

109TH CONGRESS  
2D SESSION

# S. 3512

To amend the Internal Revenue Code of 1986 to allow an offset against income tax refunds to pay for State judicial debts that are past-due.

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IN THE SENATE OF THE UNITED STATES

JUNE 14, 2006

Mr. SMITH (for himself and Mr. SCHUMER) introduced the following bill;  
which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to allow an offset against income tax refunds to pay for State judicial debts that are past-due.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. OFFSET OF STATE JUDICIAL DEBTS AGAINST**  
4       **INCOME TAX REFUND.**

5       (a) IN GENERAL.—Section 6402 of the Internal Rev-  
6       enue Code of 1986 (relating to authority to make credits  
7       or refunds) is amended by redesignating subsections (f)  
8       through (k) as subsections (g) through (l), respectively,  
9       and by inserting after subsection (e) the following:

1       “(f) COLLECTION OF PAST-DUE, LEGALLY EN-  
2   FORCEABLE STATE JUDICIAL DEBTS.—

3               “(1) IN GENERAL.—Upon receiving notice from  
4       any State judicial branch or State agency designated  
5       by the chief justice of the State’s highest court that  
6       a named person owes a past-due, legally enforceable  
7       State judicial debt to or in such State, the Secretary  
8       shall, under such conditions as may be prescribed by  
9       the Secretary—

10              “(A) reduce the amount of any overpay-  
11              ment payable to such person by the amount of  
12              such State judicial debt;

13              “(B) pay the amount by which such over-  
14              payment is reduced under subparagraph (A) to  
15              such State judicial branch or State agency and  
16              notify such State judicial branch or State agen-  
17              cy of such person’s name, taxpayer identifica-  
18              tion number, address, and the amount collected;  
19              and

20              “(C) notify the person making such over-  
21              payment that the overpayment has been re-  
22              duced by an amount necessary to satisfy a past-  
23              due, legally enforceable State judicial debt.

24       If an offset is made pursuant to a joint return, the  
25       notice under subparagraph (B) shall include the

1 names, taxpayer identification numbers, and ad-  
2 dresses of each person filing such return.

3 “(2) OFFSET PERMITTED ONLY AGAINST RESI-  
4 DENTS OF STATE SEEKING OFFSET.—Paragraph (1)  
5 shall apply to an overpayment by any person for a  
6 taxable year only if the address shown on the Fed-  
7 eral return for such taxable year is an address with-  
8 in the State of the State judicial branch or State  
9 agency seeking the offset.

10 “(3) PRIORITIES FOR OFFSET.—Any overpay-  
11 ment by a person shall be reduced pursuant to this  
12 subsection—

13 “(A) after such overpayment is reduced  
14 pursuant to—

15 “(i) subsection (a) with respect to any  
16 liability for any internal revenue tax on the  
17 part of the person who made the overpay-  
18 ment;

19 “(ii) subsection (c) with respect to  
20 past-due support;

21 “(iii) subsection (d) with respect to  
22 any past-due, legally enforceable debt owed  
23 to a Federal agency; and

1 “(iv) subsection (e) with respect to  
 2 any past-due, legally enforceable State in-  
 3 come tax obligations; and

4 “(B) before such overpayment is credited  
 5 to the future liability for any Federal internal  
 6 revenue tax of such person pursuant to sub-  
 7 section (b).

8 If the Secretary receives notice from 1 or more State  
 9 agencies, or from 1 or more State agencies and the  
 10 State judicial branch, of more than 1 debt subject  
 11 to paragraph (1) that is owed by such person to  
 12 such State agency or State judicial branch, any over-  
 13 payment by such person shall be applied against  
 14 such debts in the order in which such debts accrued.

15 “(4) NOTICE; CONSIDERATION OF EVIDENCE.—  
 16 Rules similar to the rules of subsection (e)(4) shall  
 17 apply with respect to debts under this subsection.

18 “(5) PAST-DUE, LEGALLY ENFORCEABLE STATE  
 19 JUDICIAL DEBT.—

20 “(A) IN GENERAL.—For purposes of this  
 21 subsection, the term ‘past-due, legally enforce-  
 22 able State judicial debt’ means a debt—

23 “(i) which resulted from a judgment  
 24 or sentence rendered by any court or tri-  
 25 bunal of competent jurisdiction which—

1 “(I) handles criminal or traffic  
2 cases in the State; and

3 “(II) has determined an amount  
4 of State judicial debt to be due; and

5 “(ii) which resulted from a State judi-  
6 cial debt which has been assessed and is  
7 past-due but not collected.

8 “(B) STATE JUDICIAL DEBT.—For pur-  
9 poses of this paragraph, the term ‘State judicial  
10 debt’ includes court costs, fees, fines, assess-  
11 ments, restitution to victims of crime, and other  
12 monies resulting from a judgment or sentence  
13 rendered by any court or tribunal of competent  
14 jurisdiction handling criminal or traffic cases in  
15 the State.

16 “(6) REGULATIONS.—The Secretary shall issue  
17 regulations prescribing the time and manner in  
18 which State judicial branches and State agencies  
19 must submit notices of past-due, legally enforceable  
20 State judicial debts and the necessary information  
21 that must be contained in or accompany such no-  
22 tices. The regulations shall specify the types of State  
23 judicial monies and the minimum amount of debt to  
24 which the reduction procedure established by para-  
25 graph (1) may be applied. The regulations may re-

1       quire State judicial branches and State agencies to  
 2       pay a fee to reimburse the Secretary for the cost of  
 3       applying such procedure. Any fee paid to the Sec-  
 4       retary pursuant to the preceding sentence shall be  
 5       used to reimburse appropriations which bore all or  
 6       part of the cost of applying such procedure.

7               “(7) ERRONEOUS PAYMENT TO STATE.—Any  
 8       State judicial branch or State agency receiving no-  
 9       tice from the Secretary that an erroneous payment  
 10      has been made to such State judicial branch or  
 11      State agency under paragraph (1) shall pay prompt-  
 12      ly to the Secretary, in accordance with such regula-  
 13      tions as the Secretary may prescribe, an amount  
 14      equal to the amount of such erroneous payment  
 15      (without regard to whether any other amounts pay-  
 16      able to such State judicial branch or State agency  
 17      under such paragraph have been paid to such State  
 18      judicial branch or State agency).”.

19      (b) DISCLOSURE OF RETURN INFORMATION.—Sec-  
 20      tion 6103(l)(10) of the Internal Revenue Code of 1986  
 21      (relating to disclosure of certain information to agencies  
 22      requesting a reduction under subsection (c), (d), or (e) of  
 23      section 6402) is amended by striking “or (e)” each place  
 24      it appears in the text and heading and inserting “(e), or  
 25      (f)”.

1 (c) CONFORMING AMENDMENTS.—

2 (1) Section 6402(a) of the Internal Revenue  
3 Code of 1986 is amended by striking “and (e)” and  
4 inserting “(e), and (f)”.

5 (2) Paragraph (2) of section 6402(d) of such  
6 Code is amended by striking “subsection (e)” and  
7 inserting “subsections (e) and (f)”.

8 (3) Paragraph (3)(B) of section 6402(e) of  
9 such Code is amended to read as follows:

10 “(B) before such overpayment is—

11 “(i) reduced pursuant to subsection  
12 (f) with respect to past-due, legally en-  
13 forceable State judicial debts, and

14 “(ii) credited to the future liability for  
15 any Federal internal revenue tax of such  
16 person pursuant to subsection (b).”.

17 (4) Section 6402(g) of such Code, as so redesign-  
18 nated, is amended by striking “or (e)” and inserting  
19 “(e), or (f)”.

20 (5) Section 6402(i) of such Code, as so redesign-  
21 nated, is amended by striking “or (e)” and inserting  
22 “, (e), or (f)”.

1       (d) EFFECTIVE DATE.—The amendments made by  
2 this Act shall apply to refunds payable for taxable years  
3 beginning after December 31, 2006.

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