

Instructions & Information on the Vermont Setoff Debt Collection Program

Annual Certification for Offset Partners

As of: 12/02/2020

Instructions and Information on the Vermont Setoff Debt Collection Program

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Vermont Setoff Debt Collection Program

General Information for the Setoff Partner

A. Who May Participate?

Any unit of state government, including agencies, departments, boards, commissions, authorities, or public corporations, including the Vermont Student Assistance Corporation.

B. What Debt May Be Submitted

A claimant agency may submit any debt of \$45 or more to the Vermont Department of Taxes for collection. Multiple debts may be submitted for the same debtor, but each debt must be \$45 or more.

C. How to Participate

1. Each year, on or before a date specified by the Department of Taxes, most claimant agencies must supply the Department with information necessary to identify each debtor whose refund the agency seeks to setoff.
2. The agency must certify the amount of each debt submitted to the Department for collection through setoff. 32 V.S.A. § 5934(a).
3. First-time agencies must submit a test file by **November 20th**. Contact VDOT IT to setup test file via email at TAX.SetOff@Vermont.gov
4. All agencies must submit their annual certification file by **December 1st**. Please include total count and total dollar amount to verify that what was submitted electronically matches what the Department of Taxes received from the claimant agency.
5. Because of the increased importance of keeping confidential information secure, all participating agencies must submit the original certified debtor information (or test file), regardless of the number of debts, to the Department of Taxes in the form of a file electronically transferred to the Department's **Secure GlobalScape Server**. The format of this file is described in Appendix B-1: Structure of File (Annual Certification File or Update File).
6. A form certifying the validity of all entries contained in the file must be sent to the Department of Taxes by **December 15th**. An authorized agency official must sign this letter. See Appendix D: Annual Certification of Information Submitted and Mailing of Pre-Setoff Notices. Scan and email Appendix D to TAX.SetOff@Vermont.gov
7. If full or partial payment of the agency's debt is made after the agency has submitted its annual certification file, the agency should request that the debtor's debt amount be reduced to the new lower amount. The update request must be submitted in the form of a file electronically transferred to the Department's **Secure GlobalScape Server**. Do not submit an Excel spreadsheet file, as it is not compatible with VDOT software and cannot be loaded.

The format of this file is the same format required for the annual certification file, except the add/change code should be a "C." To "delete" a debt, use "C" and reduce the debt amount to zero. Balances cannot be increased. See Appendix B-1: Structure of File (Annual Certification File or Update File).

8. You may arrange to upload a transaction file daily, weekly or monthly. Please contact the Department prior to transmitting updates electronically. Submit an email to TAX.SetOff@Vermont.gov as it requires additional programming to set up this process for a new agency.

D. Refund Matching

The Department of Taxes will match a bi-weekly refund file against a combined file of all debt requests by claimant agencies. If the Department receives multiple setoff claims to a taxpayer's refund, the claims are paid in the order according to 32 V.S.A § 5937.

E. Payment to Claimant Agencies

The Department must receive the completed and signed Bank Account Information for Debt Setoff Program document annually by **December 15th**. See Appendix C: Bank Account Information of Claimant Agency. If any of the information on this form changes, please submit a new form to the Department checking the box to indicate "A Revision".

The Department of Taxes will transfer funds to claimant agencies on a bi-weekly basis via ACH Direct Deposit (EFT payment). When the funds have been transferred, the Department will notify the agencies by email. At the same time, the electronic refund match file containing the detail of taxpayers and amounts for the corresponding payment will be placed in the claimant agency's folder on the [Secure GlobalScape Server](#). See Appendix B-2: Structure of File (Refund Match File) for the file layout.

After the setoff has been transferred, the Department of Taxes must notify the taxpayer. A sample of this notice is in Appendix F: Department of Taxes Notice of Setoff to Taxpayer. The notice states the following:

- If the taxpayer has not received prior notice of the setoff, the taxpayer may contest the validity and amount of the debt to be collected.
- The taxpayer has the right to appeal and must submit the request for an appeal in writing within 30 days of the mailing of the notice from the agency.
- If the taxpayer fails to submit a written application for an appeal hearing within the 30-day appeal period, the taxpayer has waived the opportunity to appeal. The taxpayer may not appeal at a later date.

F. Joint Returns

It may occur that the debt to be transferred is from a joint or civil union return, but only one of the filers is identified by the claimant agency as a debtor. When this occurs, the non-debtor may petition the Department of Taxes for his or her portion of the refund. The non-debtor must petition in writing within 30 days of the date of the mailing of the notice.

G. Hearing Procedure

1. If a debtor applies in writing for a hearing before a claimant agency within 30 days of the date of the mailing of the notice, the claimant agency will conduct a hearing to determine the validity and amount of debt owed by the debtor. The hearing must be in accordance with 3 V.S.A. §§ 809 - 813, and 32 V.S.A. § 5936(b) as amended.
2. Upon conclusion of the hearings and appeals and upon notification by the Commissioner of Taxes of the result of any appeal on joint returns, the claimant agency will notify each affected taxpayer that a final setoff has occurred. The notice must include the amount of refund transferred to the agency, the amount of debt finally determined to be owed to the agency, the amount of refund, if any, returned to a non-debtor after final setoff. The agency must pay out any outstanding balance due the debtor along with the notice of the final setoff.

H. Collection Fees

The cost of administering the program is paid through an offset fee determined by the Department of Taxes. This fee is taken from the taxpayer's net refund. There is no cost to the claimant agency.

I. Confidentiality

The information obtained by a claimant agency from the Department of Taxes must only be used by a claimant agency in its debt collection duties and practices. Any person employed by, or formerly employed by, a claimant agency who discloses any such information for any other purpose, except as otherwise allowed by law, will be penalized under the terms of 32 V.S.A. § 3102 (a) as if that person were an agent of the Commissioner of Taxes. 32 V.S.A. § 3102 (h).

Penalties include fines and/or imprisonment as well as dismissal from state employment with a ban from holding public office for a period of five years. The claimant agency to which information is disclosed must protect and secure the information as required by the Commissioner. Information provided by the Commissioner of Taxes should only be disclosed to employees in the agency who have a need to know for management and processing purposes. Material should be secured in locked files when not being processed. Any unauthorized disclosure of information, whether intentional or inadvertent, must be reported to the Deputy Commissioner in the Department of Taxes immediately upon discovery of the disclosures.

General and/or technical questions can be submitted via email to TAX.SetOff@Vermont.gov

Vermont Setoff Debt Collection Program
Appendix A: Sample Claimant Agency Notice to Debtor

<Taxpayer Name>
<Street Address>
<City, State Zip>

RE: Notice of intent to certify you to the Vermont Setoff Debt Collection Program

DEAR<Name>:

We are sending this letter to notify you that <Agency Name> intends to certify your name to the Vermont Setoff Debt Collection Program. This program collects debt a taxpayer owes to a Vermont state agency by transferring—or setting off—part of the taxpayer’s state income tax refund, property tax adjustment and/or renter rebate. The program is administered by the Vermont Department of Taxes and authorized by law under 32 V.S.A. Chapter 151 Subchapter 12: Setoff Debt Collection.

Currently, our records indicate that you owe \$<amount> to the agency named above. Once your name is certified to the Department of Taxes, we will transfer any state income tax refund, property tax adjustment, and/or renter rebate that otherwise would be paid to you to pay your outstanding debt. If the refund is more than the debt you owe, we will forward the balance to you.

Your right to appeal

You have the right to either meet informally with an impartial agency official to discuss this matter or file a formal appeal with the agency. You must contact <Agency Name> in writing within 30 days of the mailing of this notice at the address listed above. If you lose your appeal at the agency level, you have a right to appeal the agency’s decision to the Vermont Superior Court.

Important: If you do not file an appeal in writing within this 30-day period, you cannot contest the setoff at a later date.

The following lists some available defenses you may make in your appeal:

- The basis for the debt is unfounded.
- The amount of the debt is incorrect.
- The statute of limitations has expired.
- The debt has been discharged in bankruptcy.
- The debt is an obligation of one spouse or civil union partner on a joint return. This entitles the non-obligated spouse or civil union partner to his or her portion of the refund.

Depending on the facts of your specific situation, these defenses may or may not be available to you. Your attorney may advise you on more appropriate defenses.

If you have questions about this notice, please contact me at <Phone number> during regular business hours.

Sincerely,

<Name of Agency Representative>
<Title>, <Agency Name>

Vermont Setoff Debt Collection Program
Appendix B-1: Structure of File (Annual Certification File or Update File)

The certification and update files are straight ascii text file having fixed position fields as described below.

Use the following file naming convention:

- Certification file: [Five-digit government unit code]crt.txt (Example: 00300crt.txt)
- Change/Update file: [Five-digit government unit code]upd.txt (Example: 00300upd.txt)

All files must be transmitted via Electronic File Transfer Protocol (FTP) to the Department of Taxes [Secure GlobalScope Server](#).

Field Name	Length	Class*	Begin Position	End Position	
Add/Change Flag	1	A	1	1	“A” for add (original certification files only) “C” for change (update files only)
Gov. Unit Code	5	N	2	6	5-digit government unit code for the claimant agency (assigned by Department of Taxes).
SSN	9	N	7	15	9-digit Social Security number of taxpayer owing the claimant agency
Debtor First Name	50	AN	16	65	First name of taxpayer owing the claimant agency
Debtor Middle Name	50	AN	66	115	Middle name of the taxpayer owing the claimant agency
Debtor Last name	50	AN	116	165	Last name of the taxpayer owing the claimant agency
Debtor Name suffix	10	AN	166	175	Name suffix of taxpayer owing the claimant agency
Date of Birth	8	AN	176	183	Date of birth of taxpayer owing the claimant agency YYYYMMDD (optional – space filled if date not available)
Debtor Address 1	100	AN	184	283	First line of street address for taxpayer
Debtor Address 2	40	AN	284	323	Second line of street address for taxpayer
Debtor City	40	AN	324	363	City name for taxpayer’s address
Debtor State	2	A	364	365	USPS state abbreviation for taxpayer’s address
Debtor Zip Code	10	AN	366	375	USPS 5-digit, zip+4, or foreign zip. Foreign zip codes may contain a space. The Department of Taxes truncates domestic zip codes to 5 digits. Left justify within the field.
Debt Amount	11	N	376	386	Amount of debt owed by taxpayer. In original certified files, the debt amount may <u>not be less</u> than \$45.00. In update files, the amount <u>may be less</u> than \$45.00. Format the data in this field as right-justified with leading zeros and implied two decimal places, that is, show the two cents positions but not the decimal point.
Miscellaneous date field	8	AN	387	394	Format as YYYYMMDD (space fill if not using this date field)

Miscellaneous char field	30	AN	395	424	Miscellaneous Char field (space fill if not using this char field)
Miscellaneous char field	30	AN	425	454	Miscellaneous Char field (space fill if not using this char field)
Miscellaneous char field	30	AN	455	484	Miscellaneous Char field (space fill if not using this char field)

* Class codes mean the following:

A	Alpha (in all UPPER-CASE letters)
AN	Alphanumeric (letters and numbers with letters in UPPER-CASE)
N	Numeric digits only
Date	YYYYMMDD

Instructions:

- DO NOT have any blank lines (records) at the top or bottom of the file.
- Any miscellaneous fields not being used MUST be space filled.
- DO NOT have a “Total” record at the end of the file.
- DO NOT put dashes or hyphens in the Social Security Number.
- DO NOT put a decimal point in the amount.
- DO NOT include any original certification debt amounts that are less than \$45.
- For domestic zip codes, you may use either five digits only, nine contiguous digits, or zip+4 with a dash. If you include a dash in domestic zips, the Department of Taxes will not reject the file but will truncate the zip code to five digits. You may use foreign zip codes as is, such as Canadian zip codes which may include both letters and numbers and contain a space between character groups.
- DO NOT include any special characters:)(*&^%\$#@!{ }[]~`

***IMPORTANT: DO NOT** use an Excel spreadsheet file.
Excel is not compatible with the Department’s software and CAN NOT be loaded.

Straight ASCII Text files are the required file format.

- ❑ Certification file: [Five-digit government unit code]crt.txt
(Example: 00300crt.txt)
- ❑ Change/Update file: [Five-digit government unit code]upd.txt
(Example: 00300upd.txt)

Vermont Setoff Debt Collection Program

Appendix B-2: Structure of File (Refund Match File)

The Refund Match file is a straight ascii text file. The structure is like the Certification File or Update File having fixed position fields as described below. The one difference is the Add/Change Flag is removed and Setoff Amount replaces Debt Amount

Field Name	Length	Class *	Begin Position	End Position	
Gov. Unit Code	5	N	1	5	5-digit government unit code for the claimant agency (assigned by Department of Taxes).
SSN	9	N	6	14	9-digit Social Security number of taxpayer owing the claimant agency
Debtor First Name	50	AN	15	64	First name of taxpayer owing the claimant agency
Debtor Middle Name	50	AN	65	114	Middle name of the taxpayer owing the claimant agency
Debtor Last name	50	AN	115	164	Last name of the taxpayer owing the claimant agency
Debtor Name Suffix	10	AN	165	174	Name suffix of taxpayer owing the claimant agency
Date of Birth	8	AN	175	182	Date of birth of taxpayer owing the claimant agency YYYYMMDD (optional – space filled if date not available)
Debtor Address 1	100	AN	183	282	First line of street address for taxpayer
Debtor Address 2	40	AN	283	322	Second line of street address for taxpayer
Debtor City	40	AN	323	362	City name for taxpayer's address
Debtor State	2	A	363	364	USPS state abbreviation for taxpayer's address
Debtor Zip Code	10	AN	365	374	USPS 5-digit, zip+4, or foreign zip. Foreign zip codes may contain a space. The Department of Taxes truncates domestic zip codes to 5 digits. Left justify within the field.
Setoff Amount	11	N	375	385	Setoff amount, the amount Tax is transmitting to the claimant agency. The format is right justified with leading zeros and implied two decimal places, i.e., show the two cents positions but not the decimal point.
Miscellaneous date field	8	AN	386	393	Format as YYYYMMDD (space fill if not using this date field)
Miscellaneous char field	30	AN	394	423	Miscellaneous Char field (space fill if not using this char field)

Miscellaneous char field	30	AN	424	453	Miscellaneous Char field (space fill if not using this char field)
Miscellaneous char field	30	AN	454	483	Miscellaneous Char field (space fill if not using this char field)

* Class codes mean the following:

A Alpha (in all UPPER CASE letters)
AN Alphanumeric (letters and numbers with letters in UPPER CASE)
N Numeric digits only
Date YYYYMMDD

***IMPORTANT: DO NOT** use an Excel spreadsheet file.
Excel is not compatible with the Department's software and CAN NOT be loaded.
Straight ASCII Text files are the required file format.

GUC#: _____

Vermont Setoff Debt Collection Program
Appendix C: Bank Account Information of Claimant Agency
32 V.S.A. Chapter 151 Subchapter 12

In order to deposit the money to the appropriate bank account, the Department of Taxes needs to receive the following account information. You must submit this form (APPENDIX C) by December 15th each participating year.

If any information on this form changes, please submit a new form and indicate below that it is a revision to the annual certification by checking the appropriate box.

This form is: Part of the annual certification OR A revision to the annual certification

Claimant Agency: _____

Bank Account Type: _____ [C = Checking; S = Savings; D = Depository]

Routing Number: _____ Deposit Account Number: _____

*E-mail address (for notification): _____

Government Unit Code: _____

Contact person: _____ Daytime telephone number: _____

Signature

Name and Title (print) Date

Complete this form and send via secure email by **December 15th** to: TAX.SetOff@Vermont.gov

*Required information. The Department needs the ability to generate an email each time it sends a payment file to the bank on behalf of the claimant agency. This email will also serve as the notification to the claimant agency that the Refund Match response file is available on the [Secure GlobalScape Server](#). Only one email address may be used, therefore consider a group distribution email or shared email box if more than one person needs to be notified.

GUC#: _____

Vermont Setoff Debt Collection Program

Appendix D: Annual Certification of Information Submitted and Mailing of Pre-Setoff Notices

Due Date: The Department of Taxes must receive the following to participate:

- 1. Annual electronic certification files by **December 1st**
- 2. Bank Account Information of Claimant Agency form by **December 15th**
- 3. Annual certification forms by **December 15th**
 - a. Annual Certification of Information Submitted and Mailing of Pre-Setoff Notices
 - b. Annual Certification Submission Information

The undersigned, a duly authorized agency official of _____, hereby certifies that a pre-setoff notification letter has been mailed to the last known legal address of each individual whose name is submitted to the Vermont Department of Taxes for inclusion in the Setoff Debt Collection Program.
 32 V.S.A. Chapter 151 §§ 5931- 5940.

The pre-setoff notification letter mailed to the debtor explained the following:

- Setoff procedure
- Amount and basis of the alleged debt
- Opportunity for a hearing before an impartial claimant agency employee
- Possible defenses

I further certify to the validity of the information submitted electronically is accurate as of this date.

Dated at _____, Vermont, this _____ day of _____.

Signature

Name and Title (print) Date

GUC#: _____

Vermont Setoff Debt Collection Program
Appendix E: Annual Certification Submission Information

NOTE: Electronic File submission due: **December 1st**

You must submit this form (APPENDIX E) by: **December 15th** via secure email to: TAX.SetOff@Vermont.gov

Date of Certification: December 15, _____ (year)

Claimant Agency Name Certifying Debts: _____

Claimant Agency Governmental Unit Code (G.U.C. assigned by Department of Taxes): _____

Total count (#) of certifications submitted to the Department of Taxes: _____

Total amount (\$) of certifications submitted to the Department of Taxes: _____

Check one: Certifying per debt Certifying per debtor

Claimant Agency Contact Information (to be used for offset letter to debtor from Department of Taxes):

Claimant Agency Name: _____

Attention Line (for letter): _____

[Unit or Program Name may be used instead of individual's name]

Address Line 1 (or Title): _____

Address Line 2: _____

City, State & Zip Code: _____

Claimant Agency Contact Telephone #: _____

Contact Information used between Certifying Claimant Agency and Department of Taxes (not for taxpayer correspondence):

Claimant Agency Name: _____

Claimant Agency Address Line 1: _____

Claimant Agency Address Line 2: _____

Claimant Agency City, State & Zip Code: _____

Claimant Agency Main Contact Person: _____

Claimant Agency Main Contact Telephone#: _____

Claimant Agency Main Contact E-mail: _____

Claimant Agency IT Contact: _____

Claimant Agency IT Contact Telephone#: _____

Claimant Agency IT Contact E-mail: _____

Claimant Agency Financial Contact: _____

Claimant Agency Financial Contact Telephone#: _____

Claimant Agency Financial Contact E-mail: _____

Vermont Setoff Debt Collection Program
Appendix F: Department of Taxes Notice of Setoff to Taxpayer

<<TAXPAYER>>
 <<ADDRESS>>
 <<CITY>>, <<STATE>> <<ZIP>>

<<DATE>>
 Letter ID: <<Letter id>>
 Account ID: << Acct id>>
 Tax: <<Tax Type >>
 Period: << Period>>

Re: Your Personal Income Tax Refund has been used to pay other debt owed

Dear <<TAXPAYER>>:

We are sending this letter to notify you that all or part of your Personal Income Tax Refund has been used to pay other debt owed. The amount transferred is called an “offset.” Details of the offset(s) are shown in the table(s) below.

Your refund has been paid to a Vermont state agency to pay your current debt owed to this agency. This is authorized by Vermont law at 32 V.S.A. §§ 5931-5940. Details are shown below:

Name Associated with Debt: <<TAXPAYER>>

<u>Agency Name</u>	<u>Offset Amount</u>	<u>Processing Fee</u>	<u>Total Amount</u>
<<Agency Name>>	<<OFFSET AMT>>	<<FEE>>	<<TOTAL AMT>>

Note: There is an offset processing fee for each transfer to a state agency.

Remainder of Your Refund

If you have balance remaining after the offset is paid, we will send you the amount we owe you.

How to Appeal Payment to an Agency

If you have any questions concerning this action, you should contact the agency at the phone number shown below. You should have received a notice from the agency notifying you of the requested offset before this letter. If you did not receive prior notice, then you have the right to appeal the offset. You must submit a written appeal within 30 days of the date of the mailing. If you do not appeal within 30 days, you give up the opportunity to appeal. However, if you received prior notice from the agency and did not appeal within the time frame available, then you do not have the right to appeal this letter. Please direct any questions and your appeal, if allowed, to the following:

<u>Agency Name</u>	<u>Phone Number</u>	<u>Address</u>
<<Agency Name>>	<<AgyPhone>>	<<Agency Address>>

Making an Injured Spouse Claim

You may have filed a joint return with your spouse or civil union partner. If your spouse/partner is not responsible for paying the debt, then he/she may file an Injured Spouse Claim to request his or her share of the refund or rebate. This request must be in writing, and we must receive the claim within 30 days of the mailing of this letter, as required by Vermont law at 32 V.S.A § 5935. For more on how to file an Injured Spouse Claim, visit www.tax.vermont.gov. Note: The federal injured spouse form does not cover this type of request. Do not send in an Injured Spouse Claim with your tax return.

If you have any question about this letter, please contact us at the number listed below during regular business hours.

Sincerely,

Vermont Department of Taxes

Vermont Setoff Debt Collection Program

Appendix G-1: Department of Taxes Notice to Non-Debtor Taxpayer on Joint Return Decision

<<Date>>

<<TAXPAYER NAME>>
<<ADDRESS BLOCK>>

Letter ID: <<Letter id >>
Account ID: <<Account id>>
Tax: << Tax type >>

Re: <<Year>> Vermont Income Tax Refund proration

<<Masked Id1>>
<<Masked Id2>>

Dear <<TAXPAYER NAME>>:

We are sending this letter to notify you that we have reviewed your injured spouse claim and will return all or part of the refund.

We have asked the <<Agency>> to return the amount of \$<<OffsetAmt>> from your Vermont Income Tax Refund directly to you.

If you have any questions about this letter, please contact us at the number listed below during regular business hours.

Sincerely,

Injured Spouse Coordinator

Vermont Setoff Debt Collection Program
Appendix G-2: Department of Taxes Notice to Claimant Agency on Joint Return Decision

<<DATE>>

<<CONTACT>>
<<AGENCY>>
<<AGENCY BLOCK>>

Letter ID: <<Letter id >>
Account ID: <<Accountid>>
Tax: << Tax Type >>

Re: <<Year>> Vermont Income Tax Refund proration

<<Masked id1 >>
<<Masked Id2>>

Dear Sir or Madam:

We are sending this letter to notify you that the Vermont Department of Taxes has reviewed the refund for the joint <<Year>> Vermont Income Tax Refund for <<NAME1>>and << NAME2>>.

The joint refund in the amount of \$<<Intercept Amount>> was originally offset against the debt to the <<Agency Name>> on <<Intercept Date>>. The proration calls for <<pro rate>>% of their income return recall for a total refund of \$<<RecalledAmount>>.

Please send the proceeds directly to <<NAME>> at

<< NAME AND ADDRESS>>

Please include notification of the final offset with the payment.

If you have any questions about this letter, please contact us at the number listed below during regular business hours.

Sincerely,

Injured Spouse Coordinator

cc: <<NAME>>