

110TH CONGRESS
1ST SESSION

S. 1287

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.

IN THE SENATE OF THE UNITED STATES

MAY 3, 2007

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

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) PRIORITIES FOR OFFSET.—Any overpay-
4 ment by a person shall be reduced pursuant to this
5 subsection—

6 “(A) after such overpayment is reduced
7 pursuant to—

8 “(i) subsection (a) with respect to any
9 liability for any internal revenue tax on the
10 part of the person who made the overpay-
11 ment;

12 “(ii) subsection (c) with respect to
13 past-due support;

14 “(iii) subsection (d) with respect to
15 any past-due, legally enforceable debt owed
16 to a Federal agency; and

17 “(iv) subsection (e) with respect to
18 any past-due, legally enforceable State in-
19 come tax obligations; and

20 “(B) before such overpayment is credited
21 to the future liability for any Federal internal
22 revenue tax of such person pursuant to sub-
23 section (b).

24 If the Secretary receives notice from 1 or more State
25 agencies, or from 1 or more State agencies and the

1 State judicial branch, of more than 1 debt subject
2 to paragraph (1) that is owed by such person to
3 such State agency or State judicial branch, any over-
4 payment by such person shall be applied against
5 such debts in the order in which such debts accrued.

6 “(3) NOTICE; CONSIDERATION OF EVIDENCE.—
7 Rules similar to the rules of subsection (e)(4) shall
8 apply with respect to debts under this subsection.

9 “(4) PAST-DUE, LEGALLY ENFORCEABLE STATE
10 JUDICIAL DEBT.—

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

14 “(i) which resulted from a judgment
15 or sentence rendered by any court or tri-
16 bunal of competent jurisdiction which—

17 “(I) handles criminal or traffic
18 cases in the State; and

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

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

24 “(B) STATE JUDICIAL DEBT.—For pur-
25 poses of this paragraph, the term ‘State judicial

1 debt' includes court costs, fees, fines, assess-
2 ments, restitution to victims of crime, and other
3 monies resulting from a judgment or sentence
4 rendered by any court or tribunal of competent
5 jurisdiction handling criminal or traffic cases in
6 the State.

7 “(5) REGULATIONS.—The Secretary shall issue
8 regulations prescribing the time and manner in
9 which State judicial branches and State agencies
10 must submit notices of past-due, legally enforceable
11 State judicial debts and the necessary information
12 that must be contained in or accompany such no-
13 tices. The regulations shall specify the types of State
14 judicial monies and the minimum amount of debt to
15 which the reduction procedure established by para-
16 graph (1) may be applied. The regulations may re-
17 quire State judicial branches and State agencies to
18 pay a fee to reimburse the Secretary for the cost of
19 applying such procedure. Any fee paid to the Sec-
20 retary pursuant to the preceding sentence shall be
21 used to reimburse appropriations which bore all or
22 part of the cost of applying such procedure.

23 “(6) ERRONEOUS PAYMENT TO STATE.—Any
24 State judicial branch or State agency receiving no-
25 tice from the Secretary that an erroneous payment

1 has been made to such State judicial branch or
2 State agency under paragraph (1) shall pay promptly
3 to the Secretary, in accordance with such regulations
4 as the Secretary may prescribe, an amount
5 equal to the amount of such erroneous payment
6 (without regard to whether any other amounts payable
7 to such State judicial branch or State agency
8 under such paragraph have been paid to such State
9 judicial branch or State agency).”.

10 (b) DISCLOSURE OF RETURN INFORMATION.—Section
11 6103(l)(10) of the Internal Revenue Code of 1986
12 (relating to disclosure of certain information to agencies
13 requesting a reduction under subsection (c), (d), or (e) of
14 section 6402) is amended by striking “or (e)” each place
15 it appears in the text and heading and inserting “(e), or
16 (f)”.

17 (c) CONFORMING AMENDMENTS.—

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

21 (2) Paragraph (2) of section 6402(d) of such
22 Code is amended by striking “subsection (e)” and
23 inserting “subsections (e) and (f)”.

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

1 “(B) before such overpayment is—

2 “(i) reduced pursuant to subsection
3 (f) with respect to past-due, legally en-
4 forceable State judicial debts, and

5 “(ii) credited to the future liability for
6 any Federal internal revenue tax of such
7 person pursuant to subsection (b).”.

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

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

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

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