

111TH CONGRESS
1ST SESSION

H. R. 3060

To amend the Internal Revenue Code of 1986 to allow certain local tax debts to be collected through the reduction of Federal tax refunds.

IN THE HOUSE OF REPRESENTATIVES

JUNE 25, 2009

Mr. MORAN of Virginia (for himself, Mr. CONNOLLY of Virginia, Mr. GOODLATTE, Mr. WITTMAN, and Mr. WOLF) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to allow certain local tax debts to be collected through the reduction of Federal tax refunds.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. COLLECTION OF PAST-DUE LEGALLY ENFORCE-**
4 **ABLE LOCAL GOVERNMENT TAX OBLIGA-**
5 **TIONS.**

6 (a) IN GENERAL.—Section 6402 of the Internal Rev-
7 enue Code of 1986 (relating to authority to make credits
8 or refunds) is amended by redesignating subsections (g)

1 through (l) as subsections (h) through (m), respectively,
2 and by inserting after subsection (f) the following:

3 “(g) COLLECTION OF PAST-DUE LEGALLY EN-
4 FORCEABLE LOCAL GOVERNMENT TAX OBLIGATIONS.—

5 “(1) IN GENERAL.—Upon receiving notice from
6 any State on behalf of a local government, or from
7 any eligible local government, that a named person
8 owes a past-due, legally enforceable local government
9 tax obligation to the local government, the Secretary
10 shall, under such conditions as may be prescribed by
11 the Secretary—

12 “(A) reduce the amount of any overpay-
13 ment payable to such person by the amount of
14 such tax obligation;

15 “(B) pay the amount by which such over-
16 payment is reduced under subparagraph (A)—

17 “(i) to such State for purposes of pay-
18 ment by the State to the local government
19 on behalf of which such State submitted
20 the notice; or

21 “(ii) to the eligible local government
22 that submitted the notice;

23 “(C) notify the State or eligible local gov-
24 ernment of the person’s name, taxpayer identi-

1 fication number, address, and the amount col-
2 lected; and

3 “(D) notify the person making such over-
4 payment that the overpayment has been re-
5 duced by an amount necessary to satisfy a past-
6 due, legally enforceable tax obligation.

7 “(2) PRIORITIES FOR OFFSET.—Any overpay-
8 ment by a person shall be reduced pursuant to this
9 subsection—

10 “(A) after such overpayment is reduced
11 pursuant to—

12 “(i) subsection (a) with respect to any
13 liability for any internal revenue tax on the
14 part of the person who made the overpay-
15 ment;

16 “(ii) subsection (c) with respect to
17 past-due support;

18 “(iii) subsection (d) with respect to
19 any past-due, legally enforceable debt owed
20 to a Federal agency;

21 “(iv) subsection (e) with respect to
22 any past-due, legally enforceable State in-
23 come tax obligation; and

1 “(v) subsection (f) with respect to any
2 covered unemployment compensation debt;
3 and

4 “(B) before such overpayment is credited
5 to the future liability for any Federal internal
6 revenue tax of such person.

7 If the Secretary receives notice from one or more
8 States or eligible local governments of more than
9 one tax obligation subject to paragraph (1) that is
10 owed by such person to any local government, any
11 overpayment by such person shall be applied against
12 such debts in the order in which such notices were
13 filed.

14 “(3) NOTICE; CONSIDERATION OF EVIDENCE.—

15 “(A) STATE.—No State may take action
16 under this subsection (on behalf of a local gov-
17 ernment) until the local government certifies to
18 the State that the local government—

19 “(i) has notified the person owing the
20 past-due, legally enforceable local govern-
21 ment tax obligation by certified mail with
22 return receipt that the State (on behalf of
23 the local government) proposes to take ac-
24 tion pursuant to this section;

1 “(ii) has given such person at least 60
2 days to present evidence that all or part of
3 such liability is not past-due or not legally
4 enforceable;

5 “(iii) has considered any evidence pre-
6 sented by such person and has determined
7 that an amount of such debt is past-due
8 and legally enforceable; and

9 “(iv) has satisfied such other condi-
10 tions as the Secretary may prescribe to en-
11 sure that the determination made under
12 clause (iii) is valid and that the local gov-
13 ernment has made reasonable efforts to ob-
14 tain payment of such tax obligation.

15 “(B) ELIGIBLE LOCAL GOVERNMENT.—No
16 eligible local government may take action under
17 this subsection until the local government—

18 “(i) has notified the person owing the
19 past-due, legally enforceable local govern-
20 ment tax obligation by certified mail with
21 return receipt that the local government
22 proposes to take action pursuant to this
23 section;

24 “(ii) has given such person at least 60
25 days to present evidence that all or part of

1 such liability is not past-due or not legally
2 enforceable;

3 “(iii) has considered any evidence pre-
4 sented by such person and has determined
5 that an amount of such debt is past-due
6 and legally enforceable; and

7 “(iv) has satisfied such other condi-
8 tions as the Secretary may prescribe to en-
9 sure that the determination made under
10 clause (iii) is valid and that the local gov-
11 ernment has made reasonable efforts to ob-
12 tain payment of such tax obligation.

13 “(4) PAST-DUE, LEGALLY ENFORCEABLE LOCAL
14 GOVERNMENT TAX OBLIGATION.—In this subsection,
15 the term ‘past-due, legally enforceable local govern-
16 ment tax obligation’ means a tax debt—

17 “(A)(i) which resulted from—

18 “(I) a judgment rendered by a court
19 of competent jurisdiction which has deter-
20 mined an amount of tax to be due to a
21 local government; or

22 “(II) a determination after an admin-
23 istrative hearing which has determined an
24 amount of tax to be due to a local govern-
25 ment; and

1 “(ii) which is no longer subject to judicial
2 review; or

3 “(B) which resulted from a tax imposed by
4 a local government which has been assessed but
5 not collected, the time for redetermination of
6 which has expired, and which has not been de-
7 linquent for more than 10 years.

8 “(5) ELIGIBLE LOCAL GOVERNMENT.—For pur-
9 poses of this subsection, the term ‘eligible local gov-
10 ernment’ means a municipality described in clause
11 (ii) of section 6103(b)(5)(A).

12 “(6) REGULATIONS.—The Secretary shall issue
13 regulations prescribing the time and manner in
14 which States (on behalf of local governments) and
15 eligible local governments must submit notices of
16 past-due, legally enforceable local government tax
17 obligations and the necessary information that must
18 be contained in or accompany such notices. The reg-
19 ulations shall specify the types of taxes and the min-
20 imum amount of debt to which the reduction proce-
21 dure established by paragraph (1) may be applied.
22 The regulations may require States (on behalf of
23 local governments) and eligible local governments to
24 pay a fee to reimburse the Secretary for the cost of
25 applying such procedure. Any fee paid to the Sec-

1 retary pursuant to the preceding sentence shall be
2 used to reimburse appropriations which bore all or
3 part of the cost of applying such procedure.

4 “(7) ERRONEOUS PAYMENT TO STATE OR
5 LOCAL GOVERNMENT.—Any State or eligible local
6 government receiving notice from the Secretary that
7 an erroneous payment has been made to such State
8 or eligible local government with respect to a notice
9 by the State (on behalf of a local government) or no-
10 tice by the eligible local government under para-
11 graph (1) shall pay promptly to the Secretary, in ac-
12 cordance with such regulations as the Secretary may
13 prescribe, an amount equal to the amount of such
14 erroneous payment (without regard to whether any
15 other amounts payable to such State or eligible local
16 government under such paragraph have been paid to
17 such State or eligible local government).”.

18 (b) DISCLOSURE OF RETURN INFORMATION.—Sec-
19 tion 6103(l)(10) of the Internal Revenue Code of 1986
20 (relating to disclosure of certain information to agencies
21 requesting a reduction under subsection (c), (d), or (e) of
22 section 6402) is amended by striking “or (f)” each place
23 it appears in the text and heading and inserting “(f), or
24 (g)”.

25 (c) CONFORMING AMENDMENTS.—

1 (1) Section 6402(a) of the Internal Revenue
2 Code of 1986 is amended by striking “and (f)” and
3 inserting “(f), and (g)”.

4 (2) Paragraph (2) of section 6402(d) of such
5 Code is amended by striking “and (f)” and inserting
6 “, (f), and (g)”.

7 (3) Section 6402(h) of such Code, as so redesi-
8 gnated, is amended by striking “or (f)” and insert-
9 ing “(f), or (g)”.

10 (4) Section 6402(j) of such Code, as so redesign-
11 nated, is amended by striking “or (f)” and inserting
12 “(f), or (g)”.

13 (d) EFFECTIVE DATE.—The amendments made by
14 this section shall apply to refunds payable after the date
15 of the enactment of this Act.

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