
DCSE Policy & Procedures Unit
Policy Update
PPU 06-09-011
September 22, 2006

SUBJECT: Changes to DOR State Tax Refund Intercept Policy

Please contact the Policy Unit if you have any questions regarding these or any other changes at
*DCSE-POLICYQUESTIONS or (602) 274-7951.

*The IV-D PARTNERS should send POLICY inquiries directly to *DCSE-POLICYQUESTIONS@azdes.gov*

On September 20, 2006, a Legislative Update was issued regarding House Bill 2001. The changes directly affect the Department of Revenue (DOR) State Tax Refund Intercept Policy.

The law became effective September 21, 2006, and establishes a penalty in cases when all or part of a refund is intercepted in error due to an agency or court incorrectly identifying a taxpayer through no fault of the taxpayer. The taxpayer may be entitled to the full refund plus interest and penalties from the agency or court.

In a case where it is determined that the offset was in error, no penalty will be applied if the money is returned to the taxpayer within 15 days of notice to the agency that the refund was erroneously intercepted. The time period for assessment of penalties is stayed while the administrative review is pending. If an Administrative Review finding is made in favor of the taxpayer, DCSE must act promptly to refund the money. Interest must always be paid on refunds erroneously intercepted, but penalties can be avoided if money is refunded within the 15 days after the decision is made.

Information on DOR changes is located in OPPM in Enforcement of Support, DOR State Tax Refund Intercept Policy. The Policy sections are: 01. Liability Setoff Program, and 02. Administrative Review for DOR Tax Refund Setoffs.