

Unpaid Debt Can Take Your Refund

Article Highlights:

- Bureau of the Fiscal Service
- Allowable Refund Offsets
- Disputing an Offset
- Injured Spouse Claim

As the 2015 tax season approaches, you may be getting excited about your potential tax refund.

However, that excitement may be premature if you have outstanding federal or state debts. The Treasury Department's Bureau of the Fiscal Service (BFS) issues federal tax refunds, and Congress authorizes BFS to reduce your refund through its Treasury Offset Program (TOP) to pay:

- Past-due child and parent support;
- Federal agency non-tax debts;
- State income tax obligations; or
- Certain unemployment compensation debts owed to a state.

So, if you owe a debt that's past-due, it can reduce your federal tax refund and all or part of your refund may go to pay your outstanding federal or state debt if it has been submitted for tax refund offset by an agency of the federal or state government.

If you have an outstanding debt and want to be proactive, you can contact the agency with which you have a debt to determine if your debt was submitted for a tax refund offset. You may call BFS's TOP call center at 800-304-3107 or TDD 866-297-0517, Monday through Friday, 7:30 a.m. to 5 p.m. CST.

If your debt was submitted for offset, BFS will reduce your refund as needed to pay off the debt and send it to the agency you owe. Any portion of your remaining refund after offset is issued in a check or is direct deposited as originally requested on the return.

If you choose to wait and see what happens when you file your return, BFS will send you a notice if an offset occurs. If you wish to dispute the amount taken from your refund, you will have to contact the agency that submitted the offset claim. It will be shown on the notice you will receive from the BFS.

If you filed a joint tax return, and only one spouse is responsible for the debt, the other spouse may be entitled to part of or all the refund. To request the refund of the spouse that is not responsible for the offset, you can file Form 8379, Injured Spouse Allocation. The benefits provided under the injured spouse allocation will generally not apply if you reside in a community property state.

Please contact this office if have you have questions about refund offsets.