

Revenue Recapture Program

Revenue recapture allows state and some local governments to collect debts by intercepting tax refunds

Revenue recapture authorizes the Department of Revenue (DOR) to intercept or offset part or all of a state tax refund or other payment to collect a debt that the taxpayer owes to a government agency or other authorized creditor. The following agencies may use the Revenue Recapture Program:

- State agencies
- University of Minnesota
- Minnesota district courts
- Counties
- Cities, including for public library debts
- Governmentally owned hospitals and Regions Hospital
- Agencies responsible for child support enforcement
- Agencies that administer low-income housing programs
- Licensed ambulance services

A variety of debts qualify for collection using recapture

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

- 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 \$12,620 and \$23,840 for care provided in 2016, 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.

Tax refunds are applied first to unpaid taxes, interest, and penalties before revenue recapture takes effect to offset qualifying debts.

Some types of refunds are subject to recapture

Revenue recapture applies to the following:

- Individual income tax refunds
- Property tax refunds
- Sustainable forest incentive payments
- Lottery prizes

The claimant must notify debtor about revenue recapture

Under revenue recapture, a claimant (creditor) agency submits the claim (debt) to DOR for offset. Within five days after doing so, it must notify the debtor-taxpayer in writing of the debt(s) that will be subject to revenue recapture. The taxpayer then has 45 days to request a hearing, which the claimant agency

initiates; the hearing is conducted as a contested case under the Administrative Procedures Act.

Child support has first priority for collection

When more than one debt is submitted, the debts are applied in the following order of priority:

- Child support obligations
- Restitution obligations
- Claims submitted for a hospital or ambulance service
- Other debts based on the order in which DOR received the claims

DOR accounts receivable (e.g., unpaid taxes, interest, and penalties) are offset before claims under revenue recapture.

A \$15 administrative fee applies

A fee of \$15 per claim is first deducted from the refund, and the claimant agency receives the balance of the refund or the claim amount, whichever is less. Of this \$15, \$4 is set aside in a dedicated, revolving fund to pay DOR’s cost of operating the program; the rest goes to the state’s general fund.

Over \$66 million was recaptured in 2016

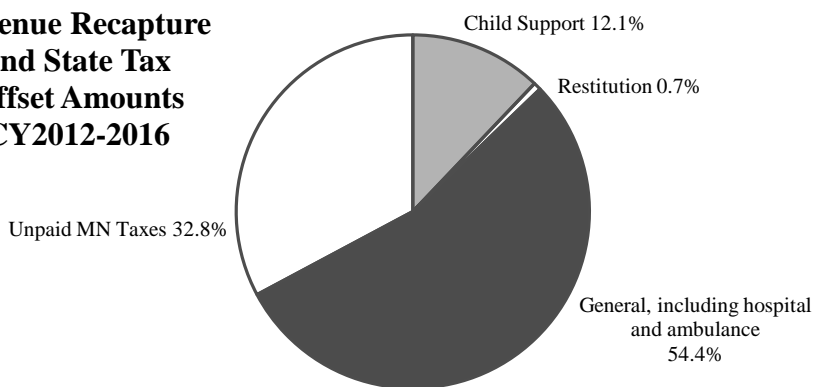
The table to the right shows the number of revenue recapture offsets and amount of refunds offset for calendar years 2012 to 2016.

The graph below shows the percentage of revenue recapture amounts and tax debts offset for calendar years 2012 to 2016 by four of the major types of debts for which the law sets priorities.

Revenue Recapture Amounts CY2012-2016		
	Number of Offsets	Amount of Recapture
2012	231,085	\$71,699,789
2013	228,262	\$67,983,144
2014	238,154	\$68,557,048
2015	225,722	\$68,203,645
2016	214,030	\$66,433,954

Data exclude offsets to satisfy federal debts and taxes, and for unpaid state taxes. In 2016, \$16,998,209 in federal debt and taxes was offset, and there were 91,530 offsets for \$30,612,243 in unpaid state taxes.
Source: DOR

**Revenue Recapture and State Tax Offset Amounts
CY2012-2016**



For more information: See www.revenue.state.mn.us/collections/Pages/Revenue_Recapture.aspx for more information, or contact the Department of Revenue at 651-556-3037; or email at revenue.recapture@state.mn.us.

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