Policy Title: Obtaining a Setoff Against State Income Tax
Policy Number: 27
Effective Date: July 1, 2024

The Office of Personnel Management (OPM) is authorized as a claimant agency to obtain a setoff against State Income Tax refunds to collect a debt resulting from an employee’s overpayment of salary or wages, including a lump-sum payment or the repayment of a bonus payment under § 21-5-228(d)(2)(A) or § 21-5-228(d)(2)(B)(i), as well as a debt owed to the State as a result of having cashed both the original and the duplicate State payroll warrant. The Department of Finance and Administration Revenue Division will assist in the collection of any debt owed.

State agencies opting to collect an overpayment of salary or wages through a setoff against a State Income Tax refund must send the debtor a Debt Collection Letter notifying the debtor of its intent to intercept the debtor’s tax refund. The debtor is granted thirty (30) days to give written notice requesting a hearing concerning the validity of the debt. Debtors requesting a hearing within the timeframe must be granted a hearing by the agency according to the procedures established under the Administrative Procedures Act.