

110TH CONGRESS
1ST SESSION

H. R. 1865

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

IN THE HOUSE OF REPRESENTATIVES

APRIL 17, 2007

Mr. TOM DAVIS of Virginia (for himself, Mr. TURNER, Mr. TOWNS, Mr. MORAN of Virginia, and Mr. BILBRAY) introduced the following bill; which was referred to the Committee on Oversight and 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 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. PILOT PROGRAM FOR EXPANDING TAX RE-**
4 **FUND REDUCTION PROVISION TO INCLUDE**
5 **CERTAIN LOCAL TAX DEBT.**

6 (a) PILOT PROGRAM.—Section 3720A of title 31,
7 United States Code (relating to reduction of tax refund

1 by amount of debt) is amended by adding at the end the
2 following:

3 “(j) PILOT PROGRAM FOR COLLECTION OF PAST-
4 DUE LEGALLY ENFORCEABLE LOCAL GOVERNMENT TAX
5 OBLIGATIONS.—

6 “(1) IN GENERAL.—Upon receiving notice dur-
7 ing the pilot program period from any eligible State
8 on behalf of a local government that a named person
9 owes a past-due, legally enforceable tax obligation to
10 the local government, the Secretary of the Treasury
11 shall, under such conditions as may be prescribed by
12 the Secretary, determine whether any amounts, as
13 refunds of Federal taxes paid, are payable to such
14 person. If the Secretary of the Treasury finds that
15 any such amount is payable, he shall—

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

18 “(B) pay the amount of such reduction to
19 the State for purposes of payment by the State
20 to the local government on behalf of which the
21 State submitted the notice;

22 “(C) notify the State of the person’s name,
23 taxpayer identification number, address, and
24 the amount collected; and

1 “(D) notify the person due the refund that
2 the refund has been reduced by an amount nec-
3 essary to satisfy a past-due, legally enforceable
4 tax obligation.

5 “(2) PRIORITIES FOR OFFSET.—

6 “(A) Any overpayment (as defined in sec-
7 tion 6401 of the Internal Revenue Code of
8 1986) by a person shall be reduced pursuant to
9 this subsection—

10 “(i) after such overpayment is re-
11 duced (I) with respect to any liability for
12 any internal revenue tax on the part of the
13 person who made the overpayment; (II)
14 with respect to past-due support (as de-
15 fined in section 464(c) of the Social Secu-
16 rity Act); (III) with respect to any past-
17 due, legally enforceable debt owed to a
18 Federal agency; and (IV) with respect to
19 any past-due, legally enforceable State in-
20 come tax obligation (as defined in section
21 6402(e) of the Internal Revenue Code of
22 1986); and

23 “(ii) before such overpayment is cred-
24 ited to the future liability for any Federal
25 internal revenue tax of such person.

1 “(B) If the Secretary receives notice from
2 one or more States of more than one tax obliga-
3 tion subject to paragraph (1) that is owed by
4 such person to any local government, any over-
5 payment by such person shall be applied
6 against such debts in the order in which such
7 notices were filed.

8 “(3) NOTICE; CONSIDERATION OF EVIDENCE.—
9 No State may take action under this subsection on
10 behalf of a local government until the local govern-
11 ment certifies to the State that the local govern-
12 ment—

13 “(A) has notified the person owing the
14 past-due, legally enforceable tax obligation by
15 certified mail with return receipt that the State
16 proposes to take action pursuant to this section;

17 “(B) has given such person at least 60
18 days to present evidence that all or part of such
19 liability is not past-due or not legally enforce-
20 able;

21 “(C) has considered any evidence pre-
22 sented by such person and has determined that
23 an amount of such debt is past-due and legally
24 enforceable; and

1 “(D) has satisfied such other conditions as
2 the Secretary may prescribe to ensure that the
3 determination made under subparagraph (C) is
4 valid and that the local government has made
5 reasonable efforts to obtain payment of such
6 tax obligation.

7 “(4) DEFINITION OF PAST-DUE, LEGALLY EN-
8 FORCEABLE TAX OBLIGATION.—In this subsection,
9 the term ‘past-due, legally enforceable tax obligation’
10 means a tax debt—

11 “(A)(i) which resulted from—

12 “(I) a judgment rendered by a court
13 of competent jurisdiction which has deter-
14 mined an amount of tax to be due; or

15 “(II) a determination after an admin-
16 istrative hearing which has determined an
17 amount of tax to be due; and

18 “(ii) which is no longer subject to judicial
19 review; or

20 “(B) which resulted from a tax which has
21 been assessed but not collected, the time for re-
22 determination of which has expired, and which
23 has not been delinquent for more than 10
24 years.

25 “(5) ELIGIBLE STATE.—

1 “(A) In this subsection, the term ‘eligible
2 State’ means a State selected by the Secretary
3 under subparagraph (B).

4 “(B) The Secretary shall select at least
5 three, and not more than five, States to partici-
6 pate in the pilot program under this subsection.
7 The Secretary may consider a State for selec-
8 tion only if it participates in the procedure ap-
9 plicable under section 6402(e) of the Internal
10 Revenue Code of 1986 (relating to collection of
11 past-due, legally enforceable State income tax
12 obligations).

13 “(C) The Secretary should consider the fol-
14 lowing States for selection under this para-
15 graph:

16 “(i) Illinois.

17 “(ii) Iowa.

18 “(iii) Louisiana.

19 “(iv) New York.

20 “(v) Ohio.

21 “(vi) Virginia.

22 “(6) REGULATIONS.—The Secretary shall issue
23 regulations prescribing the time and manner in
24 which States must submit notices of past-due, legally
25 enforceable tax obligations and the necessary infor-

1 mation that must be contained in or accompany
2 such notices. The regulations shall specify the types
3 of taxes and the minimum amount of debt to which
4 the reduction procedure established by paragraph
5 (1) may be applied. The regulations may require
6 States to pay a fee to reimburse the Secretary for
7 the cost of applying such procedure, and such fee
8 may be reimbursed by local governments to States in
9 accordance with applicable State law. Any fee paid
10 to the Secretary pursuant to the preceding sentence
11 shall be used to reimburse appropriations which bore
12 all or part of the cost of applying such procedure.

13 “(7) ERRONEOUS PAYMENT TO STATE.—Any
14 State receiving notice from the Secretary that an er-
15 roneous payment has been made to such State with
16 respect to a notice by the State on behalf of a local
17 government under paragraph (1) shall pay promptly
18 to the Secretary, in accordance with such regulations
19 as the Secretary may prescribe, an amount equal to
20 the amount of such erroneous payment (without re-
21 gard to whether any other amounts payable to such
22 State under such paragraph have been paid to such
23 State).

24 “(8) PILOT PROGRAM.—

1 “(A) PERIOD OF PILOT PROGRAM.—Sub-
2 ject to subparagraph (B), this subsection shall
3 apply only during 2009 and 2010.

4 “(B) EXTENSION AND EXPANSION OF
5 PILOT PROGRAM.—

6 “(i) This subsection applies after
7 2010 to any State described in clause (ii)
8 unless, before December 31, 2010, the Sec-
9 retary submits to Congress a report con-
10 taining a determination that the pilot pro-
11 gram has negatively affected Federal rev-
12 enue or Federal revenue collection proc-
13 esses.

14 “(ii) In applying this subsection after
15 2010, the term ‘eligible State’ means any
16 State participating in the procedure appli-
17 cable under section 6402(e) of the Internal
18 Revenue Code of 1986 (relating to collec-
19 tion of past-due, legally enforceable State
20 income tax obligations).

21 “(k) TREATMENT OF PAYMENTS MADE TO
22 STATES.—The Secretary may provide that, for the pur-
23 poses of determining interest, the payment of any amount
24 withheld under subsection (j) to a State shall be treated

1 as a payment to the person or persons making the over-
2 payment.”.

3 (b) DISCLOSURE OF CERTAIN INFORMATION TO
4 AGENCIES OF STATES REQUESTING REFUND OFFSETS
5 FOR PAST-DUE, LEGALLY ENFORCEABLE TAX OBLIGA-
6 TIONS.—Paragraph (10) of section 6103(l) of the Internal
7 Revenue Code of 1986 is amended—

8 (1) in the paragraph heading, by inserting after
9 “6402” the following: “OR UNDER SUBSECTION (j) OF
10 SECTION 3720A OF TITLE 31, UNITED STATES CODE”;

11 (2) in subparagraph (A), by inserting after
12 “6402” the following: “or subsection (j) of section
13 3720A of title 31, United States Code,”; and

14 (3) in subparagraph (B)—

15 (A) by striking “section 6402 is” and in-
16 serting “section 6402 or under subsection (j) of
17 section 3720A of title 31, United States Code,
18 is”; and

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

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