

108TH CONGRESS  
1ST SESSION

# H. R. 2958

To amend title 31, United States Code, to allow certain State and local tax debt to be collected through the reduction of Federal tax refunds.

---

## IN THE HOUSE OF REPRESENTATIVES

JULY 25, 2003

Mr. MORAN of Virginia introduced the following bill; which was referred to the Committee on Government Reform, and in addition to the Committee on Ways and Means, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

---

## A BILL

To amend title 31, United States Code, to allow certain State and local tax debt to be collected through the reduction of Federal tax refunds.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. EXPANSION OF TAX REFUND REDUCTION PRO-**  
4                               **VISION TO INCLUDE CERTAIN STATE AND**  
5                               **LOCAL TAX DEBT.**

6       (a) Section 3720A of title 31, United States Code (re-  
7       lating to reduction of tax refund by amount of debt) is  
8       amended by adding at the end the following:

1       “(j) COLLECTION OF PAST-DUE LEGALLY ENFORCE-  
2 ABLE STATE AND LOCAL GOVERNMENT TAX OBLIGA-  
3 TIONS.—(1) Upon receiving notice from any State or local  
4 government that a named person owes a past-due, legally  
5 enforceable tax obligation to such government (other than  
6 an income tax debt to a State government), the Secretary  
7 of the Treasury shall, under such conditions as may be  
8 prescribed by the Secretary, determine whether any  
9 amounts, as refunds of Federal taxes paid, are payable  
10 to such person. If the Secretary of the Treasury finds that  
11 any such amount is payable, he shall—

12               “(A) reduce such refunds by an amount equal  
13 to the amount of such debt;

14               “(B) pay the amount of such reduction to the  
15 State or local government;

16               “(C) notify the State or local government of the  
17 person’s name, taxpayer identification number, ad-  
18 dress, and the amount collected; and

19               “(D) notify the person due the refund that the  
20 refund has been reduced by an amount necessary to  
21 satisfy a past-due, legally enforceable tax obligation.

22       “(2) PRIORITIES FOR OFFSET.—(A) Any overpay-  
23 ment (as defined in section 6401 of the Internal Revenue  
24 Code of 1986) by a person shall be reduced pursuant to  
25 this subsection—

1           “(i) after such overpayment is reduced (I) with  
2           respect to any liability for any internal revenue tax  
3           on the part of the person who made the overpay-  
4           ment; (II) with respect to past-due support (as de-  
5           fined in section 464(c) of the Social Security Act);  
6           and (III) with respect to any past-due, legally en-  
7           forceable debt owed to a Federal agency; and

8           “(ii) before such overpayment is credited to the  
9           future liability for any Federal internal revenue tax  
10          of such person.

11          “(B) If the Secretary receives notice from one or  
12          more agencies of State or local governments of more than  
13          one tax obligation subject to paragraph (1) that is owed  
14          by such person to any such agency, including any claim  
15          by a State for a past-due legally enforceable income tax  
16          obligation, any overpayment by such person shall be ap-  
17          plied against such debts in the order in which such notices  
18          were filed.

19          “(3) NOTICE; CONSIDERATION OF EVIDENCE.—No  
20          State or local government may take action under this sub-  
21          section until such State or local government—

22                 “(A) notifies the person owing the past-due, le-  
23                 gally enforceable tax obligation by first-class mail at  
24                 the taxpayer’s last known address that the State or

1 local government proposes to take action pursuant to  
2 this section;

3 “(B) gives such person at least 60 days to  
4 present evidence that all or part of such liability is  
5 not past-due or not legally enforceable;

6 “(C) considers any evidence presented by such  
7 person and determines that an amount of such debt  
8 is past-due and legally enforceable; and

9 “(D) satisfies such other conditions as the Sec-  
10 retary may prescribe to ensure that the determina-  
11 tion made under subparagraph (C) is valid and that  
12 the State or local government has made reasonable  
13 efforts to obtain payment of such tax obligation.

14 “(4) DEFINITION OF PAST-DUE, LEGALLY ENFORCE-  
15 ABLE TAX OBLIGATION.—In this subsection, the term  
16 ‘past-due, legally enforceable tax obligation’ means a  
17 debt—

18 “(A)(i) which resulted from—

19 “(I) a judgment rendered by a court of  
20 competent jurisdiction which has determined an  
21 amount of tax to be due; or

22 “(II) a determination after an administra-  
23 tive hearing which has determined an amount  
24 of tax to be due; and

1           “(ii) which is no longer subject to judicial re-  
2           view; or

3           “(B) which resulted from a tax which has been  
4           assessed but not collected, the time for redetermina-  
5           tion of which has expired, and which has not been  
6           delinquent for more than 10 years.

7           “(5) REGULATIONS.—The Secretary shall issue regu-  
8           lations prescribing the time and manner in which States  
9           and local governments must submit notices of past-due,  
10          legally enforceable tax obligations and the necessary infor-  
11          mation that must be contained in or accompany such no-  
12          tices. The regulations shall specify the types of taxes and  
13          the minimum amount of debt to which the reduction pro-  
14          cedure established by paragraph (1) may be applied. The  
15          regulations may require States and local governments to  
16          pay a fee to reimburse the Secretary for the cost of apply-  
17          ing such procedure. Any fee paid to the Secretary pursu-  
18          ant to the preceding sentence shall be used to reimburse  
19          appropriations which bore all or part of the cost of apply-  
20          ing such procedure.

21          “(6) ERRONEOUS PAYMENT TO STATE OR LOCAL  
22          GOVERNMENT.—Any State or local government receiving  
23          notice from the Secretary that an erroneous payment has  
24          been made to such State or local government under para-  
25          graph (1) shall pay promptly to the Secretary, in accord-

1 ance with such regulations as the Secretary may prescribe,  
2 an amount equal to the amount of such erroneous pay-  
3 ment (without regard to whether any other amounts pay-  
4 able to such State or local government under such para-  
5 graph have been paid to such State or local government).

6 “(k) TREATMENT OF PAYMENTS MADE TO STATE  
7 AND LOCAL GOVERNMENTS.—The Secretary may provide  
8 that, for the purposes of determining interest, the pay-  
9 ment of any amount withheld under subsection (j) to a  
10 State or local government shall be treated as a payment  
11 to the person or persons making the overpayment.”.

12 (b) DISCLOSURE OF CERTAIN INFORMATION TO  
13 AGENCIES OF STATES AND LOCAL GOVERNMENTS RE-  
14 QUESTING REFUND OFFSETS FOR PAST-DUE, LEGALLY  
15 ENFORCEABLE TAX OBLIGATIONS.—Paragraph (10) of  
16 section 6103(l) of the Internal Revenue Code of 1986 is  
17 amended—

18 (1) in the paragraph heading, by inserting after  
19 “6402” the following: “OR UNDER SUBSECTION (J)  
20 OF SECTION 3720A OF TITLE 31, UNITED STATES  
21 CODE”;

22 (2) in subparagraph (A), by inserting after  
23 “6402” the following: “ or subsection (j) of section  
24 3720A of title 31, United States Code,”; and

25 (3) in subparagraph (B)—

1           (A) by striking “section 6402 is” and in-  
2           serting “section 6402 or under subsection (j) of  
3           section 3720A of title 31, United States Code,  
4           is”; and

5           (B) by striking “section 6402.” and insert-  
6           ing “section 6402 or under subsection (j) of  
7           section 3720A of title 31, United States Code.”.

○