

January 11, 2023

CALIFORNIA DEPARTMENT OF SOCIAL SERVICES

EXECUTIVE SUMMARY

ALL COUNTY LETTER NO. 23-07

The purpose of this All County Letter is to provide County Welfare Departments guidelines on suspending debts in the Welfare Intercept System for the Treasury Offset and Franchise Tax Board Intercept Programs to avoid overcollection.



KIM JOHNSON
DIRECTOR

CALIFORNIA HEALTH & HUMAN SERVICES AGENCY
DEPARTMENT OF SOCIAL SERVICES
744 P Street • Sacramento, CA 95814 • www.cdss.ca.gov



GAVIN NEWSOM
GOVERNOR

January 11, 2023

ALL COUNTY LETTER NO. 23-07

TO: ALL COUNTY WELFARE DIRECTORS
ALL COUNTY TAX COLLECTION COORDINATORS
ALL CALFRESH PROGRAM SPECIALISTS
ALL CALWORKS PROGRAM SPECIALISTS
ALL COUNTY IEVS COORDINATORS
ALL WELFARE INTERCEPT COORDINATORS

SUBJECT: WELFARE INTERCEPT SYSTEM DEBT SUSPENSION GUIDELINES
FOR THE TREASURY OFFSET AND FRANCHISE TAX BOARD
INTERCEPT PROGRAMS

REFERENCE: [7 CODE OF FEDERAL REGULATIONS SECTION 273.18\(e\)\(5\)\(ii\) - \(iii\)](#); CALIFORNIA DEPARTMENT OF SOCIAL SERVICES
MANUAL OF POLICIES AND PROCEDURES (MPP) SECTION [20-408.221](#), [20-408](#), [63-801.45](#), [63-801.452](#), AND [63-801.53](#); ALL
COUNTY LETTER (ACL) [16-108](#), [ACL 19-04](#), [ACL 20-24](#), AND
[ACL 21-118](#)

The purpose of this All County Letter (ACL) is to provide County Welfare Departments (CWDs) guidelines on suspending debts in the Welfare Intercept System (WIS) for the Treasury Offset and Franchise Tax Board (FTB) Intercept Programs to avoid overcollection.

Background

The WIS is a California Department of Social Services' (CDSS) owned and operated system that is used to record, track, and update delinquent debts held by CalFresh and California Work Opportunity and Responsibility to Kids (CalWORKs) program beneficiaries that have an established overissuance and/or overpayment. This debt is not absolved unless it is paid off, compromised for elderly and/or disabled rules ([ACL 21-118](#)), death or bankruptcy.

The Treasury Offset Program (TOP) is a centralized offset program developed by the U.S. Department of Treasury's Financial Management Service to collect delinquent Federal debts. The Supplemental Nutrition Assistance Program (SNAP) regulations require that the

Food and Nutrition Service (FNS) collect delinquent SNAP recipient debts through the TOP, including CalFresh delinquent debts. The CDSS sends weekly files to the FNS that include records to add new debts, update existing debts, or make balance adjustments ([ACL 19-04](#)). The FNS merges those files and sends the consolidated file to the TOP.

The FTB has an Interagency Intercept Collections Program to intercept FTB refunds, California State Lottery winnings, or Unclaimed Property from individuals who have outstanding debts. The intercepted funds are used to pay the individuals' delinquent debt to participating departments, if departments have a social security number for the debtor, including CalWORKs delinquent debts.

Welfare Intercept System Record Types

The CWDs use the WIS record types to add new debts, update existing debts, or make balance adjustments that are applied in the WIS through a weekly batch process ([ACL 19-04](#)). This ACL addresses the following record types:

Record Type 2

Used to decrease the FTB debt to zero to suspend collection of the FTB debt.

Record Type 7

Used to apply a debt increase to reactivate the FTB debt and resume collection.

Record Type 8

Used to suspend a TOP debt only.

Record Type 9

Used to reactivate a TOP debt.

Welfare Intercept System Suspension Guidelines

When an individual or responsible party has an over-issuance and/or overpayment that becomes delinquent it will be referred to the TOP or the FTB for collection. The following guidelines are for an individual or responsible party with a delinquent debt who is determined eligible for the CalFresh or CalWORKs program. Debts may be connected to an individual adult household member or a responsible party from that household which accrued the debt.

As a reminder, if an overcollection occurs through offset the CWD must refund excess money intercepted from the individual within 10 days ([MPP Section 20-408](#)).

Treasury Offset Program

Previously [MPP Section 63-801.53](#) allowed CWDs to continue collection methods other than the TOP when a claim is held in suspense for three years or more. However, [ACL 20-](#)

[24](#) invalidated that regulation because it does not comply with federal regulations and the MPP will be updated to reflect that change.

When an individual or responsible party with a delinquent TOP debt goes back on aid, the CWD must only invoke allotment reduction as a means of collection only ([7 CFR Section 273.18\(e\)\(5\)\(ii\) -\(iii\)](#)). The debt must be removed from the TOP to stop the individual's funds from being offset. In order to remove the debt from the TOP, the CWD must suspend the TOP debt in the WIS immediately by submitting a record type 8.

Reactivate the Treasury Offset Program Debt

If the individual is no longer receiving benefits, the debt will return to delinquent status and must be reactivated in the WIS to reflect that change. To reactivate the TOP debt in the WIS, the CWD must submit a record type 9. The original delinquency date does not change and the debt will remain delinquent until: an acceptable repayment agreement is established or resumed, a satisfactory payment is made, payment is received in full, or the individual reenrolls in CalFresh and allotment reduction is invoked again ([7 CFR Section 273.18\(e\)\(5\)\(ii\) -\(iii\)](#)) and [MPP Section 63-801.452](#)).

Franchise Tax Board Intercept Program

When an individual or responsible party with a delinquent FTB debt reenrolls in the program for which they accrued that debt, the CWD must invoke allotment reduction only ([MPP Section 20-403.221](#)). The debt must be removed from the FTB Intercept Program to stop the individual's funds from intercept. In order to remove the debt from the FTB Intercept Program, the CWD must suspend the debt in the WIS immediately by submitting a record type 2 to decrease the debt to zero.

Reactivate the Franchise Tax Board Debt

If the individual or responsible party is no longer receiving benefits, the debt will return to delinquent status and must be reactivated in the WIS to reflect that change. To reactivate the FTB debt in the WIS, the CWD must submit a record type 7 to increase the debt amount. The original delinquency date does not change.

If you have any questions regarding this letter, contact taxintercept@dss.ca.gov.

Sincerely,

Original Document Signed By

RYAN GILLETTE
Chief Data Officer, Deputy Director
Research, Automation, and Data Division