

ArkTRECS Debt Setoff FAQs

What is the ArkTRECS debt setoff program?

The Association of Arkansas Counties' (AAC) ArkTRECS program allows any county quorum court to submit eligible delinquent debts through the ArkTRECS clearinghouse to the Arkansas Department of Finance and Administration's (DFA) debt setoff program. DFA will run a match file of the debtor's name and social security number against those taxpayers due a personal income tax refund.

If a match is found, DFA offsets the refund for repayment of the debt. While the state's debt setoff program has been used successfully for years, the ArkTRECS clearinghouse streamlines the process through consolidation and data-scrubbing.

What authorizes county quorum courts to participate in the state's personal income tax debt setoff program?

Arkansas Annotated Code 26-36-301 authorizes DFA to offset any eligible amount due an Arkansas circuit, county, district, or city court, a housing authority, or a county collector or county treasurer.

AA Code 16-13-709 authorizes a county quorum court to delegate collection activities to a private contractor and AAC can be so delegated.

What county quorum court debts are eligible for collection through the ArkTRECS debt setoff program?

State law defines delinquent debts as any fines assessed in the circuit courts which remain unpaid for 90 days or more or for 3 payment periods. Fines include any monetary penalties imposed by the court and include fines, court costs, restitution, probation fees, and public service work supervisory fees. DFA has set the minimum debt at \$20 dollars and debts submitted to DFA must be in whole dollars.

How does a county quorum court sign up to participate in ArkTRECS?

Each county quorum court enacts an ordinance to delegate debt collection activities to AAC and executes a binding contract with AAC to fulfill private collection responsibilities through debt setoff. The ordinance must be submitted to the Administrative Office of the Courts.

The binding contract is contained within the ArkTRECS MoU available on the AAC website. Executed documents should be sent to Lindsey Bailey at lbailey@arcountries.org.

Upon execution of the MoU, the participating county completes the participation form and registration process accessed via AAC's website. The clearinghouse hosts web-based orientation and training sessions for all interested counties.

The county quorum court then completes the DFA letter of intent to participate in the state's setoff program.

Is there cost to participation in the ArkTRECS debt setoff clearinghouse?

The MoU sets a collection fee of \$25 per successful offset and AAC will bill monthly each participating county the collection fees for setoffs occurring in the previous month.

DFA withholds 10% from each successful court debt offset for its administrative expenses.

The debtor must be credited with the full amount of the offset.

What process must a county quorum court follow to submit debts?

The participating county quorum court must provide each debtor written notice sent to the debtor's last known address of the court's intent to submit the debt for collection through the state's setoff program. To maximize debt setoff opportunities, written notices should be sent out by November 1 of each year.

Included in the letter is an explanation of the unpaid debt and the debtor's opportunity to contest the debt in writing within 30 days of the letter's date.

(ArkTRECS offers a letter preparation and mailing service to participating counties for a nominal fee.)

DFA must receive and approve a written sample of the debtor notice prior to debtor contact.

If the debtor fails to pay or contest the debt within the 30-day period, the county court may submit the certified debt to the clearinghouse through a secure, web-based file transfer process. Each debt of \$20 or more is submitted separately within the file format requirements (provided on AAC's website).

Debts may only be submitted once per year (the amounts should be updated continuously as needed but no new debts may be added). Debt files should be uploaded 30 days after the debtor notification letters have been sent but no later than February 15.

The clearinghouse will generate the required summary letter to DFA to certify that all debtors have been notified and to provide the total number of accounts and total dollar amount loaded.

Does a county quorum court need a debtor's social security number to submit debtors to the ArkTRECS clearinghouse?

ArkTRECS provides an SSN look-up service for debtor identification. However, if the county collects and stores SSNs, then the clearinghouse can use this information to validate the debtor's identity.

Can a county quorum court submit debts for business owners?

Yes, if the business owner files a personal income tax return.

How are multiple claims prioritized against the same taxpayer refund?

DFA prioritizes multiple claims to the same refund in the order in which a claimant agency has filed written notice with DFA of its intent to effect collection through setoff. The clearinghouse sets a similar priority—first debt files received, first paid through setoff.

How often should a county quorum court send data files (debtors/debts) to the ArkTRECS debt setoff clearinghouse?

Participating agencies are encouraged to refresh their files at least once a week (only debt amounts may be changed—no new debtors may be added). Any changes to the original debt certified will be accepted only if the new amount is less than the debt originally submitted.

ArkTRECS sends to DFA a new file daily by 2 p.m. to ensure that debt records are as current as possible.

If a debtor's record needs to be released to prevent a pending offset, a release action must occur by 2 p.m. on the 25th of each month. The county must zero out the debt amount in order to release a pending offset.

DFA holds a joint return for an additional 30-day period to allow for a spousal contest.

How will a county quorum court be able to reconcile the debts recovered through setoff?

An automated file will be generated for easy upload into the court's existing software system.

How are debtors notified that their tax refund has been offset?

DFA sends the debtor a letter with the amount that was setoff for indebtedness and includes a clearinghouse-provided toll-free number for the debtor to contact the county court receiving the offset. Thereafter, a county quorum court will receive information from the clearinghouse on successful setoffs and the funds disbursement process.

For further questions, please contact Lindsey Bailey at lbailey@arcountries.org or (501) 372-7550.



ArkTRECS Debt Setoff Process & Timeline

(Dates generally set to maximize offset opportunities)

