

MFSRC Conference
October 18, 2006

Revenue Recapture
And
Project Intercept

Presenters

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DHS – CSED

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Benton County

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Hennepin County

**Project Intercept
and
Revenue Recapture

A Comparison**

Certification Thresholds

Project Intercept

- \$150 PA Arrears
- \$500 NPA per person

NPA arrears for non minor children not certified

10/1/97 non minor children will be eligible for certification

Revenue Recapture

- Total monthly accrual on case and at least \$25 if arrears only

Certification not affected by emancipation of the children

Debt Versus Arrears

Obligations coded Debt (D), with a monthly non-accrual are not certified for RR or PI

Review F0125 Monthly Non-Accrual Not Paid worklists for compliance!

Change the Debt/Arrears indicators upon default of monthly non-accruals so enforcement remedies will run

Bankruptcy

Effects on Project Intercept and Revenue Recapture Certifications

Bankruptcies filed on or before 10/16/2005

- Stops submissions to Revenue Recapture and Project Intercept
- PI and RR certifications are deleted unless the obligation was certified at least 90 days before the NCP filed bankruptcy
- Obligations will not modify upward while the person is in bankruptcy, however they will be modified downward

Illustration of RRCD where Bankruptcy filed date on BAND is prior to 10/17/2005

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VUFNGT01                PRISM                #H45 PWNAS96
10/04/06                Revenue Recapture Cert Detail          4:54 PM
MCI: 0010999999 Name: Teal, Fred M.
SSN: 4XX-XX-XXXX DOB: 03/17/55 Gender: M Number of Cases: 2

```

Remedy Begin Date	Submission Month	Claim Amt
01/08/2000	09/2006	19850.94
01/08/2000	07/2006	26565.92
01/08/2000	11/2005	26850.32
Bankruptcy Filed 10/2005		
01/08/2000	10/2005	27108.37
01/08/2000	09/2005	27024.22
01/08/2000	08/2005	26937.27
01/08/2000	07/2005	26850.32
01/08/2000	06/2005	26766.17
01/08/2000	05/2005	26679.22
01/08/2000	04/2005	26595.07
01/08/2000	03/2005	26508.12

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MCI: 0010999999 Remedy Begin Date: _____ Submission Month: _____
Direct Command: _____ ( RRCD )
F1=Help,F2=Quit,F3=Retrn,F4=Prev,F7=Up,F8=Down,F9=Print,F13=TRBL,F18=Main
F19=Glob
Position cursor or enter screen value to select

```

Bankruptcies filed on or after 10/17/2005

Bankruptcy Abuse and Prevention and Consumer Protection Act of 2005 contained several provisions favorable to child support.

RRA and PI certifications/modifications are not affected if Filed Date on BAND is 10/17/2005 or later.

IW Variance

PI

IW Variance should be coded "Y" in situations where arrears are only due to variation in pay cycle

RRA

Not Applicable

Time Requirement

PI

- CSED will certify on a monthly basis

RRA

Case must be at least 30 days in arrears

Priority of Claims

PI

1. IRS tax debts
2. PA child support arrears
3. Other federal debts
4. NPA child support arrears

RRA

1. Delinquent tax obligations
2. Child support arrears
3. Restitution obligations
4. Remaining debts based on the order in which DOR received the debts

Suppression Criteria

PI

- Support order not a sum certain
- Prohibited by court order
- Pending lump sum
- Arrears caused by payment delay from OJ
- Temporary condition makes it inappropriate

RRA

- Support order not a sum certain
- Prohibited by court order
- Pending lump sum
- Arrears caused by payment delay from OJ
- Resides in neighbor state but does not receive income from or own property in MN
- Temporary condition makes it inappropriate

Administrative Review

ADRD (Administrative Review Detail)

PRISM screen to document appeals and arrears disputes that are causing enforcement remedies.

PRISM sends appropriate documents to NCP based on information entered on ADRD. PRISM will hold PI and RR payments until the review is complete.

Appeal Timeframes

PI

NCP has 30 days to appeal in writing

RR

Written request from NCP must be received within 45 days of the mailing date of the notice or date debtor actually received the notice

Distribution

PI

First to PA arrears then to NPA arrears for certified cases

RRA

First to current child support for certified cases, then to NPA then to PA

DISTRIBUTION

PI

- Prorates the collection if multiple cases/obligations
- Allocation formula bases on total PA detail amount
- First to PA arrears, then to NPA arrears

RR

- Prorates to certified multiple cases based on amounts certified
- First to unpaid current support on certified cases, then to NPA arrears then PA

PI Conditional Arrears

PI Conditional Arrears field on OBBD

- Field is zero balance when case is MFP (both cash and non-cash)
- Field populates with NPA balance due end of last month that MFIP was issued

Injured Spouse

PI

- Processed by IRS
- 6 years to file an amended return

RRA

- Processed by CSO
- 18 months for tax offsets received after 11/15/2001

Fees

PI

- The fee is deducted from the offset
- IRS NPA CP charged \$25 per year per case for offsets over \$100
- Charges a fee for offsetting a collection. Fee may change annually NCP gets full credit for offset

RRA

- No charge to CP
- DOR retains a \$15 fee for each offset. NCP receives credit for offset minus the fee

Returned Notices

PI

Not Applicable

RRA

- Must get Obligor's current address from DOR and re-send the notice
- if reason to believe Obligor did not receive the notice, or
 - was returned as undeliverable

NPA CP Address Issues

If NPA arrears and no address on CP on PRISM:

- PI won't certify for NPA arrears
- Passport remedy will not run if no qualifying PA arrears

Review Worklist NPA PI Submission Failed!

Takebacks

PI

- Injured Spouse claim
- Wrong taxpayer's refund
- Amended return
- Bankruptcy proceedings
- IRS receives a portion of the tax refund back due to address error

RRA

- Wrong taxpayer's refund
- Amended return
- Bankruptcy proceedings
- DOR receives a portion of the tax refund back due to an address error

Innocent Taxpayer

PI

- Verify information
- Fax information to Policy Help Desk
- If due to an incorrect SSN, review ENFL and PRISM

RR

- Verify information
- Request refund immediately
- Change SSN on NCDE to delete claim

Relationship of FIDM and Passport to RRA and PI

- Case needs to be certified for either RR or PI to obtain Financial Institution Data Matches (FIDM)
- Case needs to be certified for PI for Passport remedy to run

Barriers

- Passport remedy will not run on NPA arrears only cases with no minor child
- FIDM will not run on NPA arrears only cases with no minor child and NCP does not reside in Minnesota or MN border state

UNDERSTANDING REVENUE RECAPTURE AND PROJECT INTERCEPT

PRESENTERS:

Martha Rohrbacher—Supervisor, Hennepin
County

Diane Hodel—Child Support Officer, Benton
County

Nancy Salmela—Trainer, CSED

PROJECT INTERCEPT AND REVENUE RECAPTURE COMPARISON

	PI	RRA	Page # for more Info
Threshold for Certification	<p>\$150 PA Arrears \$500 NPA per person</p> <p>Note: NPA arrears for non minor children not certified Change 10/1/07 – will be eligible for certification.</p>	<p>Total monthly accrual on the case and at least \$25 if arrears only.</p> <p>Not affected by emancipation of the children.</p>	5
Bankruptcy	Will terminate if bankruptcy was filed on or before 10/16/05.	Will terminate if bankruptcy was filed on or before 10/16/05.	6
IW Variance	Should be used in situations where arrears are only due to variation in pay cycle.	Not applicable	6
Time Requirement	CSED will certify on a monthly basis.	Case must be at least 30 days in arrears.	
Priority of Claims	<ol style="list-style-type: none"> 1. IRS Tax debts. 2. PA child support arrears. 3. Other federal debts. 4. NPA child support arrears. 	<ol style="list-style-type: none"> 1. Delinquent tax obligations of the taxpayer. 2. Debts for child support. 3. Payment of restitution obligations. 4. Payment of remaining debts based on the order in which DOR received the debts. 	
Suppression Criteria	<ul style="list-style-type: none"> • Support is not ordered in a certain dollar amount. • A court order expressly prohibits certification for federal tax refund offset. • The case is pending receipt of a lump sum payment that will reduce the arrears to an amount less than the threshold for the remedy. 	<ul style="list-style-type: none"> • Support is not ordered in a certain dollar amount. • A court order expressly prohibits certification for state tax offset. • The case is pending receipt of a lump sum payment that will reduce the arrears to an amount less than the threshold for the remedy. • The arrears are caused by a delay in payments from the responding 	

	PI	RRA	Page # for more Info
	<ul style="list-style-type: none"> • The arrears are caused by a delay in payments from the responding jurisdiction. • A temporary condition exists that indicates enforcement would be inappropriate. 	<p>jurisdiction.</p> <ul style="list-style-type: none"> • The obligor lives in Wisconsin, Iowa, North Dakota, or South Dakota and does not own property in Minnesota and does not receive income from a Minnesota employer. Obligors residing in any other state will automatically be excluded for submission for RR. • A temporary condition exists that indicates enforcement would be inappropriate. 	
What to do when NCP contests the action.	Administrative Review NCP must contest within 30 days from the date of the notice.	Administrative Review, NCP must contest within 45 days from the date of the notice.	8
Distribution	<p>First to PA arrears then to NPA arrears for cases certified on PICD.</p> <p>Will retain for conditional arrears.</p>	<p>RR payments will prorate among all cases certified on RRCD.</p> <p>Within a case it will distribute first to current child support, then to NPA, then PA.</p>	11
Injured Spouse	<p>Injured Spouse claims are made directly to the IRS. Must file a Form 8379 - Injured Spouse Claim and Allocation. Form 8379 should be attached to the top of the Form 1040 or 1040A when filed, or be filed according to other instructions as indicated on the Form 8379.</p> <p>6 years to file amended</p>	<p>Injured Spouse claims are processed by the CSO if the date on the Notice of Tax intercept is not more than 18 months from the date of the request, or dated prior to November 15, 2001.</p> <p>When calculating an injured spouse claim on a joint income tax refund, the CSO should use the federal adjusted gross income of the parties to determine the % of</p>	15

	PI	RRA	Page # for more Info
	return	total income attributable to the injured spouse. When calculating an injured spouse claim on a property tax refund, the CSO must determine the total household income of the parties, including all household income that is not federally taxed.	
Fees	The custodial parent is charged a \$25.00 fee for any nonpublic assistance project intercept offset over \$100.00. The fee is charged once per year, per case. At the time the funds are disbursed, PRISM automatically charges the tax fee, sets up the obligation on the CP Obligation Detail (CPOD) screen, and disburses the funds through the CP obligation. Also: The IRS charges a fee for offsetting a collection. The fee amount may change each year. The NCP gets credit for the full amount of the offset.	The Department of Revenue (DOR) charges a \$15.00 fee for each intercept and remits the balance to CSED. PRISM will credit the noncustodial parent for the amount that CSED receives.	
Returned Notices	Not applicable	If the notice is returned as undeliverable, or if the county or CSED has reason to believe the obligor did not receive the notice, the county or CSED must get the obligor's current address from DOR and resend the	

	PI	RRA	Page # for more Info
		notice. Child support officer should add activity R3000 MAIL FROM AG TO NCP RETURNED UNDELIVERABLE BY PO.	
Claim rejects	Some require worker action.	Do not require worker action but some rejects may require action by state staff.	20
Takeback	PI Takeback	DOR adjustments	22
Innocent Taxpayer	CSO action required	CSO action required	25

PI and RR Certification Criteria

Criteria	PI	RR
Must be an NCP on a case	Y	Y
Must have an EVS verified SSN	Y	Y
NCP cannot be deceased	Y	Y
NCP must have a last known address	Y	The last known address must be in MN, SD, ND, WI, or IA. If the address is not in one of those states, but NCID has a record with a Minnesota employer that was active or has an end date within the last year, it will submit for RR.
Must be an open IVD case	Y	Y
Good Cause is not pending or not claimed	Y	Y
Obligation is not reserved	Y	Y
Obligation must be arrears or a debt with no monthly non-accrual	Y	Y
Obligation thresholds	NPA-Must be at least \$500.00. At least one child on the case must be a minor as of the end of the year. CP must have a mailing address. PA-Must be at least \$150.00.	The total of the qualifying obligations on the case equals at least \$25 if it is an arrears-only case or is greater than the total of monthly court-ordered obligations.
Will submit obligations due to other states	N	Y
Will submit fee obligations	N	Y

Bankruptcy and PI and RR

If a bankruptcy on BAND is loaded with a file date on or before 10/16/2005, PI and RR certification terminates on PICD, RRCD and ENFL the next time the program is updated (Enforcement Saturday).

- If the obligations were certified at least 90 days prior to the bankruptcy, it will not terminate. These obligations will not modify upward while bankruptcy is active, but will modify downward.

If a bankruptcy on BAND is loaded with a file date or after 10/17/2005, PI and RR certification is allowed. There are no changes to PICD, RRCD or ENFL.

IW Variance and Project Intercept

The IW Variance field indicates if a variation in the employer pay cycle is the only reason there are arrears on the obligation.

PRISM defaults the IW Variance field to N (the arrears are not because of a variation in the employer pay cycle).

If the obligation has an IW Variance indicator of Y on NCOD, PRISM performs an additional payment edit review. If Payments types of INW, WOC, OWA, or REI have distributed to the case with an SRD of the first of the previous month through the date that the PI program runs, PRISM will not include the obligation in the amount certified.

If the child support officer wants to exclude more than one obligation on the case due to payroll cycle, the child support officer must update the IW Variance field to Y on each obligation.

NCOD second panel

```
V4FEAT01 PRISM In: PWQQ60 via QQT4 #956 PWCST01
< 1 more NCP Obligation Detail 1 more >
*Action (A,B,C,D,M,N): _
Case: 0000001697 01 Oblig Code: CCH Oblig Seq Nbr: 01
Case: 0000001697 01 Worker: 001CS001 Stat: OPN Func: EN
CP Name: HUDSON, COLLEEN Prog: NPA
NCP Name: HUDSON, WALDO File Loc:

Oblig Review Dt: _____ Variable Oblig: N
Docket Dt: _____ Judgment Exp Dt: _____ Review Dt: _____
Charge Int: YES IW Variance: N CRA Notice: _____ CRA Sub Type: _____

Comments:
_____
_____

Pay to Jurisdiction & Address: _____ Separate Entity: _____
FIPS: __ __ Dest: Addr 1: _____
In/Out State: I Addr 2: _____
City: _____ St: Zip: _____

Direct Command: _____ ( NCOD )
F1=Help,F2=Quit,F3=Retrn,F4=Prev,F7=Up,F8=Down,F10=Left,F11=Right,F13=TRBL
F18=Main,F19=Glob,F20=Audit
Scrolling performed.
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The IW Variance field works with the Income Withholding Detail (INWD) screen. Obligations coded Y in this field are only excluded when there is an active (ACT) INWD record. When income withholding becomes inactive (INA), PRISM automatically selects those obligations for Project Intercept.

Example:

NCP has a monthly obligation of \$500.00 per month. He is paid biweekly. Withholding is at \$230.77 every paycheck. In months with 2 paychecks, the NCP is credited with \$431.54 per month and arrears increase by \$38.46 each month. It is possible that the case will reach the PI threshold before a month with 3 paychecks is reached. If the worker codes the IW variance with a Y in this situation and an IW payment has come in, PRISM will not certify the arrears.

Administrative Review

An administrative review is done through a written request from an obligor who is disputing the arrears that are causing an enforcement remedy to be initiated. For Project Intercept the NCP must contest the action within 30 days of the date of their notice. For Revenue Recapture the NCP must contest the action within 45 days of the date of their notice.

ADRD (Administrative Review Detail) is the PRISM screen that is used to add/modify/display detailed information on administrative reviews.

When an administrative review is requested, document the date the review was requested and the reason on (ADRD). PRISM then updates the Administrative Review Request and Status fields on SUDL. The indicator is automatically removed when the review is completed. PRISM continues to submit it for IRS, DOR, and Lottery offset if it meets the criteria for submission. However, when money is intercepted and posted to PRISM, funds will suspend with suspense code STIR, Admin Review Tax Intercept, until the administrative review is completed. PRISM also suppresses ACP and CRB.

ADRD Information Entered:

- The type of administrative review
- The status of the review as it proceeds through the administrative review process
- Whether obligation or payment adjustments are required as a result of the review

The administrative review process occurs over several days. Once you initiate the review by entering A in the Action field, you use M in the Action field to update the appropriate review information during subsequent sessions. When updating ADRD, use the M action code; the Review Request Date and Schedule Date fields cannot be changed.

ADRD Can Be Used For:

- ACP ARREARS COLLECTION PROJECT
- CRB CREDIT BUREAU REPORTING
- PI PROJECT INTERCEPT
- RR REVENUE RECAPTURE

CAAD Activities and Worklists

There are certain CAAD activities workers must add when they receive a request for an Administrative Review. When these CAAD activities are added, most of the time it triggers worklists reminding workers to complete the administrative review process.

Adding the CAAD activities does not start the review process and is not a substitute for completing the ADRD screen. It simply allows workers to document receipt of the NCP's request and sets up worklists that make sure workers adhere to the timelines for completing the request.

Action	CAAD Activity Added by CSO	Worklist Generated by Activity
ACP Administrative Review requested by NCP	<i>E9524 ACP Admin Rvw Requested By NCP</i>	<i>E1054 ACP Adm Rvw Must Be Complete In 29 Days</i> <i>E1055 ACP Adm Rvw Must Be Complete In 10 Days</i>
Credit Bureau Administrative Review requested by NCP	<i>E9428 CRB Admin Rvw Requested By NCP</i>	<i>E1050 CRB Adm Rvw Must Be Complete In 29 Days</i> <i>E1051 CRB Adm Rvw Must Be Complete In 10 Days</i>
Project Intercept Administrative Review requested by NCP	<i>E8900 PI Admin Rvw Requested By NCP</i>	<i>E1028 PI Adm Rvw Must Be Complete In 44 Days</i> <i>E1029 PI Adm Rvw Must Be Complete In 10 Days</i>
A request for a PI administrative review is received from outstate	<i>E8911 PI Admin Rvw Request From Outstate</i>	<i>E1028 PI Adm Rvw Must Be Complete In 44 Days</i> <i>E1029 PI Adm Rvw Must Be Complete In 10 Days</i>
Worker refers NCP request for Project Intercept Administrative review to state with the order	<i>E8909 Refer PI Administrative Review To State W/Order</i>	<i>E1048 PI ADMINISTRATIVE REVIEW TO OTHER STATE</i>
Revenue Recapture Administrative Review requested by NCP	<i>E9650 RR Admin Rvw Requested By NCP</i>	<i>E1021 RR Adm Rvw Must Be Complete In 44 Days</i> <i>E1022 RR Adm Rvw Must Be Complete In 10 Days</i>

Administrative Review Detail (ADRD)

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V4FNAE01                PRISM      In: PWQQ60 via QQT4  @700 PWCST01
01/10/06                Admin Review Detail                1:08 PM
*Action (A,B,C,D,M,N):  _
Case: 0000000380 01 Review Type:  1  Review Request Date:  2
Case: 0000000380 01                Worker: 001CSO01 Stat: OPN Func: EL
CP Name:  JIGSAW, TIM A.                Prog: NPA
NCP Name: JIGSAW, JILL L.                File Loc:

Status Code:  3  Tax Filing Yr:  4  Reviewed by: _____
Schedule Date: 5                Referred to State Office: 6
Complete Date: 7

Oblig Adjustment Required:  _          Approval Date: _____
Payment Adjustment Required:  8      Approved By:

Comments: _____
_____
_____
_____

Direct Command _____ ( ADRD )
F1=Help,F2=Quit,F3=Retrn,F4=Prev,F13=TRBL,F17=Flip,F18=Main,F19=Glob,F20=Audit
    
```

1. Review Type (Choices are)

- ACP Arrears Collection Project
- CRB Credit Bureau Reporting
- PI Project Intercept
- RR Revenue Recapture

2. Review Request Date:

Date the office receives the written request.

3. Status Code:

This field is updated as the review proceeds.

4. Tax Filing Year:

This field is for RR and PI reviews.

5. Schedule Date:

If a conference is scheduled, complete the schedule date.

6. Referred to State Office:

If the obligor disagrees with the results of the administrative review, the obligor can appeal to the state office.

7. Complete Date:

When an administrative review is complete, enter the completed date. Also update the status code.

8. Obligation Adjustment Required and Payment Adjustment Required Fields

If an adjustment is necessary, enter yes by either obligation or payment adjustment and use the ASA (awaiting supervisor approval) status

Distribution

Project Intercept

PRISM distributes federal income tax refund collections to obligations that have been certified to the federal Office of Child Support Enforcement. These obligations are displayed on PI Certification Detail (PICD).

PRISM prorates the collection to multiple cases if multiple cases have certified obligations.

The allocation formula is based on the total PA Detail amount for each case. If there are funds remaining, PRISM then allocates the remaining payment to the NPA Detail amount for each case.

Examples:

Case 1:

PICD shows

PA amount certified is \$150.00

NPA amount certified is \$250.00

Case 2:

PA amount certified is \$200.00

NPA amount certified is \$150.00

Case 1 would receive $43\% \cdot 150$ (PA certified on the case) /350 (total PA certified).

Case 2 would receive $57\% \cdot 200/350$ of any PI amount received.

If a federal tax refund of \$300.00 was received, Case 1 would get \$129.00 and Case 2 would get \$171.00.

Within each case, PRISM distributes funds to public assistance arrears balances before it distributes collections to arrears on cases that never received public assistance. Current support and monthly non-accruals are ignored in the distribution process. If funds cannot distribute to a case because no certified balance remains, the funds will distribute to the lowest eligible case with a certified balance.

If PRISM does not have any eligible cases to distribute the remaining funds to, PRISM will suspend the payment amount.

PRISM distributes to interest balances before the principal balances within each obligation type. PRISM pays the oldest arrears balance of each arrears category first. PRISM displays aged arrears on the second panel of the Obligation Balance Detail (OBBD) screen. The general distribution for public assistance is to assigned arrears, then to never on assistance or unassigned arrears.

Revenue Recapture

PRISM distributes state tax offset collections first to current support on certified cases, then to obligations that are included in the amount submitted to the Minnesota Department of Revenue (DOR) for Revenue Recapture.

PRISM prorates the collection to multiple cases if more than one case has certified obligations which are displayed on the Revenue Recapture Detail (RRCD) screen. Every active Revenue Recapture certified case will receive part of the collection, including cases that are certified after receipt of the funds but before release of the hold.

The allocation to multiple cases is based upon the total amount submitted for each case divided by the noncustodial parent's total Revenue Recapture submission.

Examples:

Case 1:

RRCD shows

PA amount certified is \$150.00

NPA amount certified is \$250.00

Total of \$400.00

Case 2:

PA amount certified is \$200.00

NPA amount certified is \$150.00

Total of \$350.00

Case 1 would receive $53\% \cdot 400$ (total certified on the case) /750 (total certified).

Case 2 would receive $47\% \cdot 350/750$ of any RR amount received.

If a state tax refund of \$300.00 was received, Case 1 would get \$159.00 and Case 2 would get \$141.00.

On cases that were certified for RR, if there is unpaid current support due for the month in which the RR payment distributes, the money will first distribute to the unpaid current support before distributing to certified arrears. The money will then pay NPA arrears before paying PA arrears.

If funds cannot distribute to a case because no certified balance remains, the funds will distribute to the next eligible case with a certified balance before suspending.

PRISM pays the oldest arrears balance, which is displayed on the second panel of the Obligation Balance Detail (OBBD) screen. PRISM only distributes to noncustodial parent obligations.

PI Conditional Arrears

When people are found eligible to receive MFIP, they temporarily assign any pre-assistance arrears to the State of Minnesota. These arrears are identified as NPA arrears on OBBD and are classified as temporarily assigned. When MFIP closes, these temporarily assigned arrears become conditionally assigned. Obligation types that can be conditionally assigned are CCH/JCH and CSP/JSP obligations.

A field has been added to the first panel of OBBD which captures the balance that is conditionally assigned when MFIP closes.

OBBD

```

V4FFHK01                                PRISM      In: PWQQ60 via QQT4 #956 PWCST01
01/09/06                                Obligation Balance Detail                                1 more >
*Action (B,C,D,M,N):                    -
Case: 0000000004 01 Oblig Owner:  NCP Oblig Code:  CCH Oblig Nbr:  01
Case: 0000000004 01                                Worker: 001CSO02 Stat: OPN Func: EN
CP Name: NIGHT, SALLY A.                                Prog: NPA
NCP Name: NIGHT, WILLIAM A.                                File Loc:
EMP Name:

Oblig Code:  CHILD SUPPORT                                Acctg Date:  11/2005
Type:  NPA NON PUBLIC ASSISTANCE OBL  Accru:  Y Oblig Begin Date: 02/01/2003
Pay to Juris:                                Status:  A
  Monthly Accrual:          315.00    Monthly Non-Accrual:          0.00
  Unpaid Mo Accrual:    ___315.00    Unpaid Mo Non-Accrual:    ___0.00

      Principal      Interest      Total      Total Owed      PI Condtnl
PA Arrears    ___800.00    ___0.00      800.00
NPA Arrears   ___405.06    ___14.24    419.30
Total         1205.06      14.24     1219.30      1534.30

```

Direct Command: _____ (OBBD)
F1=Help,F2=Quit,F3=Retrn,F4=Prev,F6=Arws,F10=Left,F11=Right,F13=TRBL,F18=Main
F19=Glob,F20=Audit
Debt Bal NCP-000000000401-CCH-01 displayed effective for 11/01/05

While MFIP (both cash and non-cash) is open, the balance in the PI Condtnl field is zero. When MFIP closes, PRISM populates the PI Condtnl field with the NPA balances due at the end of the last month that MFIP was issued for any CCH/JCH or CSP/JSP obligations. This balance includes both principal and interest on these obligations. When this happens, PRISM generates case activity *F0354-CONDITIONAL ARREARS BALANCE CREATED*.

In the example above, MFP closed 11/01/2005. The PI Condtnl field was populated with the amount of NPA Arrears, \$419.30. These are conditionally assigned arrears.

If MFIP reopens, PRISM reduces the balance in the PI Condtnl field to zero. This is because the conditionally assigned arrears would now be temporarily assigned.

Once MFIP is closed, any payment other than a PI payment that distributes to the conditionally assigned arrears (ANA/ANI) for CCH/JCH or CSP/JSP obligations reduces the balance in the PI Condtnl field and disburses to the CP. This action happens

because the conditionally assigned arrears are the oldest arrears on the case and PRISM distributes money to the oldest arrears first within a given category.

In our example if the NCP was to make a payment of \$500.00. After the current of \$315.00 is paid, an amount of \$185.00 would reduce the NPA arrears and go to the CP. The conditionally assigned arrears would also be reduced by \$185.00

However, if the payment is a PI payment and all permanently assigned arrears are paid, the payment distributes to NPA arrears (ANA/ANI). If there is a balance greater than zero in the PI Condtnl arrears field, and the PI payment distributes to a CCH/JCH or CSP/JSP obligation, the amount in the PI Condtnl field is reduced by the amount of the payment that distributes to the conditional arrears.

In our example, a PI tax refund of \$1000.00 is received it would reduce the PA arrears to zero. It would next pay the conditionally assigned arrears and the money would be kept by the state. The NPA arrears and conditionally assigned arrears would be reduced by \$200.00.

When a PI payment distributes to conditional arrears and disburses to public assistance recovery (PAA), PRISM generates activity *F0353 - CONDITIONAL ARREARS ISSUED TO PA*.

A new code has been added to an existing field on TRLI, PALC, and REDB. The Disbursement Excpt field will display a "CA" when a PI payment distributes and disburses to conditional arrears. This is the same field that now displays "PT" for pass-through and "NC" for noncash.

MFIP Non-Cash Issue

Because the PI Conditional process does not differentiate between MFIP cash and MFIP non-cash, there is a potential that the balance on the PI Condtnl field may be overstated. This may happen when a case is MFIP non-cash in the month or months directly preceding the case going to NPA, CCC, MAO, or MNC. If there are arrears that accrue in those MFIP non-cash months, they are included in the PI Condtnl balance on OBBB when MFIP closes. This is inaccurate since those arrears are **not** assigned.

When a case goes directly from MFIP non-cash to NPA, CCC, MAO, or MNC, PRISM issues worklist F0359 REVIEW CONDTNL ARREARS MFIP NONCASH MOS. A worker should review the case to determine the following information:

- When did the case go from MFIP cash to MFIP non-cash?
- Were there NPA arrears that accrued in those MFIP non-cash months?

If no arrears accrued in the MFIP non-cash month(s), the balance in the PI Condtnl field is correct. If there are arrears that accrued in the MFIP noncash month(s), the

worker needs to reduce the balance in the PI Condtnl field by the amount of the arrears that accrued in the non-cash month(s).

Injured Spouse Claims

Project Intercept

Injured spouse claims for federal taxes (Project Intercept) are processed by the IRS and must be filed with federal tax forms. The CSO does not process these claims.

Injured Spouse Claims for Revenue Recapture

Taxpayers file injured spouse claims when the Department of Revenue (DOR) intercepts joint tax refunds through the Revenue Recapture (RR) program. Since the child support agency cannot retain the portion of the joint refund that belongs to the injured spouse, child support agencies must calculate and refund the portion of a refund due a non-obligated party. The Department of Revenue does not have a system in place to intercept the portion of the refund due the NCP.

If the spouse who filed jointly with the NCP does not request a refund of the injured spouse's portion of the refund, CSED may apply the entire refund to the NCP's Revenue Recapture certified debt.

Things to Consider when Calculating Injured Spouse Claims:

- If a taxpayer makes an injured spouse claim, the CSO should calculate the portion of the joint tax refund that belongs to the injured spouse. A separate injured spouse claim needs to be filed for each tax intercept received, and these should be calculated separately.
- When calculating an injured spouse claim on a joint income tax refund, the CSO should use the federal adjusted gross income of the parties to determine the % of total income attributable to the injured spouse.

When calculating an injured spouse claim on a property tax refund, the CSO must determine the total household income of the parties, including all household income that is not federally taxed. This includes, but is not limited to:

- Federal adjusted gross income
- Passive activity loss as defined by the Internal Revenue Code
- All nontaxable income
- Discharge of qualified farm indebtedness under the Internal Revenue Code
- Cash public assistance and relief
- Any pension or annuity, including railroad retirement benefits, all payments received under the federal Social Security Act, supplemental Security Income, and veterans benefits
- Interest received from the federal or state government or any political subdivision
- Workers' compensation
- Nontaxable strike benefits
- Gross amounts of payments received as of disability income or sick pay
- Lump sum distributions under the Internal Revenue Code

- Contributions made by the claimant to an individual retirement account, including a qualified voluntary employee contribution, a simplified employee pension plan, a self-employed retirement plan, and a cash or deferred arrangement plan
 - Nontaxable scholarship or fellowship grants.
- PRISM holds joint tax refunds for 180 days before disbursing the collection with a suspense code of STHO. The hold will be a pre-distributed hold. Money will not allocate to a case or distribute to an obligation until the hold either expires or is released by CSPC.
- The obligor or the injured spouse can request that the joint refund be released before the end of the 180-day hold period. If this request is received the worker sends document F0913-Injured Spouse's Waiver of Claim to State Tax Intercept. The injured spouse must sign the document and have it notarized before returning it to the child support agency. Once this document is received, the worker should create CAAD activity E9109-Injured Spouse Waiver Signed and request an adjustment to distribute the joint state tax money before the end of the 30 day hold.

What the Injured Spouse Must Do To Make a Claim:

Requests must be made in writing and documentation provided that includes:

- A signed copy of the state tax form filed with the State Department of Revenue
- A signed copy of the federal tax form filed with the Internal Revenue Service
- Copies of all W-2s
- A signed copy of the Injured Spouse Claim, form 8379, filed with the Internal Revenue Service
- Notice of Tax Intercept that the parties received from the Department of Revenue to help verify the injured spouse claim.
- Copies of any additional household income that is not federally taxed if the injured spouse claim is on a property tax refund.

Note: If the Injured Spouse Claim, form 8379, is not available or was not filed by the injured spouse, the injured spouse must provide a document that contains information similar to that required on the Injured Spouse Claim. To allocate non-W2 income (e.g. dividends, capital gains, self-employment income, etc.) for the RR injured spouse calculation the worker may use the allocations as they appear on IRS Form 8379.

Steps for Processing Injured Spouse Claims:

1. Secure copies of the documentation listed above. (If the CSO questions the accuracy of the information provided, the NCP or injured spouse can obtain certified copies of Minnesota tax returns from the Minnesota Department of Revenue. The Department of Revenue will stamp all copies of tax returns as "Certified.")
2. Calculate the percentage of income attributable to each taxpayer to determine a property or income tax injured spouse claim. (Sales tax rebates are not based on income and are equally divided between the taxpayers that file jointly; therefore this calculation does not have to be done for a sales tax rebate).

To determine the percentages of income for each of the taxpayers, follow the steps listed below:

Step A. Compute the amount of total income of the taxpayers who filed jointly.

Step B. Determine separately the income for each taxpayer.

Step C. Divide the amount of income determined from Step B by the total income computed in Step A. Round to the nearest whole percent.

Note: If either taxpayer's income is \$0, or a negative amount, the taxpayer's percent of income is 0 percent.

3. Multiply the injured spouse's income percent by the amount of the gross tax refund.
4. Subtract the amount that DOR sent directly to taxpayers who filed jointly. (A \$15.00 fee is retained by DOR and should not be included in this figure.)
5. Subtract any amounts sent to other claimant agencies, including the DOR.
6. The result is the refund amount that CSED must send to the injured spouse.

Exception: In situations when the income on the MN M-1 form represents income for only one of the parties, calculate the injured spouse's refund using only that person's income.

Note: There is a \$15.00 fee that is charged to the taxpayers by DOR when a tax intercept is done. This fee does not decrease the amount of the injured spouse refund and should not be included in the calculations. If the injured spouse is entitled to 100% of the refund, the CSO should note that the fee should be refunded when submitting the adjustment request and CSED will ask DOR to refund the fee.

Example of an Injured Spouse calculation:

CSED received the full amount of a property or income tax refund. CSED claimed \$1,200 and received \$785. The joint taxpayers' refund is \$800. A \$15 fee was retained by

DOR. The total income of the NCP and the injured spouse is \$50,000. The spouse's income is \$37,000.

Calculate the claim as follows:

Step 1	A. Total income of taxpayers	\$ <u>50,000</u>
	B. Injured spouse income	\$ <u>37,000</u>
	C. Injured spouse percent of income	<u>74%</u>
NOTE: For sales tax rebates, the income of the parties does not apply and it is not necessary to complete these fields.		
Step 2	A. Total amount of joint return (include all funds being refunded to the parties)	\$ <u>800</u>
	B. Injured spouse portion of return (multiply the percentage in Step 1 by the amount of the joint return)	\$ <u>592</u>
NOTE: For sales tax rebates, multiply the amount of the joint return by 50 percent.		
Step 3	A. Amount sent to taxpayers by DOR	\$ <u>0</u>
	B. Subtract from injured spouse portion	\$ <u>592</u>
Step 4	A. Amount sent to other claimant agencies by DOR	\$ <u>0</u>
	B. Subtract from balance due injured spouse in Step 3	\$ <u>592</u>
Step 5	Amount to refund to injured spouse (this is the amount from either 3B or 4B, whichever is less)	\$ <u>592</u>

How to Request an Injured Spouse Refund:

- Add a CAAD note before submitting a request to refund an injured spouse claim which includes:
 - Total federal adjusted gross income of the parties if the injured spouse claim is on an income tax refund or the total household income of the parties if the injured spouse claim is on a property tax refund.
 - Total income and percent of income attributable to each party who filed
 - Distribution of the refund as displayed on the notice sent by DOR to parties who filed.
 - Total refund the parties received on the corresponding tax form.
 - Amount of the Minnesota refund or rebate intercepted by CSED.
- Before issuing a refund to the injured spouse, the CSO should conduct a person search for the injured spouse on PRISM by name and Social Security number. If the injured spouse has a certified RR debt, the CSO should submit an Adjustment Follow-up Request. CSED must return the injured spouse's portion of the refund to the DOR so it can be intercepted for the injured spouse's RR certified debt.
- Follow third party refund (TPR) policy and procedures when refunding offset collections to an injured spouse. After the adjustment refunds the injured spouse's portion, the balance of the tax intercept distributes according to normal distribution rules.
- If the injured spouse is entitled to 100 percent of the refund, the CSO should note that the \$15 fee should be refunded when submitting the adjustment request. CSED will ask DOR to refund the \$15 fee.
- Injured spouse refunds should be payable only to the injured spouse. **Do not** include the obligor's name on the refund. Include the current name and address of the injured spouse on the request. In some cases, the injured spouse may have filed a joint tax return in the previous year but subsequently separated from the NCP. In these cases, it is particularly important to not send the injured spouse refund to the NCP's address.

PI Reject Worklists

As part of the Project Intercept (PI) Perpetual process, the federal Office of Child Support Enforcement (OCSE) generates a file of claims, modifications, and deletions that the federal system rejected. This file is sent to CSED and contains any of the following 21 error codes:

- 01 Invalid State Code (Submitting State)
- 02 Invalid SSN
- 03 Invalid Last name or blank
- 04 Invalid First name or blank
- 05 Invalid Amount < \$25.00
- 06 Duplicate Case for add transaction
- 07 Invalid transaction type (must be 'A' or 'D' or 'L' 'M' or 'R' or 'S' or 'T' or Blank)
- 08 Duplicate Transaction Request
- 09 Invalid case type indicator (must be 'A' or 'N')
- 11 Invalid State Payment Amount > Collections-Claims
- 12 SSN not on OCSE Master file
- 17 Name does not agree
- 19 FMS cannot decrease a debt with an existing balance of \$0.00
- 23 Invalid transfer for State code
- 26 Invalid processing year for state payment
- 29 Invalid local code change for action code 'I'
- 32 Invalid notice date for state issue own notices
- 33 Invalid exclusion indicators
- 34 Refund record, but no offset payment found for offset year
- 35 Refund record excess of offset
- 38 SSN was previously deleted

Error codes 02, 03, 04, 12, 17, 19, and 38 terminate the related records on the Enforcement List (ENFL) and Project Intercept Cert Detail (PICD) screens because OCSE rejected the claim. PRISM will update the status of the claim on ENFL and PICD to REJ (rejected) and generate a worklist and an activity. The Child Support Officer should try to correct the situation as soon as possible, using all available resources. If the submission criteria are met the following month, PRISM will resubmit the claim. If the child support officer corrected the information, OSCE will not reject the claim again. However, if the information remains uncorrected, OCSE will once again reject the claim.

The following is a list of error codes, their corresponding activity, and the worklist workers will receive:

ERROR CODE	ACTIVITY	WORKLIST
02 SSN Invalid Case: PI	E9207, PI Submission <i>Rejected</i>	E9202, Review Case-PI <i>Rejected</i> -Invalid SSN
03 Last Name Invalid	E9207, PI Submission	E9203, Review Case-PI

ERROR CODE	ACTIVITY	WORKLIST
or blank	<u>Rejected</u>	
04 First Name Blank	E9207, PI Submission <u>Rejected</u>	E9204, Review <u>Reject</u> - Invalid Name Case-PI
12 SSN Not on Master File	E9207, PI Submission <u>Rejected</u>	E9206, Review Case-PI <u>Rejected</u> -Invalid SSN
17 Name Does Not Agree	E9207, PI Submission <u>Rejected</u>	E9205, Review Case. PI <u>Rejected</u> -Invalid Name

CSED will review all other errors codes received from OCSE, correct the error, and contact the worker if any action on the case/person is required.

E9005 NPA PI SUBMISSION FAILED: NEED CP ADDRESS

If the obligation is nonpublic assistance, the custodial parent must have a mail address other than Unknown on the CP Address Detail (CPDD) screen. If the custodial parent does not have a mail address, the NPA arrears will be deleted from the PI claim. If the custodial parent's address is not valid, PRISM will generate activity E9005 PI SUBMITTAL-INVALID CP ADDRESS on the case.

Revenue Recapture Rejects

The DOR returns a reject record for each obligor who is not known to their system. The following reject reasons are included in the text of Case Activity E9662 RR INTERCEPT CERTIFICATION REJECTED:

- Claim Amount Below Minimum.
- Claim Not Found
- Claim Not Numeric
- Invalid Name
- Name Does Not Match
- Taxpayer Not Found

The child support Officer does not have to take any action. All PRISM data on qualifying cases is verified, and cases are rejected due to inaccuracies at DOR or because the obligor has not filed taxes. CSED will resubmit all rejected records each month as long as they qualify.

PI Takeback

The IRS adjusts (takes back) all or portions of a collection it has offset and sent to the state in the following situations:

- The non-obligated spouse files an injured spouse claim to obtain their portion of a joint refund.
- The IRS offset the wrong taxpayer's refund because of an error in the Social Security number or name.
- The obligor files an amended return that results in a refund lower than the original refund.
- The obligor or the non-obligated spouse is in bankruptcy proceedings with a filing date less than or equal to 10/16/2005.
- The IRS receives a portion of a tax refund back from an obligor due to an address error.

CSED may receive adjustments to offset cases for up to six years after the date of receipt of the tax payment.

Previously Disbursed - Procedures

If federal tax money was previously disbursed to an obligee, CSPC will:

1. Add a CPR/IRA obligation for an amount equal to the amount of the PI adjustment. CP obligations are added on the CP Obligation Detail (CPOD) screen and the arrears balances are added on the Obligation Balance Detail (OBBD) screen.
2. Increase the balance on the Obligation Balance Detail (OBBD) screen for the obligor's obligation that the tax intercept previously disbursed to by the amount of the tax adjustment.
3. Generate the *Notice of Federal Tax Adjustment*, F1031, from DORD to the obligee. When PRISM generates this document it also creates the CAAD activity D0522 - NOTICE OF FEDERAL TAX ADJUSTMENTS.
4. Enter the CAAD activity F3012 - FEDERAL TAX ADJUSTMENT with comments that indicate the amount of the adjustment.
5. Send a FREE worklist to the responsible child support officer to inform them of the tax adjustment.

The child support officer must do the following:

1. Request a hold on the case on the Request Holds (REHO) screen. Indicate the hold is due to an IRS adjustment.
2. Monitor the Suspense List by Case Worker (SUCW) screen for payments.

3. When a payment comes in, submit a Distribution Correction (DICR) request to apply up to the total amount of the payments to the CPR/IRA obligation until the Case Payment Amount on the CP Obligation Detail (CPOD) screen is paid in full for the month.

NOTE: CSPC will reject or modify adjustment requests for less than 20 percent of the total monthly accrual amount. CSPC will also reject or modify adjustment requests for greater than 20 percent of the total monthly accrual obligation unless PRISM has a CAAD note indicating that the obligee has agreed to a higher payback amount .

Disbursed as Conditional Arrears Payment for Public Assistance

Project Intercept (PI) adjustments that involve disbursements from NPA conditional arrears (these payments disburse to the state's public assistance account) are processed by CSPC.

PRISM uses the CA indicator to identify conditional arrears transactions from PI payments on the Transaction List (TRLI) and Receipt Disbursement List (REDB) screens.

CSPC will use the following steps to process amounts the Internal Revenue Service has taken back that involve a conditional arrears transaction.

CSPC will:

1. Complete a PAAR/POB adjustment to move the funds from a public assistance account.
2. Confirm that the adjustment increases the arrears balances of the obligor's NPA arrears (not PA arrears).
3. Create the activity F3012 - FEDERAL TAX ADJUSTMENT and indicate the amount of the adjustment to the conditional arrears in the Comments field on the Case Activities by Date (CAAD) screen.
4. Build the conditional arrears balances on obligations for all take back adjustments.

DOR Adjustments

CSPC will refund the amount to DOR for State Tax adjustments. When an adjustment has been completed both a CAAD activity and a worklist will automatically be created. The CSO will see the activity F3013 - State Tax Adjustment and worklist F3013 NOTICE OF STATE TAX ADJUSTMENT

Although most of these activities and worklists are informational, CSPC may request the CSO take additional action due to an adjustment. CSOs may have seen similar activities and worklists in the past that were manually entered by CSPC.

CSPC will also send the custodial parent a notice if a recoupment (CPOD) must be built because funds have been sent in error. The recoupment notice will create a CAAD activity during overnight processing. The notice is F1032 - Notice of State Tax Adjustment, and generates activity D0524.

Some possible reasons for adjustments may be:

- The wrong taxpayer's refund was offset because of an error in the Social Security number of name.
- The obligor files an amended return that results in a refund lower than the original refund.
- The obligor or the non-obligated spouse is in bankruptcy proceedings with a filing date of less than or equal to 10/16/2005.
- The DOR receives a portion of a tax refund back for an obligor due to an address error.

Innocent Taxpayer-PI

If a person calls saying his or her taxes were taken in error (possible reasons could be an incorrect SSN on NCDE, or more than one person using the same SSN), the state office will need the following information from the person claiming to be the innocent taxpayer:

- A copy of the letter received from the IRS.
- A copy of the person's social security card.
- A copy of the person's driver's license or state ID card; or another photo ID, if no driver's license is available, or the driver's license doesn't have a photo.
- The person's current address, where the innocent person's check should be mailed.
- A copy of the person's birth certificate.

NOTE: It is not always necessary to have all of the above information to identify an innocent taxpayer; however it is more expedient to ask for this information up front to avoid additional delays if more information or documentation is needed.

Please fax the information to the Policy Help Desk, fax #651-431-7517. The state office forwards this information to OCSE and they verify the claims of the party.

NOTE: If PRISM had an incorrect SSN other enforcement actions may also have been triggered in error. See ENFL to see if other corrective action also needs to be taken.

RR Innocent Taxpayer

If a person calls saying his or her taxes were taken in error (possible reasons could be an incorrect SSN on NCDE, or more than one person using the same SSN), the state office will need the following information from the person claiming to be the innocent taxpayer:

- A copy of the DOR Notice of Intercept.
- A copy of the person's social security card.
- A copy of the person's driver's license or state ID card; or another photo ID, if no driver's license is available, or the driver's license doesn't have a photo.
- The person's current address, where the innocent person's check should be mailed.
- A copy of the person's birth certificate.

Do the following when you realize an error resulted in a collection of an innocent taxpayer's refund:

1. Verify the collection. Ask the taxpayer for a copy of the letter they received from the Department of Revenue.
2. Request a refund immediately for the wrongly intercepted collection. Do not wait for the refund to arrive at the Child Support Enforcement Division.
3. Delete the incorrect claim by changing the SSN on the NCP Demographic (NCDE) screen, but do not save the erroneous SSN as an alias. If the erroneous SSN is an alias, purge it from the NCP Alias Detail (NCSD) screen.

Other Information Regarding PI and RR

PI Rapid Refunds

When an NCP files a rapid return, the tax preparer (e.g., H&R Block) essentially gives the tax filer a loan against the tax return (for a fee), thinking they're definitely going to get that money back from the IRS. But in this case, they're wrong. The certified debt WILL be intercepted and sent to CSED (when the IRS processes the return), and the tax preparer will be shorted by that amount. Then they'll have to try to get it back from the NCP.

Passport Denial and PI

The Passport Denial portion of the PI-Perpetual program requires an active PI record on the Enforcement List screen (ENFL).

PRISM will terminate passport denial when the noncustodial parent obligations are no longer eligible for PI.

FIDM and PI/RR

For a case to be eligible for FIDM it must have an active PI or RR record.