



**HB 4131B: Expanding Oregon's delinquent and liquidated debt collection tools**

**HB 4131B** gives the Department of Revenue two tools to improve collections of delinquent and liquidated debt owed to Oregon.

**1. Data Matching Program:**

- Requires financial institutions to participate in a data match system established by the Department of Revenue to identify accounts held by delinquent debtors;
  - Matches will take place on a quarterly basis
  - Individual financial institutions will be reimbursed by DOR for start-up costs up to \$2500 and for quarterly up to \$150
  - Exemptions exist if this program would not be cost-effective to administer or a financial institution is experiencing financial hardship
  - Directs a Rulemaking Advisory Committee to convene to determine the appropriate programs for the multitude of financial institutions that exist in Oregon and requires a representative from the banks and from the credit unions to be a part of the Rule Making Process.
- Penalizes misuse and disclosure of data match information for financial institutions, their employees and state agency employees to ensure accountability in keeping debtor information private;
- Has an operative date of July 1, 2017 for Sections 1-6 (the data match program) of the bill to allow time for the Rulemaking Committee to meet and to make any necessary recommendations for 2017;
- Modifies garnishment law to clarify that the place at which the account was opened is not determinative of whether property is held "in this state", this makes no change to the constitutional requirement that the debtor have sufficient personal contacts in order to use a garnishment to collect on debt.

**2. New Hire Report Information:**

- Authorizes the Division of Child Support at the Department of Justice to share information on new and rehired employees with DOR for the purpose of wage garnishment;
- Gives DOR access to employee they otherwise would not have obtained until 4-6 months after the hiring date allowing DOR to act quickly on a collection plan with the employee.

**Fiscal Impact:** 2015-2017: No impact  
2017-2019: \$264,174

**Revenue Impact:** 2015-2017: No impact  
2017-2019: +\$7.3 million  
2019-2021: +10.7 million



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### **Background on HB 4131B Debt Collection tools:**

Liquidated and delinquent debt owed to the state has nearly doubled since 2008 to \$3.2 billion, nearly \$1 billion of this debt is held by the Department of Revenue. Collection rates of debt, however, have dropped. During the 2015 Regular Session, Senate Bill 55 passed which took steps to improve collection efforts, including centralizing debt collection efforts within DAS. In conjunction, Secretary of State's office released the State Debt Collection Audit which included a series of recommendations, among them utilizing bank levies and New Hire Report data.

### **Financial Institution Data Matching and Bank Levies:**

Currently, if a state agency seeks to issue a bank levy known as garnishments on a debtor's bank account, DOR is largely guessing at where a debtor may be banking, and must request verification individually per debtor, and per financial institution. This method is inefficient and not cost-effective as there are fees associated with each one of these requests.

According to the S.O.S. Audit, other states use broad financial institution data matching (FIDM) programs to locate debtors' accounts and subsequently issue a levy known as a "writ of garnishment". This allows collection agencies to issue a levy request once they have confirmed a debtor is banking at a given financial institution, making FIDM an effective and successful tool.

Additionally, in Oregon, one state agency, the Division of Child Support (DCS) in DOJ uses a broad FIDM program in order to issue levies and collect debt. The Audit recommends that Oregon create a statute to allow for DOR to use FIDM similarly.

### **New Hire Report:**

Under Federal Child Support Law, employers are required to submit lists of new and re-hired employees to state child support collectors. Currently, DOR is not explicitly allowed access to the information in the report, and the Audit recommends seeking clarification and granting DOR access to that data, which will assist with wage garnishment and locate wage-earners who are not paying taxes.