

77TH OREGON LEGISLATIVE ASSEMBLY
2013 REGULAR SESSION
STAFF MEASURE SUMMARY
SENATE FINANCE AND REVENUE COMMITTEE

MEASURE: SB 259-1
CARRIER:

REVENUE:
FISCAL:

Action:
Vote:

Yeas:
Nays:
Exc.:

Prepared By: Dae Baek, Economist
Meeting Dates: 2/18, 3/4

WHAT THE BILL DOES: Authorizes the Director of the Oregon Employment Department (OED) to enter into an intergovernmental agreement with the federal government to seize federal tax refunds and apply those funds to certain Unemployment Insurance debts owed to OED. Authorizes the Director to pay a fee charged by the federal government for processing such seizure and pass that fee on to the debtor. Authorizes the Director to pass on to a debtor a fee the Oregon Department of Revenue charges OED for applying a state tax refund to offset a debt that person owes to OED. Takes effect on passage.

ISSUES DISCUSSED:

- Causes of benefit overpayment and definition of fraudulent overpayment subject to seizure
- Clarifying the nature of fraud-related overpayment and delineation of appeals process

EFFECT OF COMMITTEE AMENDMENTS: Specifies that only fraudulent overpayments are subject to seizure. Stipulates appeals process.

BACKGROUND: This bill will allow the OED to participate in the Treasury Offset Program (TOP). Under the TOP, states refer certain debts owed to them to the U.S. Department of the Treasury. The U.S. Treasury redirects federal income tax refunds of debtors to the state in order to offset those debtors' outstanding debt owed to the state.

According to the OED, Oregon currently has over 14,000 accounts, totaling approximately \$55 million, related to Unemployment Insurance (UI) debts including, among others, overpayments and delinquent taxes that could be referred to the TOP for collection. There are 20 states already using the TOP to recover UI debts. In 2012, these states have recovered an average of 11.3% of the UI debts they referred to the program. While \$55 million of debts will be referred to the TOP in the first year of participation, collectible amount in subsequent years will decline as debts are collected. In Oregon, 68 percent of the debts to be collected are on state UI debts that will flow back to the state UI Trust Fund and the rest are on federal UI debts to be returned to the Federal Trust Fund.

The bill also authorizes the Director to pass on to a debtor a fee the Oregon Department of Revenue charges OED for applying a state tax refund to offset a debt that person owes to OED. Such collected fee will be deposited to the Employment Department Special Fraud Control Fund.

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