

ENROLLED HOUSE
BILL NO. 1880

By: Benson of the House

and

Smith of the Senate

An Act relating to revenue and taxation; amending 68 O.S. 1991, Section 205.2, as amended by Section 4, Chapter 66, O.S.L. 1992 (68 O.S. Supp. 1993, Section 205.2), which relates to claims by state agencies or district courts against income tax refunds; deleting certain responsibilities of the Administrative Director of the Courts; deleting requirement to file certain written claim; providing for Oklahoma Tax Commission to prescribe certain form; deleting requirement to provide certain written or electronic notice; and providing an effective date.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. AMENDATORY 68 O.S. 1991, Section 205.2, as amended by Section 4, Chapter 66, O.S.L. 1992 (68 O.S. Supp. 1993, Section 205.2), is amended to read as follows:

Section 205.2 A. A state agency or ~~the Administrative Director of the Courts on behalf of~~ a district court seeking to collect a debt of at least Fifty Dollars (\$50.00) from an individual who has filed a state income tax return may file a ~~written~~ claim with the Oklahoma Tax Commission requesting that the amount owed to the agency or a district court be deducted from any state income tax refund due to that individual. The claim shall be in a form prescribed by the Oklahoma Tax Commission and shall contain information necessary to identify the person owing the debt, including the full name and Social Security number of the debtor.

1. Upon receiving a claim from a state agency or ~~the Administrative Director of the Courts~~ a district court, the Tax Commission shall notify the agency or the ~~Administrative Director of the Courts in writing or by electronic media~~ district court whether there are funds available to pay the claim. Provided the Tax Commission need not report available funds of less than Fifty Dollars (\$50.00).

2. The state agency or the ~~Administrative Director of the Courts~~ district court shall send notice to the debtor by certified mail, return receipt requested at the last-known address of the debtor as shown by the records of the Tax Commission. The notice shall be signed for by the addressee or his agent at said address. The notice shall state:

- a. that a claim has been filed, and
- b. the basis for the claim, and
- c. that such state agency or ~~the Administrative Director of the Courts~~ district court has applied to the Tax Commission for any portion of the tax refund due to

the debtor which would satisfy the debt in full or in part, and

- d. that the debtor has the right to contest the claim by sending a written request to the state agency or the ~~Administrative Director of the Courts~~ district court for a hearing to protest the claim and if the debtor fails to apply for a hearing within thirty (30) days after the receipt of the notice, he shall be deemed to have waived his opportunity to contest the claim, and
 - e. that a collection expense of five percent (5%) of the gross proceeds owed to the state agency or district court shall be charged to the debtor and withheld from the refund upon final determination of the debt at the hearing or upon failure of the debtor to request a hearing, and
 - f. if the taxpayer settles the outstanding debt with the agency or district court before the thirty (30) days expire, the agency or the ~~Administrative Director of the Courts~~ district court shall notify the Tax Commission in writing or by electronic media that said claim has been released.
3. In the case of a joint return, the notice shall state:
- a. the name of any taxpayer named in the return against whom no debt is claimed, and
 - b. the fact that a debt is not claimed against said taxpayer, and
 - c. the fact that said taxpayer is entitled to receive a refund if it is due regardless of the debt asserted against the debtor, and
 - d. that in order to obtain the refund due, said taxpayer must apply, in writing, for a hearing with the ~~Administrative Director of the Courts~~ district court or the agency named in the notice within thirty (30) days after the date of the mailing of the notice, and
 - e. if said taxpayer against whom no debt is claimed fails to apply in writing for a hearing within thirty (30) days after the mailing of said notice, said taxpayer shall have waived his right to a refund.

B. If the ~~Administrative Director of the Courts~~ district court or agency asserting the claim receives a written request from the debtor or taxpayer against whom no debt is claimed requesting a hearing, the agency or the ~~Administrative Director of the Courts~~ district court shall grant a hearing according to the provisions of the Administrative Procedures Act, Sections 250 et seq. of Title 75 of the Oklahoma Statutes. It shall be determined at the hearing whether the claimed sum is correct or whether an adjustment to the claim shall be made. Pending final determination at the hearing of the validity of the debt asserted by the ~~Administrative Director of the Courts on behalf of a~~ district court or the agency, no action shall be taken in furtherance of the collection of the debt. Appeals from actions taken at the hearing shall be in accordance with the provisions of the Administrative Procedures Act.

C. Upon final determination at a hearing, as provided for in subsection B of this section, of the amount of the debt or upon failure of the debtor or taxpayer against whom no debt is claimed to request such a hearing, the ~~Administrative Director of the Courts~~ district court or the agency shall submit ~~to~~ in the manner prescribed by the Tax Commission ~~a written report or notification by electronic media~~ of the action taken on the claim and a request that the amount owed including the collection expense be deducted from

the tax refund due to the debtor and transferred to the ~~Administrative Director of the Courts~~ district court or the agency. However, if the tax refund due is inadequate to pay the collection expense and debt, the balance due the state agency or the district court shall be a continuing debt until paid in full.

D. Upon receipt of ~~the written report or~~ notification by ~~electronic media~~ provided in subsection C of this section, the Tax Commission shall:

1. Deduct from the refund five percent (5%) of the gross proceeds owed to the state agency or district court and distribute it by retaining two percent (2%) and transferring three percent (3%) to ~~the Administrative Director of the Courts on behalf of the~~ district court or the state agency as an expense of collection. The two percent (2%) retained by the Tax Commission shall be deposited in the Oklahoma Tax Commission Fund; and

2. Transfer the amount of debt or so much thereof as is available to the state agency or ~~the Administrative Director of the Courts on behalf of the~~ district court; and

3. Notify the debtor in writing as to how the refund was applied; and

4. Refund to the debtor any balance remaining after deducting the collection expense and debt.

E. The Tax Commission shall deduct from any state tax refund due to a taxpayer the amount of delinquent state tax, and penalty and interest thereon, which such taxpayer owes pursuant to any state tax law prior to payment of such refund.

F. The Tax Commission shall have first priority over all other agencies or district courts when the Tax Commission is collecting a debt pursuant to the provisions of this section. Priority in multiple claims by other agencies or district courts pursuant to the provisions of this section shall be in the order in time, in which the Tax Commission receives the ~~written claim or notification~~ from the agencies and district courts required by the provisions of subsection A of this section.

G. The Tax Commission shall prescribe or approve forms and promulgate rules and regulations for implementing the provisions of this section.

H. The information obtained by an agency or by the ~~Administrative Director of the Courts on behalf of a~~ district court from the Tax Commission pursuant to the provisions of this section shall be used only to aid in collection of the debt owed to the agency or a district court. Disclosure of the information for any other purpose shall constitute a misdemeanor. Any agency or court employee or person convicted of violating this provision shall be subject to a fine not exceeding One Thousand Dollars (\$1,000.00) or imprisonment in the county jail for a term not exceeding one (1) year, or both said fine and imprisonment and, if still employed by the agency or the courts, shall be dismissed from employment.

I. The Oklahoma Tax Commission may employ the procedures provided by this section in order to collect a debt owed to the Internal Revenue Service if the Internal Revenue Service requires such procedure as a condition to providing information to the Commission concerning federal income tax.

SECTION 2. This act shall become effective September 1, 1994.

Passed the House of Representatives the 3rd day of March, 1994.

Speaker of the House of
Representatives

Passed the Senate the 6th day of April, 1994.

President of the Senate