



BUREAU OF THE
Fiscal Service
U.S. DEPARTMENT OF THE TREASURY

Understanding TOP's New Eligibility to Submit Unpaid UI Tax Debts

Treasury Offset Program (TOP) Webinar for States

January 15, 2015

Welcome and Opening

Brian Taylor, Agency Education and Training Branch, Treasury Offset Program (TOP) Division, Bureau of the Fiscal Service (Fiscal Service), U.S. Department of the Treasury (Treasury)

Unemployment Insurance – Employer Tax

Subri Raman, Office of Unemployment Insurance, U.S. Department of Labor

Safeguard Restrictions and Requirements

John Sims, Jr., Office of Safeguards, Internal Revenue Service, Treasury

Implementing UI Tax in TOP

Rebecca Park, TOP Debt Policy Branch, TOP Division, Fiscal Service, Treasury

Batch Testing of UI Tax with TOP

Sakhi Xaba, Analysis and Program Implementation Branch, TOP Division, Fiscal Service, Treasury

Questions

Closing



UNITED STATES
DEPARTMENT OF LABOR

Unemployment Insurance – Employer Tax

U.S. Department of Labor

Subri Raman

Chief, Division of Performance and Management
Office of Unemployment Insurance



- 9/30/2008, Public Law No. 110-328 **permits** states to recover certain UI debts due to fraud from federal income tax refunds (TOP)
- 12/26/13, Public Law No. 113-67 **requires** the use of UC TOP to collect covered UI debt
 - Covered UI debt includes unpaid employer UI tax debt that remains uncollected as of 1 year after the debt was determined due;
 - Employers must be sent a 60-day Due Process Notice; and
 - State must certify debt is due



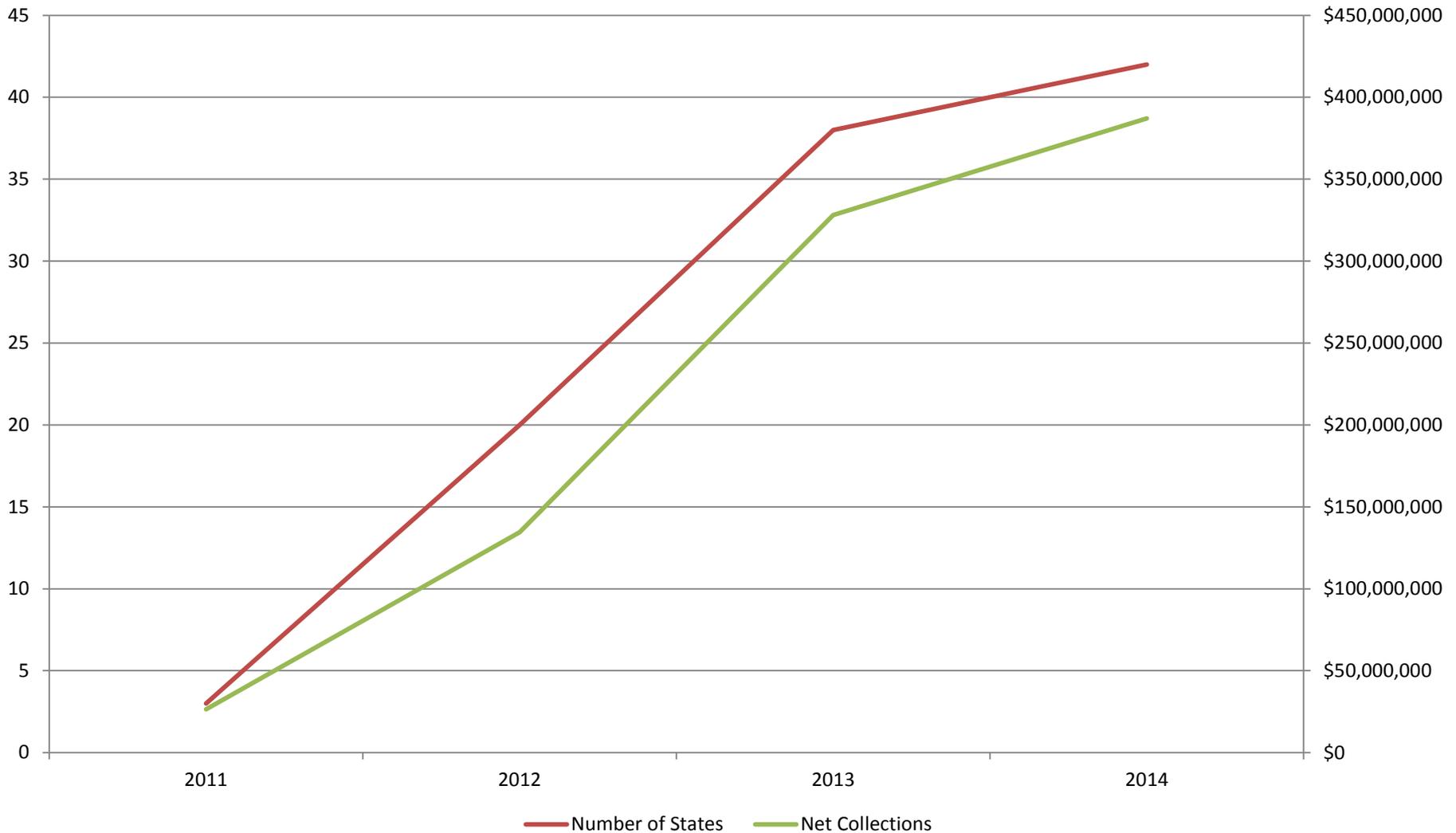
- December 2014, IRS Counsel determines that the TOP program may be used to collect certain unpaid employer UI taxes
- TOP may be used to collect all UI tax employer debt that meets the requirements of one-year old and 60-day notification
- That includes UI employer tax debt for all entity types, including sole proprietors, partnerships, corporations, and LLCs.
- State contractor staff **can** be used to collect employer tax through TOP
- State contractor staff **cannot** be used to collect claimant overpayments through TOP



- **February 2011- UC TOP collections commence with MI, NY, and WI**
- **As of December 2014:**
 - 41 states and the District of Columbia collected UC TOP offset amounts
 - 2014 cumulative collections = \$387,120,365
 - Amount represents a 4.54% increase over 2013
 - Only California currently collects UI employer tax debt through TOP - \$2.8 million in 2014 so far



UC TOP Collections 2011 - 2014





- **In 2015:**
 - Big push to include UI employer tax debt in TOP
 - It is required under Federal law – states must use TOP to collect both certain claimant overpayments and unpaid UI employer taxes
 - Fiscal Service will explain how to identify and submit
 - ETA has published updated guidance (UIPL 02-09, change 3)



- **Primary Contact**

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Safeguard – Restrictions and Requirements

Internal Revenue Service

U.S. Department of the Treasury

John Sims, Jr. S.S.M.E.E.
Disclosure Enforcement Specialist
Office of Safeguards



Background – Tax and Benefits

- State Workforce Agencies (SWAs) or Departments of Labor (DOLs) perform two separate functions, both tax and benefits administration.
- Previously SWAs/DOLs were authorized to receive federal tax information (FTI) under Internal Revenue Code (IRC) 6103(d) for tax administration from IRS and under IRC 6013(l)(10) for benefits administration from BFS.



Tax Administration

- SWA/DOL tax administration functions could not share the FTI received under IRC 6103(d) for tax administration purposes with the benefits administration functions.
- SWA/DOL tax administration functions could share the FTI received under IRC 6103(d) for tax administration purposes with contractors performing tasks related to tax administration pursuant to Treasury Regulation 301.6103(n)-1.



Benefits Administration

- SWA/DOL benefits administration functions could not share the FTI received under IRC 6103(l)(10) for benefits administration purposes with the tax administration functions.
- SWA/DOL benefits administration functions could not share the FTI received under IRC 6103(l)(10) for benefits administration purposes with contractors.



Changes – Tax Administration Only

- SWA/DOL tax administration functions are now authorized to receive FTI under IRC 6013(l)(10) for tax administration from BFS.
- SWA/DOL tax administration functions can share FTI received under IRC 6103(l)(10) for tax administration purposes with contractors performing tasks related to tax administration pursuant to Treasury Regulation 301.6103(n)-1.

- SWAs/DOLs that have not previously received any FTI, including TOP FTI, must submit a Safeguard Security Report (SSR) to the Office of Safeguards for approval prior the initial receipt of either UI or UC TOP FTI.
- SSRs should combine and describe the physical and logical controls for all FTI subject to safeguard requirements, paying special attention to clarify any differences between controls for UI TOP FTI for tax administration and UC TOP FTI for benefits administration.



Contact Information

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Implementing UI Tax in TOP

Bureau of the Fiscal Service

U.S. Department of the Treasury

Rebecca Park

Program Manager, Unemployment Insurance Compensation Program
Treasury Offset Program Division

- **States New to Unemployment Compensation Program (UIC)**
 - State, IRS, and Fiscal Service (FS) discussions
 - Approved Safeguards Security Report (SSR)
 - Implementation meetings with Fiscal Service
 - 60-Day Notices to Debtors
 - Implementation Documents
 - Implementation Date
 - Application Testing with TOP Testers
 - Connectivity Testing with FS ISS Office

- **States Currently Participating in UIC Benefits**
 - Implementation meetings with Fiscal Service
 - 60-Day Notices to Debtors
 - Implementation Documents
 - Implementation Date
 - Application Testing with TOP Testers
 - Connectivity Testing with FS ISS Office

- Agency ID vs. Agency Site ID
- Agency Profile
- Security Access Requests
- ACH Form
- Debt Certification

UIC Program Contacts

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Batch Testing of UI Tax with TOP

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Sakhi Xaba

Lead Tester, Analyst and Program Implementation Branch
Treasury Offset Program Division

TOP Enhanced Record Layouts

- Same formats

UI Tax - file format updates:

Main Fields

- Agency ID
- Agency Site ID
- Debt Type

New Values

- (existing)
- ‘TX’
- ‘UT’

Standard Test Scenarios

Scope – Limited testing

Key Functionality:

- Combining Debt Types in a single file (UI/UF/UT)
 - Update File (to Fiscal Service)
 - Weekly Collection File (to States)
- Separating & protecting tax information
- Joint & Several Debt

- Test Setup
- Reviewing Test Files
- Processing Test Files
- Correcting Code Defects
- Completing a Test Stage

Preparation

- Charging TOP Fees
- State Provided Scenarios
- System Generated Files
- Exchanging Test Files

Testing Schedule FY 2015

- Test Duration – 2 Weeks
- Test Calendar

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Questions