

Alabama Department of Revenue

News Release

Nov. 7, 2002

ADOR Participates in the Federal Refund Offset Program for the 2003 Filing Season

Montgomery, Nov. 7, 2002—During October and November, the Alabama Department of Revenue kicked off a major compliance effort, aimed at reducing its delinquent tax rolls. Notices were sent to over 60,000 delinquent Alabama taxpayers informing them of the department's intent to seize their 2002 federal income tax refunds and apply their refunds to their state tax debts during the upcoming tax-filing season.

According to State Revenue Commissioner Cynthia Underwood, the 60,000 mailed notices represent over \$11 million in unpaid Alabama individual income taxes, the majority of which are admitted individual income tax liabilities.

“We have some taxpayers who file their returns on time, but simply do not pay if they owe additional taxes. They sign their returns declaring that additional taxes are due, but for whatever reason, they do not pay the state taxes owed,” explained Underwood. Taxpayers received the department's *Notice of Intent to Offset Federal Refund Income Tax Refunds* through certified mail, and have 60 days in which to pay their state tax debts. If they fail to pay their state tax debts or fail to show reason why they should not be liable for the debts, their names and other taxpayer identifying information will be forwarded to the U.S. Treasury Department's Federal Refund Offset Program for input into a database that will be used in the upcoming 2003 filing season. As federal income tax returns are filed and processed during the 2003 tax-filing season, the database will cross-reference listings of delinquent Alabama taxpayers with listings of taxpayers approved to receive federal refunds. If a match is made, the Federal Refund Offset

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Program will flag the 2002 federal refund, inform the taxpayer of the Treasury Department's action, and forward the refund payment to the Alabama Department of Revenue to apply to the taxpayer's state tax debt. After the state tax debt has been paid, any remaining federal refund amount will be sent to the taxpayer by the U.S. Treasury Department.

According to Underwood, most of the state debts are in the \$100 to \$300 range and apply to the 2001 tax year. All of the debts are final tax judgment debts, meaning all taxpayer appeal rights have expired and are now subject to collection action by the department.

Twenty-four of the 42 states levying a personal income tax participated in the U.S. Treasury Department's Federal Refund Offset Program last year. The 2003 filing season will be Alabama's first full year of participation in the program. According to the Financial Management Services, a branch of the U.S. Treasury Department, Idaho, Oregon, Montana, Georgia, Vermont, and Hawaii plan to join Alabama next year in the program.

Federal legislation passed by Congress in 1998 (P.L. 105-206) authorizes the federal government to offset federal tax refunds to satisfy state tax delinquencies. Statistics compiled by the Federation of Tax Administrators through September 2002, indicate that over \$112.6 million in federal tax refunds were offset last year and applied to states' tax debts.

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