

# TAX REFUND OFFSET PROGRAM



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### **(1) What is the Tax Refund Offset Program (The Program)?**

If a taxpayer is behind on their child support by \$150 or more, the Tax Refund Offset Program can take both state and federal income tax refunds owed to the taxpayer. The program is a coordinated effort of the Internal Revenue Service, the U.S. Department of Treasury's Financial Management Services, the Federal Office of Child Support Enforcement (OCSE), the Office of Child Support within the Michigan Department of Health and Human Services (MDHHS), 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, the coordinating federal and local offices mentioned above may take a support payer's state and federal income tax refunds and apply them to the payer's overdue support. Overdue child support is called "arrearages."

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 payer's total amount of overdue support has reached a certain threshold amount. This threshold amount varies based on whether the arrears are owed to the state or to an individual. For example, if the person receiving child support, the "payee," has ever received public assistance (i.e. TANF – Temporary Assistance to Needy Families Independence Program), any overdue support owed to the payee while receiving public assistance is actually owed to the state.

### **(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?**

If a family has ever received TANF payments (public assistance), it is 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 a IV-D application from the FOC office or a support specialist at the DHHS Office of Child Support.

### **(5) How does a child support payer know that the FOC office has requested a tax refund offset?**

Prior to the offset occurring, the FOC or the OCSE sends the support payer a written notice that a tax offset has been requested. This notice indicates 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 will the money from the tax refund offset be given to the payee?**

Money received from *federal* tax refunds will first be used to pay off any overdue support owed to the state. Any remaining money from a federal refund then goes to the individual payee. With *state* tax refunds, if the payee is not currently receiving TANF benefits, the offset money from

*state* tax refunds is first applied to pay current support, then to cover any overdue support owed to the individual payee.

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

The pre-offset notice that is sent to the payer by the FOC or OCSE will contain instructions for how the payer can request an administrative review of the offset request. In addition, after the income tax refund is taken, the IRS or the state taxing authority sends the payer a second offset notice. This notice will also contain information on how to request a review.

The payer may appeal only by showing that the payer 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 tax refund was based on the current spouse’s income and should not have been used to pay the payer’s child support. Injured spouse claim forms may be downloaded from the IRS website (IRS Form 8379 and Inst. 8379).

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

If the support payer files a joint federal tax return, federal law requires the FOC to hold the tax refund offset money for six months before it can send the money to the payee. This time period gives the payer’s spouse the opportunity to file the injured spouse claim mentioned above.

As a result of the federal guidelines, the payee may not receive the offset money until slightly more than six months after the FOC receives the tax offset payment. Even though the payee has not received the money, 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.**