

From: Ball, Stacy (DOR)
Sent: Monday, January 24, 2011 10:25 AM
To: DOR Exchange Staff
Subject: Federal Vendor/Income Tax Offset Program

On January 22, 2011, the Department of Revenue, in conjunction with the Finance Cabinet Controller's Office, implemented the Federal Vendor/Income Tax Offset Program.

This program is comprised of three processes.

The **Federal Income Tax Refund Offset Program** (formally referred to as TOPS) allows for offset of federal income tax refunds to state income tax debt. DOR currently submits individual income, corporate income and withholding tax debts for offset. For a debt to be eligible, it must have been included on a valid Final Notice Before Seizure issued to the taxpayer. In addition, the taxpayer must file his/her federal return using a Kentucky address. A fee of \$22.00/offset is charged to the taxpayer.

New to the Department of Revenue is the **Federal Vendor Offset Program** (commonly referred to as Reciprocity). Authorized under KRS 44.065 (1), this new program will allow the offset of federal non-tax vendor payments to both tax and non-tax debts owed the Commonwealth. This reciprocal program is not limited to collecting from residents living within the Commonwealth; it allows collecting from debtors regardless of where he or she resides. An individual debt will qualify for potential vendor offset 60 days from the original notice date. Corporate officer debts will qualify after their receipt of a valid Final Notice Before Seizure. A fee of \$17.00/offset is charged to the debtor.

Administration of the two preceding programs will be handled by the Division of Collections and will work in much the same way as TOPS has over the past several years.

In addition, all eligible tax and non-tax payments made by the Department of Revenue and other state agencies of the Commonwealth will be submitted for potential offset against federal debt. Questions concerning non-Revenue offsets should be handled by the agency that made the payment or the debtor can call the federal agency that offset the payment. If neither is known, the vendor can call the Customer Resource Center in the Controller's Office at 877-973-4357.

For additional information, please contact me or Melanie Bitzer.

Thanks,

Tammy J. Watts, Director

Division of Collections

Department of Revenue

501 High St 8th Floor

Frankfort, KY 40601

Tel. No. 502-564-4921, ext. 4435

Fax. No. 502-564-8435

Email Address: Tammy.Watts@KY.GOV

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