



**Delinquent Debt  
Collections  
in State  
Government**

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The Illinois State Collection Act (30 ILCS 210/10) requires the Department of Revenue (IDOR) to report on its efforts to assist other state agencies in collecting debt owed to the State of Illinois. This report is submitted to the Comptroller and the General Assembly on an annual basis. Following is the report on these activities for Fiscal Year 2011.

- Throughout FY11, IDOR maintained regular contact with the participating state agencies to review accounts receivable practices and recommend procedural improvements to enhance collection efforts. IDOR Collection staff worked with the agencies on issues such as:
  - the importance of capturing unique identifying account information;
  - timely referral of overdue accounts for collection action;
  - improving account data to enhance the success of the State's offset processes;
  - the implementation of new collection tools – as an example, IDOR worked with the Department of Human Services to develop a process to initiate wage and bank levies on old debts;

- IDOR has contracted with, and closely manages, several high-quality, third-party collection firms to recover outstanding state agency debt, including tax debt.
- In FY11, the program has successfully recovered \$4.3 million from an inventory of other State agencies' aged, troubled receivables. Recovery should increase as accounts are more quickly referred for collection and contain more complete, accurate information.

A wooden ladder extends from the bottom left towards the top right, set against a bright, orange-hued sky filled with soft, white clouds. The entire scene is bathed in a warm, golden light, suggesting a sunrise or sunset. The ladder's rungs are clearly visible, and the sky transitions from a deep orange at the bottom to a lighter, almost white glow near the top.

# Accomplishments

- Since FY 2007, pursuant to Section 10 of the Illinois Debt Collection Act, state agencies falling under the Illinois Department of Revenue's purview for debt collection are placing delinquent debts of \$10 or more and over 90 days past due with a private collection firm under contract with IDOR.
- Since the program was implemented, approximately \$25.6 million has been recovered on behalf of various State Agencies.
- IDOR has held meetings with agencies to set up a process for referring debts both to private collection firms and Comptroller's Offset, provided advice on best practices to enhance collectability, and directly assisted several agencies with difficult to collect debts.
- We have enlisted the support of GOMB in asking Agency CFOs to take a greater role in their agency's account receivable management practices and implement enhancements that will increase recovery of debts owed to the State.

# Best Debt Collection Practices





- Gathering a unique identifier (either SSN or FEIN) in the registration or application process in order to be able to increase collections should a delinquency occur – unique identifiers are critically important to offset programs. Agencies cite security concerns, but language IDOR secured in 5 ILCS 179/10 (c) (5) allows for the collection and use of SSN's for state debt collection purposes.
- Quickly assess liabilities due, issue prompt billing notices, follow-up with phone calls, and utilize any internal enforcement tools in a timely manner. Over the years our annual review has revealed that many agencies do not dedicate appropriate staff to receivables tracking.



- Once a receivable has become over due, promptly refer it to a collection agency for further action – again, IDOR can assist with setting up this process.
- Refer all receivables over \$100 to the Comptroller's Offset process. (Agencies are statutorily required to refer debts over \$250)
- Implement a consistent annual write-off procedure for uncollectible debts.

# Conclusion:

By implementing standardized internal account receivable procedures, state agencies will be able to approach debt collection in a methodical and organized manner.

# **Legislative Enhancements to Assist with Debt Collections**



- **Public Act 096-1383**

- Section 9. Except where prohibited by federal law or regulation the private collection firm fees can be passed on to the debtor as an additional liability. A huge potential savings to the State.
- Section 10 (h). The original 20% debt collection fee agencies paid to IDOR was eliminated.

- **Public Act 097-0444**

- Section 10.2. Authorizes deferred payment plans and compromise of past debts. Numerous state agencies never had the statutory authority to compromise or settle old debts.

- **35 ILCS 5/911.2 & .3 Refunds Withheld**

- Allow IDOR to offset individual income tax refunds for other State Agencies. We have offset approximately \$10 million for HFS's child support debt since inception in 2006.

- **Subsection (C-1) of 30 ILCS 210/5 states:**

- “(C-1) All debts that exceed \$250 ~~\$1,000~~ and are more than 90 days past due shall be placed in the Comptroller’s Offset System, unless (i) the State agency shall have entered into a deferred payment plan or demonstrates to the Comptroller’s satisfaction that referral for offset is not cost effective; or (ii) the State agency is a university that elects to place in the Comptroller’s Offset System only debts that exceed \$1,000 and are more than 90 days past due. All debt, and maintenance of that debt, that is placed in the Comptroller’s Offset System must be submitted electronically to the Office of the Comptroller. Any exception to this requirement must be approved in writing by the Comptroller.”

- **20 ILCS 2505/2505-640)**

- Sec. 2505-640. Collection of taxes of other states.
  - The Department may enter into agreements with any other state for the reciprocal collection by the Department pursuant to the Reciprocal Tax Collection Act of taxes owed to that state and collection by the other state pursuant to a provision of its law similar to the Reciprocal Tax Collection Act of taxes owed to this State.
  - An Agreement under this Section shall contain provisions relating to:
    - Safeguards against the disclosure or inappropriate use of any information that identifies, directly or indirectly, a particular taxpayer obtained or maintained pursuant to the agreement, or that is required to be kept confidential under the applicable laws of either state or of the United States; and
    - A minimum threshold for the amount of taxes owed by a taxpayer to a state that would trigger the operation of the agreement.
  - (Source: P.A. 96-1383, eff. 1-1-11.)
- **NOTE: CA & CT are the only other states that have passed this law**

- **(5 ILCS 179/10)**

- Sec.10

- The prohibitions in subsection (b) do not apply in the following circumstances:

- (5) The disclosure of social security numbers by a State agency to any entity for the collection of delinquent child support or of any State debt or to a governmental agency to assist with an investigation or the prevention of fraud.



**Q & A**