OFFSETS **8790**
(Revised 09/11)

Offsetting is the process where an amount owed to a debtor is used to pay an outstanding account of the debtor. Before offsetting, departments must ensure collection procedures have been followed in accordance with SAM Sections 8776.6. In addition, prior to offset, departments must notify the debtor and provide them with an opportunity to present any valid objection to use of the offset procedure.

The different types of offsets available to state departments are:

- Internal offsets within a department. Departments should collect outstanding advances from separating employees by offsetting their final paycheck from the department. Similarly, when a vendor has both a credit invoice and an overdue receivable, the credit invoice that may otherwise create a refund should be offset by the amount the vendor owes to the department.

- Franchise Tax Board (FTB) Intercept Program – Individuals who have outstanding debts to the state may also receive FTB refunds, California State Lottery winnings, or Unclaimed Property. FTB has an Interagency Intercept Collections Program to intercept or "offset" these funds and pay the individuals' debts to participating departments, if departments have a social security number for the debtor. This collection method should be used after three collection letters have not resulted in payment. For more information regarding this program, departments may contact the FTB Interagency Intercept Collections' Unit at (916) 845-5344.

- Offsets against payments among departments – The taxing departments (FTB, Board of Equalization, and the Employment Development Department) regularly offset refunds for outstanding debts among taxing departments. Non-taxing departments that become aware that another state department will be issuing payment to a debtor that owes their department should contact the other department to initiate the offset of the payment. The issuing department's payment should be reduced (offset) by the amount owed the debtor department when scheduling a direct payment through the claim schedule process. A separate no warrant claim schedule should be submitted for the offset amount to transfer that amount to the debtor department. See SAM section 8776.8 for recovering receivables from another state department.

- Offsets against payments to local governments – The State Controller's Office (SCO) allocates money to cities and counties. These payments may be offset in limited situations. The majority of these payments are for specific purposes for example highway funds and public safety and any request to offset these payments must be for the same purpose. One possible option is the ability to offset Motor Vehicle License Fee apportionments. Any department requesting an offset must provide documentation to the SCO demonstrating the department meets the provisions of SAM Section 8776.6. Each offset will be reviewed on a case by case basis by the SCO. For assistance in determining if offsets are feasible, departments may contact the SCO, Division of Accounting and Reporting at (916) 327-1714.