

Tax Refund Offset Program



PSA 13 (10/10)

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Friend of the Court Bureau/SCAO

Michigan Supreme Court

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(1) What is the Tax Refund Offset Program?

If a taxpayer owes past-due child support of \$150 or more, the Tax Refund Offset Program can intercept both state and federal income tax refunds that are due the taxpayer. The program is a coordinated effort of the Internal Revenue Service, the US Department of Treasury's Financial Management Services, the federal Office of Child Support Enforcement, the Office of Child Support within the Michigan Department of Human Services (DHS), the Michigan Department of Treasury, and all local friend of the court (FOC) offices.

(2) How does the Tax Refund Offset Program work?

If a child support case meets certain federal and state requirements, a local FOC office may intercept a support payer's state and federal income tax refunds and apply them to the payer's overdue support obligation.

Medical support, like regular child support, is also eligible for collection by a tax refund offset if a court order has established the exact amount owed for the medical support.

(3) Does my case qualify for the Tax Refund Offset Program?

Cases will qualify for a tax refund offset if the total amount of the arrearages that the payer owes has accumulated to over a certain threshold amount. This threshold amount varies on the basis of whether the support amount in arrears is due to be paid to the state or to an individual. If the support payee has ever received public assistance (i.e. TANF – Temporary Assistance to Needy Families Independence Program), any child support amounts that were due during the period that the payee received TANF is then actually owed to the state.

If the payer owes more than \$150 in state-assigned arrearages, federal law allows a federal tax refund offset.

If the payer owes more than \$500 in arrearages to an individual, federal law allows a federal tax refund offset.

If the paying parent owes more than \$150 in arrearages to either an individual or to the state, then state law allows a state tax refund offset.

(4) I am supposed to receive child support payments. Must I do anything to ensure that my case qualifies for the Tax Refund Offset Program?

All cases in which a family has received TANF payments (public assistance) are automatically eligible for the tax refund offset program. If you have never received TANF benefits, you should check with your local FOC office to see if you have previously signed an application that requested IV-D services. Almost all parents request services when they complete the initial paperwork for their court case. If you have not, simply request an IV-D application from the FOC office, or from a support specialist at the DHS Office of Child Support. You may contact that office at 517-373-7570.

(5) How does a child support payer know that the FOC office has requested a tax refund offset? The FOC or the Office of Child Support Enforcement (OCSE) sends the support payer a pre-offset written notice that a tax offset has been requested. This notice states the amount owed, provides information regarding the administrative appeal procedure, and discusses options to be used by individuals who filed joint tax returns.

(6) When does a payee receive the money from the tax refund offset?

When the support payer owes past-due support to the state on any child support case, money received from *federal* tax refunds is used first to eliminate the payer's arrearages that are due the state. Any remaining money from a federal tax refund then goes to the individual payee. With *state* tax refunds, if the individual payee is not currently receiving TANF benefits, the offset money from *state* tax refunds is applied first to pay current support, and then applied to cover any past-due support owed to the individual payee.

(7) May the support payer appeal the tax refund offset?

Yes. The payer may request an administrative review of the offset request by following the instructions noted in the pre-offset notice that was sent by the FOC or OCSE. In addition, after the income tax refund is intercepted, the IRS or the state taxing authority sends the payer a second offset notice. This notice, too, contains information about how to request a review. The payer may appeal only by showing that he or she is not the person who owes support, or that the amount owed is wrong. In addition, if the support payer and a current spouse have filed a joint tax return, the current spouse may file an injured spouse claim – a claim stating that a portion of the intercepted tax refund was based on the current spouse's income and should not have been offset to pay the payer's child support.

(8) Other important information regarding the Tax Refund Offset Program.

If the support payer files a joint federal tax return, federal law allows the FOC to hold the tax refund offset money for six months before it sends the money to the payee. That time period allows the payer's spouse an opportunity to file the injured spouse claim mentioned above. As a result of that federal guidance, the custodial party may not receive the offset money until slightly more than six months after the FOC receives the tax offset payment. The payer will receive credit for the payment during this six month period.

For more information about the Tax Refund Offset Program, please contact the local FOC office that is handling your case.