

Revenue recapture allows DOR to collect debts by intercepting tax refunds

Revenue recapture authorizes the Department of Revenue (DOR) to take part or all of a state tax refund or other payment to collect a debt that the taxpayer owes to one of the following types of creditors:

- State agencies
- University of Minnesota
- Minnesota district courts
- Counties and cities
- Licensed ambulance services
- Governmentally owned hospitals
- Agencies responsible either for enforcing child support obligations or for administering low-income housing programs

A variety of debts qualify for collection using recapture

The debt (minimum amount of \$25) must be owed to or collectable by a qualifying creditor. The debtor must be an individual; the law does not apply to corporations. The creditor does not need a court order to enforce the debt. Qualifying debts include:

- Contractual or statutory obligations
- Criminal fines and fines for petty misdemeanors
- Court-ordered restitution for a crime
- Child support obligations
- Overpayment of public assistance
- Unpaid MinnesotaCare insurance premiums

Obligations of low-income individuals (incomes between \$15,870 and \$29,990 for care provided in 2024, depending upon family size) to repay debts for medical care, including hospitalization, cannot be recaptured. Debts barred by the statute of limitations also cannot be recaptured.

Some types of refunds are subject to recapture

Revenue recapture applies to the following:

- Individual income tax refunds
- Political contribution refunds
- Property tax refunds
- Sustainable forest incentive payments
- Lottery prizes of \$600 or more
- Awards from the Joint House-Senate Subcommittee on Claims

State taxes have first priority for collection

Recaptured refund payments are applied to debts in the following order of priority:

1. Debts to DOR for, e.g., unpaid state taxes, interest, and penalties
2. Child support obligations
3. Restitution obligations
4. Claims submitted for a hospital or ambulance service
5. Debts owed to other Minnesota agencies
6. Debts to government agencies from other states
7. Federal taxes

The claimant must notify debtor about revenue recapture

To seek revenue recapture, a creditor must submit a claim to DOR and notify the debtor in writing of the claim within five days of its submission. The taxpayer then has 45 days to request a hearing, which the creditor initiates under the procedures outlines in the Administrative Procedures Act.

DOR and the state general fund receive a fixed fee for each claim

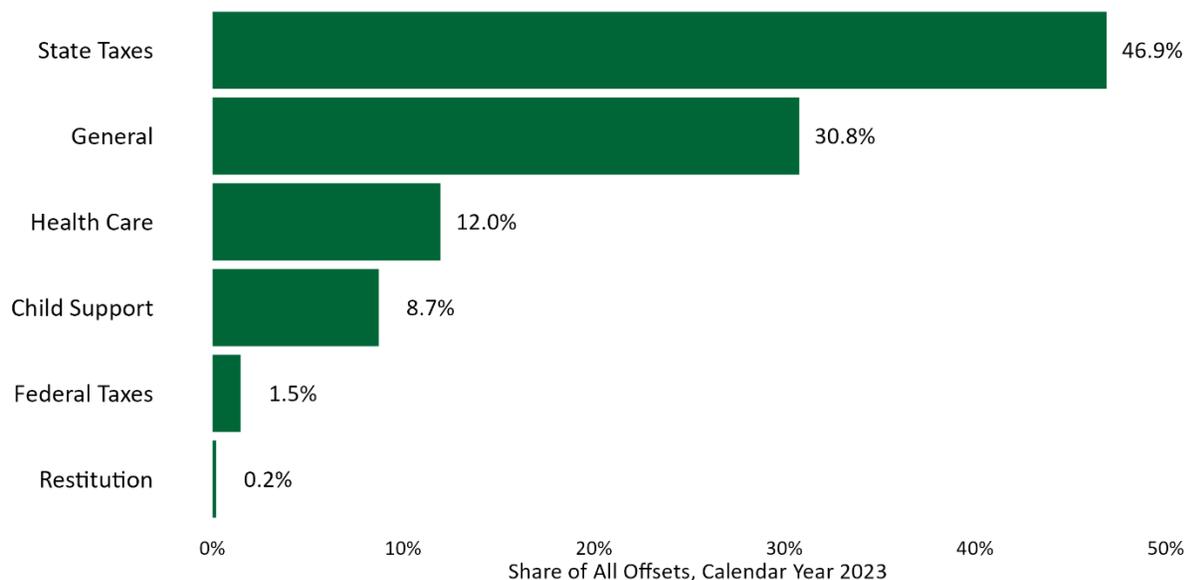
When a claim is successful, DOR deducts \$15 from the refund before paying the creditor the amount of the refund or the debt, whichever is less. Of this \$15, \$11 goes to the state's general fund and \$4 is set aside in a dedicated, revolving fund for DOR's costs of operating the program. In calendar year 2023, DOR received \$707,543 through these fees, and the general fund received \$1,722,047.

The table below shows five years of revenue recapture offsets—both DOR claims for unpaid state taxes and claims from other state and federal agencies. The graph below shows the share of revenue recapture represented by different categories of debts.

Total Revenue Recapture Offsets, 2019 to 2023

	2019	2020	2021	2022	2023
Claims from other state and federal agencies					
Total offsets	\$96,284,835	\$84,132,592	\$62,475,699	\$50,527,789	\$59,927,373
Number of offsets	242,991	220,665	198,694	147,958	164,461
Department of Revenue claims for unpaid state taxes, interest, and penalties					
Total offsets	\$34,294,709	\$45,265,699	\$42,819,706	\$41,771,274	\$51,372,396
Number of offsets	111,819	137,723	143,522	124,152	140,353

Revenue Recapture Debts by Category, Calendar Year 2023



Minnesota House Research Department.

Source: House Research analysis of data shared by the Department of Revenue



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