

**Treasury Offset Program  
Questions and Answers  
Offset of Payments for Collection of Delinquent Debts Owed to the Federal Government**

**December 20, 2012**

**Overview**

Individuals, businesses, and States owe nontax debts to the Federal Government for various reasons. Examples of debts owed to the Federal government can include grant overpayments, loans, overpayments on projects, and debts owed to Medicare. On occasion, an entity's indebtedness to the Federal government will become delinquent. As required by Federal law, Federal agencies submit these delinquent debts to the Treasury Offset Program (TOP) for interception of eligible Federal and state payments payable to the delinquent debtor, a process known as "centralized offset." TOP is a centralized offset program managed and operated by the Department of the Treasury's Financial Management Service (FMS). Before submitting a nontax debt to TOP, a creditor agency must certify that the debt is valid, delinquent and legally enforceable, and that the agency has complied with all due process pre-requisites prior to offset. This means that, at least 60 days prior to submission of the debt to TOP, the creditor agency has sent a notice to the debtor stating the amount and type of debt and the agency's intention to refer the debt to TOP for offset. The creditor agency provided the debtor with the opportunity to resolve the debt through a repayment agreement and/or to dispute the agency's claim.

After a nontax debt has been submitted for offset, TOP compares a payee's taxpayer identification number (TIN) and name with a debtor's TIN and name. If there is a match, the payee's payment is intercepted in the amount and to the extent authorized by Federal law. The intercepted payment is applied to the debtor's debt balance. Any remaining portion of the payment (after paying the debt) is disbursed to the payee.

A TIN identifies the debtor in the same way that it identifies the taxpayer for purposes of the Internal Revenue Code. Pursuant to regulations governing TOP, all subdivisions or organizations sharing a single TIN are responsible for all Federal debts associated with that TIN. This means that if two State agencies or corporate divisions are using the same TIN when interacting with the Federal Government, TOP will offset any eligible payment to one of those entities to pay any eligible debt owed by one of those entities to the Federal Government. This is true, even in cases when, it is challenging for one State agency or corporate division to be aware of the debts owed by another agency or division.

**Question:** Why are entire grant payments sometimes withheld when the payment is much larger than the debt owed?

**Response:** TOP will only offset a payment up to the amount of the debt balance. However, if the payment is being made through Fedwire, the entire payment may be temporarily delayed. A Federal agency is blocked from using Fedwire as a payment mechanism if the payee owes a delinquent debt to a Federal agency that has been submitted to TOP. The reason for the Fedwire block is that Fedwire payments currently do not get processed through the TOP system.

When an attempted Fedwire payment is blocked, a paying agency should request the payment be made through the automated clearing house (ACH). ACH payments are processed through the TOP system. If there is a match, TOP will offset and apply the payment to the payee's debt. Any amount over the debt balance will be disbursed to the payee. Once a debt is paid or otherwise resolved, then TOP removes the Fedwire block the next day.

**Question:** Why are the Department of Veterans Affairs (VA) debts stopping all of a payee's payments?

**Response:** VA's debts should not be stopping all of a payee's payments. If an entity is indebted to any Federal agency, payments will not be disbursed to that entity through the Fedwire system, but can be disbursed through the ACH process. While this might hold up your payment from being received by a day, a payee will receive the funds, less the amount owed the VA.

**Question:** What can I do if I believe my payment was blocked because I owe a debt at TOP and believe the payment is being made by Fedwire?

**Response:** The payee should contact the paying agency and ask them to disburse the payment through the ACH. ACH payments settle the day after the payment is disbursed. ACH payments can be offset which means that if the payment is sent via ACH and the delinquent debt is still valid, the ACH payment may be offset for up to the full amount of the debt.

**Question:** What can a payee do remove the block on Fedwire?

**Response:** If a payee wants the block removed on Fedwire, the payee needs to repay the delinquent debt to VA or otherwise resolve the debt.

**Question:** What can a payee do to find out why a payment has been offset or what debts are owed to the Federal Government?

**Response:** The Treasury Offset Division (TOD) can provide States, businesses, and other entities with a report to help identify delinquent nontax debts owed by the State, business, or other entity to the Federal Government. TOD can send you a report with the appropriate creditor agency contact information at the beginning of each month to assist with resolving these offsets.

To receive this report, TOD needs to receive a written authorization from your State Controller or appropriate business official to release this information. The authorization should provide a central point of contact, along with their name, address, telephone number, email and postal mailing address.

For additional information about this service and the assistance we can provide, please contact Sheila Moss of TOD at (202) 874-6937.

**Question:** What if a payee owes a delinquent tax debt to the Internal Revenue Service (IRS)?

**Response:** The Financial Management Service (FMS) will also block a Fedwire payment if the IRS has served a levy on FMS, through TOP, to collect a delinquent tax debt owed by an entity. At the time the payment is made through ACH or other means, TOP will send a notice to the contact and address associated with the payment, or the debtor, if the payment address is not available. The Internal Revenue Code prohibits FMS from disclosing to representatives of the entity that a levy exists or was the reason for the payment being blocked or reduced by any means other than sending this notice. If a state Fedwire payment was blocked and then reduced upon payment, but the TOP staff cannot identify any nontax debts available for offset, the entity should contact the IRS at 1-800-829-1040 to inquire about whether the payment was levied.

For general questions regarding the offset of your payment, an entity's representative can call our Treasury Offset Program (TOP) Call Center to obtain agency contact information. The TOP Call Center phone number is toll free (800) 304-3107 or TDD number: (866) 297-0517.