) with the following:

- } Local Govt. Name
- } Department and/or Contact Name (first OR full name)
- } Phone Number
- } Department Code (type of debt: TAX, EMS, HLT, UTL, etc.)

Sample:

- } Central County
- } Customer Services
- } (910) 555-1212
- } TAX

This is optional and feel free to use just one number for all debts. But if we can help with multiple contacts and phone numbers, let us know. The intent is to direct debtors to the proper contact who can assist in explaining the debt(s).



**Make it easier for debtors to reach the person who can answer their questions about their debt.**

## Interactive Voice Response (IVR) - be sure you're ready for 2017

What does an IVR do? It is an efficient and cost-saving method to provide information to callers who are anxious for answers. Ours is a dedicated computer system with ten phone lines operating 24 x 7. Debtors who receive a letter from NC Dept of Revenue or from Lottery can call (877) 843-0330 and get information. The caller enters their SSN/ITIN and hears, in RANDOM order, ALL local governments that have submitted debt against

their SSN. If the SSN/ITIN is not found, it could be a spouse's debt or to one of the 100+ other agencies that are in the debt setoff program at the NC Dept. of Revenue (919) 814-1119.

1. The IVR will NOT identify which local government received funds. We probably haven't even received the funds when the debtor calls.
2. We can set-up different

contacts and phone numbers for local governments. Not available to those local governments that we do the hard copy data entry service.

3. If a debtor contacts you and you show no debt for this person, ask if they listened to ALL listings from the IVR or if entered a spouse SSN. Put them on hold and call the IVR and enter their SSN and listen to ALL debts.



**Remember to call and check the IVR for pronunciation and accuracy. Check an SSN in each departments/ debt type. Contact us ASAP if we need to make modifications.**

**Getting funds for the first time is exciting to any local government. Just remember that funds go directly to your Capital Mgt. account.**

**We will notify as soon as a contract is in place to provide SSN lookups**

**There are only a few who use our client software that have learned how to change their own passwords. We are happy to do so, but here is another “simple” guide.**

## Welcome All New Participants

There are several new participants, those that have recently submitted debts and are awaiting funds for the first time.

You may have already begun receiving calls from debtors that you got their tax refund. At this time we can't tell you how much is coming. NCDOR won't provide that information to the Clearinghouse until March 7 and it will take us a few days to process, balance and provide you reports and files. The funds will probably go into your Capital Management

account around Tuesday, March 14. The funds are transferred from NCDOR and State Treasurer's Office to Capital Management. The Clearinghouse provides Capital Management with a list of local governments, their account numbers and how much to deposit. A Capital Management account is required to participate and only one account number can be used per local government. Contact Capital Management directly to set-up online and/or paper statement access.

Housing Authorities:

- ) Only a final judgment can be submitted for setoff
- ) Due to H.U.D. regulations, funds MAY NEED to be removed from the Capital Management account within three business days. Contact Capital Management if still required to abide by this regulation. The Clearinghouse does not monitor any Capital Management functions.

## Social Security Number Lookup Services Status

If you attended a 2016 Training workshop or read the last technical bulletin you heard about the possibility of the NCACC and NCLM providing a service, at no cost to local governments to acquire SSNs.

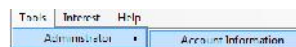
This valuable service is still being negotiated and still a very promising possibility. We hope to have a contract in place with a vendor provider within the next few months. Local governments that are interested

should begin compiling lists of debts that are in need of SSNs so once the contract is ready the information can be submitted to the Clearinghouse.

## Passwords—Instructions for Client Software Users

1. Login to the software with the “admin” Username and Password.

2. Take option:



3. All information to connect to the secure website is on this Account Information screen:

User ID: = Username

Smart Password: = Password

Internet Location: = Url (https://setoff...)

4. Note the User ID and Internet Location (write them down) and click



5. Copy-n-paste the Smart Password

6. With a web browser, go to the secure website, which is https://setoff... (from Internet Location above)

) Enter Username (User ID)

) Enter Password (copy-n-paste Smart Password)

7. If signed on successfully, the Change Password prompt appears:



8. Return to the Client Soft-


ware Account Information screen and modify several character to the same type (alpha to a different alpha, number to a different number, special character to a different special character)

9. Copy-n-paste the updated Smart Password into the

New Password: and again into

New Password Again:

click 

10. Return to the Client Software and click 

11. Exit the software, Login again and test the changes with this option:



**Stopped receiving some or all emails from us? We send so many emails from several different methods that we often get treated as Spam.**

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

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

## Emails—We Do Our Best To Get Information To You

The NC Local Government Debt Setoff Clearinghouse sends lots of emails. And when we do, it can be to more than a thousand in a single day. Although we send to ONLY our local government participants in NC, the spam monitors often don't like this. Our email provider monitors and has been helpful but sometimes it is out of our control.

We hear sometimes that frequent users have stopped getting emails from us even though we made no changes. Sometimes we get notifications

that email was rejected and attempt to resolve. We have several methods for sending electronic mail:

1. when a file is uploaded to our secure site, directly or through our software.
2. when the secure folder password has expired
3. when a setoff file from NCDOR/Education Lottery is available
4. when a newsletter/ technical bulletin is available

You may need to contact your I.T. to request they allow emails from:

) @ncsetoff.org

) @fivestarc computing.com

Contact us if you want to review the emails addresses we have for your local government or to make additions or changes.

We do have issues sending to emails such as @bellsouth.net.

## 2016 Debt Setoff Year Closed—Tips for 2017

We recently closed the 2016 year. All files submitted to us along with all setoff files we made available during 2016 have been archived to encrypted drives. We provide setoff files for 10 days before they are automatically deleted. We can restore these files but it is more time-consuming once the past year is archived. We hope

that local governments have checks and balances to ensure that all setoff files were downloaded and reports printed.

We suggest that local governments check their Capital Management statements and ensure that reports were generated and match the deposit. This also ensures that you are prepared when Auditors arrive.

Over the past few years, we have ceased the review of audit logs by the end of May to determine if setoff files have been downloaded. From February through May we review the logs and re-send emails and even make phone calls to ensure that local governments are downloading setoff information.

## Surpluses/Refunds Happen—Why and What to Do?

Refunds will always occur, especially with the fact that we can ONLY submit one file per week, each Tuesday, to NCDOR. So as debtors pay you directly please send us an updated file, every Friday is recommended. Users of our software: TRANSMIT-EXPORT TO CLEARINGHOUSE-DEBTOR INFORMATION. Thousands of debtors file more than one tax return per year, often within the same setoff file period or within the next one. NCDOR 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 NCDOR informing them that they were setoff. They may then make payment expecting to get the surplus and the fees returned. You should only return the surplus unless they

paid you weeks or more before the debt was setoff. The Clearinghouse does not refund fees unless NCDOR provides an official letter.

**You are required to refund surpluses,** you cannot apply to other debt UNLESS the other debt meets the setoff requirements: the setoff notification letter must be sent to last known address and 30 days given to appeal. However, you can ask the debtor if they want to apply any surplus to another debt. Good luck!

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](mailto:ncsetoff@ncsetoff.org)

N.C. Clearinghouse Staff:  
 Bill Walsh  
 (President/Operations Manager)  
 Fran McClary and Becca Walsh  
 (Customer Services)  
 Billie Mills  
 (Installation Technical Support)  
 Drew Bryant  
 (Software Developer)  
 Linda Kanefelt and Marcia Padgett  
 (Debtor Inquiries)  
 Rich Ware  
 (I.T. Support)



North Carolina Association of  
 County Commissioners  
 Website: <http://www.ncacc.org>  
 Contact: Matt Gunnet  
 Phone: (919) 715-2354  
 E-mail: [matt.gunnet@ncacc.org](mailto:matt.gunnet@ncacc.org)



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

N C Department of Revenue  
 Debt Setoff Unit  
 (919) 814-1119

N C Capital  
 Management Trust  
 (800) 222-3232

**Client Software Version 2016/2017 Update and Reminders**

Latest Version Available to All — October 2016 (2016.10a) - those with a version prior should contact us. Check by selecting:

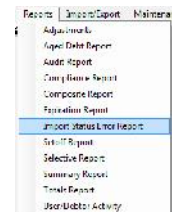


**REMINDERS:**

- The setoff files in March and April are much larger and it can take more time to process. Please be patient as we have seen first-hand that it could process several minutes for large counties, agencies and municipalities. There may even be a message on the screen “Not Responding”, although it continues to run. The reason for the additional processing time is due to the encryption of the data. We feel that the security benefits override the delay, so please be patient. It is only a few times per year.
- Hopefully you took advantage of the Year-end Cleanup procedures. It is now too late to remove \$0.00 debts or debts less than \$50. DO NOT Delete Debtors until the last setoff file in December 2017. We may setoff their refund and they will appear on your Setoff Import Error report and list the Unique ID. CONTACT US AS SOON AS POSSIBLE FOR ASSISTANCE.
- We don't suggest you attempt to do an Import/Export of an ASCII or Excel file yourself unless we provided instructions. Perhaps you've watched us do it enough that you are confident, just be careful as you can cause severe damage at this critical time of the year. Let us connect remotely, check the file and assist you, we've done it hundreds of times. And there is no charge!
- Those of you getting your first setoff file in 2017 should let us assist and train you. An email will explain the process and feel free to attempt the numerous but simple steps. If apprehensive, please wait and contact us beginning Thursday, March 9.

**Tip #1: Download the Import Status Error Report:**

If your Import Status Report email lists that some debts were rejected you should view the report to identify the reason for the rejections. When receiving an email, as often as weekly, there is no need to sign-on to the secure website. This Error report can be downloaded, viewed, and printed simply using this software. To access it, choose this menu option:



Select and the information appears. Print if necessary. Make any corrections, if applicable. Call the Clearinghouse if you are unsure of how to correct any errors. The most common rejections are: 1) invalid SSN (not nine digits, missing leading zeroes, starts with 000 or 999, or a Federal or State Business Number); 2) Missing First and/or Last Name (possible business name); 3) debt has expired; 4) Future Compliance Date (not an error unless the date is very far out in the future).

**Tip #2: Mark Letters as Printed:**

Once you generate letters, hopefully from a pdf, print a page and check if for accuracy, you need to “Mark Letters as Printed”.



This allows you to ONLY print letters next time to New debts or debts that were updated. There is no reason, nor is it required, that a notification letter be sent more than once to a debtor. But forgetting to “Mark Letters as Printed” can be time-consuming to determine only the new letters needed or costly if re-sending to those already sent a letter. Contact us if you realize it is printing letters for more than just the new or updated debtors.

**Tip #3: Save the pdf from Printing Notification Letters:**

It may never happen, but if you save all PDFs of all notification letters it may turn out to be very valuable. A pdf is searchable and may be necessary even years down the road if it must be proven that the required notification letter was processed. We also suggest burning these to a CD or DVD for long-term storage. In the event of a hardware failure or a computer replacement the pdf file may need to be on storage such as a CD/DVD and or a server that has regular backups and offsite storage.