



FmHA AN No. 1722 (1951)

February 2, 1988

SUBJECT: Internal Revenue Service Offset

TO: All State Directors, State Directors-at-Large, District Directors,
Rural Housing Chiefs, and County Supervisors, FmHA

PURPOSE/INTENDED OUTCOME: County Offices have had two opportunities to review lists of borrowers who appear to be eligible for Internal Revenue Service (IRS) offset and to remove borrowers for a variety of reasons. This AN provides County Offices with instructions concerning removing borrowers who were referred to IRS but are no longer eligible. In addition, County Offices will receive a number of reports from the Finance Office based on information from IRS, and these reports are discussed.

Instructions concerning refunding amounts offset in error are also included as well as a sample letter requesting a refund of offset amounts (Exhibit A.)

COMPARISON WITH PREVIOUS AN: AN Number 1649 (1951) dated September 17, 1987, and AN Number 1659 (1951) dated October 22, 1987, have been issued on this subject.

IMPLEMENTATION RESPONSIBILITIES: Field offices will soon receive Report Code (RC) 865, "Borrower Accounts Submitted to Internal Revenue Service for Offset Report." This report will be kept in the County Office. Whenever a transaction occurs concerning a borrower on the RC 865, the County Office will determine if the borrower must be removed from offset. The list of reasons to eliminate borrowers from IRS offset are:

1. Account is less than 3 monthly payments delinquent (or, for annual payment borrowers, the equivalent of less than 3 monthly payments delinquent) or more than 9 years delinquent.
2. Account has a bankruptcy action pending (BAP).
3. Account has a foreclosure action pending (FAP).
4. Account has a transfer pending (TP).
5. Account is subject to approved adjustment (SAA).
6. Account has a current moratorium.
7. Account has a suspend code.
8. Account has a total delinquency less than \$25.

EXPIRATION DATE: June 30, 1988

FILING INSTRUCTIONS: Preceding
FmHA Instruction 1951-C



9. Account has a total unpaid balance (principal and interest) that is less than \$100.
10. Account has been referred to a collection agency, returned from a collection agency or coded collection only.
11. Account has a loan that is ahead of schedule.
12. Account currently has an Additional Partial Payment Agreement (APPA) established.
13. Borrower is a Federal employee, military retiree, a member of the active reserve, or an employee of the U.S. Postal Service.

If the borrower must be removed, Exhibit B, "Report of Changes on IRS Offset," will be completed immediately according to the instructions following that exhibit and sent to the Chief, Computer Resources Branch, Mail Code FC-353, in the Finance Office.

The Finance Office will send these exhibits to IRS. If the information provided is not processable, the County Office will receive RC 222A, "Weekly Unprocessable Report, IRS Offset." The County Office will take one of the following actions based on codes shown on that report.

Codes 01, 03, 04, 05, 06, 08, 09, 11, 13-20--No County Office action required.

Code 02--This code indicates the Social Security Number (SSN) or the name was incorrect on the Exhibit B submitted to the Finance Office. County Offices must research, correct, and resubmit the information concerning the borrower on a corrected Exhibit B as soon as possible.

Code 07--The County Office must prepare a new Exhibit B for this borrower, making sure a 0 (zero) appears in item 5 of the exhibit. Exhibit B must be resubmitted as soon as possible.

Code 10--The amount of adjustment is incorrect. Correct the amount in item 6 and resubmit Exhibit B as soon as possible.

Code 12--Research, and if not a true duplicate, resubmit Exhibit B.

Field offices will also receive RC 222C, "Weekly Offset Report (Cash Collections), IRS Offset." This report displays borrowers for whom offset payments were received from IRS and processed to the borrower's account as Transaction Code 2A, Field Office Cash Collection--Initial Update. This report is for your information only and does not require any reporting to the

Finance Office except for erroneous offsets detected by County Offices. For any amount determined to be offset erroneously, the County Office will prepare Exhibit A. Mail Exhibit A to the Head, Community Programs and Property Accounting Section, Mail Code 340-D, Finance Office, to initiate a borrower refund.

RC 222D, "Weekly Claims Report, IRS Offset" reflects amounts that were paid to FmHA as offsets but were subsequently cancelled. Transaction Code 2C, Cash Uncollectible--Field Office Payment, will be processed to the borrower account for the amount shown in the report. This report is also only for your information, and no action is necessary.

Please contact Bob Nelson on FTS 475-4705 (Commercial 202-475-4705) with any questions.



VANCE L. CLARK
Administrator

Attachments

1722(1951)

Exhibit A

Head, Community Programs and Property
Accounting Section (Mail Code 340D)
Finance Office

You recently informed us that \$(amount) was offset from the Internal Revenue Service refund due (borrower's name and case number). That amount was \$(amount up to total amount offset) in excess of the amount that should have been offset. The reason the amount offset was excessive is

Please generate a check for the refund amount to be forwarded to this office, and adjust the borrower's account accordingly.

Signature of County Supervisor
Date
State and County Code

INSTRUCTION FOR PREPARATION OF EXHIBIT B

- General: This form is to be completed to change the Internal Revenue Service (IRS) reporting status of a borrower account. This form should be used to delete a borrower account from IRS reporting and to report a change in borrower account status for borrowers who have been reported to IRS for offset. Two different borrower accounts may be reported using this form.
- Item 1 Enter the last name of the borrower whose IRS reporting status is to be changed.
- Item 2 Enter the first name of the borrower whose IRS reporting status is to be changed.
- Item 3 Enter the case number (state, county, and borrower ID) of the borrower whose IRS reporting status is to be changed.
- Item 4 Complete with borrower's social security number. The leading zero is required by IRS.
- Item 5 Enter one of the following applicable codes:
- 0 - Decrease or deletion of amount originally reported to IRS
 - 1 - Finance Office use only
- Item 5A Enter one of the following applicable codes:
- 01 - Borrower paid cash
 - 02 - Account is less than 3 monthly payments delinquent (or for annual payment borrowers, the equivalent of less than 3 monthly payments delinquent) or is more than 9 years delinquent
 - 03 - Account has a bankruptcy action pending (BAP) flag
 - 04 - Account has a foreclosure action pending (FAP) flag
 - 05 - Account has a transfer pending (TP) flag
 - 06 - Account has a subject to approved adjustment (SAA) flag
 - 07 - Account has a moratorium currently on the account
 - 08 - Account has a suspend code
 - 09 - Account has a total delinquency that is less than \$25
 - 10 - Account has a total unpaid balance (principal and interest) that is less than \$100
 - 11 - Account has been referred to a collection agency, returned from a collection agency, or is coded collection only
 - 12 - Account has a loan that is ahead of schedule
 - 13 - Account currently has an additional payment agreement (APA) established
 - 14 - Borrower is a Federal employee, military retiree, a member of the active reserve, or an employee of the U.S. Postal Service

- Item 6 Enter the amount of the adjustment to be made to the amount to be offset. Decrease in amount of adjustment can only be processed after the Annual Certification Record Tape has been sent to IRS. This adjustment amount is the amount for this period only and should not include adjustment amounts previously submitted. If you are deleting a borrower account from IRS offset, this amount must not be more than original amount sent to IRS for offset. Do not enter minus signs.
- Item 7 Enter the offset year that the refund/repayment to borrower (generated by the Finance Office) applies to, if a one (1) is inserted in Item 5 - type of update. If a zero (0) is inserted in Item 5, then enter zeros here.
- NOTE: "Offset year" is the processing year in which the Finance Office received the original offset from IRS.