



Legislation to Expand UI Overpayment Collection through Income Tax Offset Introduced (HR 3205) With Strong Bi-partisan Support

Legislation that would require the use of the Tax Offset Program (TOP) by the IRS to collect uncollected overpayments after two years has been introduced with bi-partisan support by the Chairman and Ranking member of the House Committee on Ways and Means and the Chair and Ranking member of the Subcommittee on Human Resources. The legislation is included in the “Promoting Adoption and Legal Guardianship for Children in Foster Care Act” and is designed to provide offsetting revenue to extend family connection grants.

House bill 3205 enjoys bi-partisan support, and has a good chance of being passed at least by the House of Representatives.

The TOP program has demonstrated that significant recoveries are available through income tax offsets in a number of states that have elected to enter into the collection agreements with the IRS. The new provision, effective October 1, 2015, would expand the program nationwide as a requirement of the UI administrative grant to states.

The legislation may be found at <http://www.gpo.gov/fdsys/pkg/BILLS-113hr3205ih/pdf/BILLS-113hr3205ih.pdf>

Title III of the bill addresses UI overpayments and provides

TITLE III—UNEMPLOYMENT COMPENSATION

SEC. 301. IMPROVING THE COLLECTION OF UNEMPLOYMENT INSURANCE OVERPAYMENTS THROUGH TAX REFUND OFFSET.

(a) IN GENERAL .—Section 303 of the Social Security Act (42 U.S.C. 503) is amended by adding at the end the following:

“(m) In the case of a covered unemployment compensation debt (as defined under section 6402(f)(4) of the Internal Revenue Code of 1986) that remains uncollected as of the date that is 2 years after the date when such debt was first incurred, the State to which such debt is owed shall take action to recover such debt under section 6402(f) of the Internal Revenue Code of 1986.”

It should be noted that although the vast majority of outstanding overpayment debts involve unemployment compensation payments, the scope of TOP in collecting an overpayment compensation debt amount is not limited only to unemployment compensation overpayments and may also result in individuals who file federal income tax returns who also owe outstanding state UI contributions being subject to offset as well.

UWC has supported state implementation of TOP for the collection of unemployment compensation overpayments, and continues to work with congressional staff, US DOL, and state workforce agencies to improve this and other tools to address UI integrity.