TRECS Defined
NACo’s Local Government Debt Setoff Clearinghouse service is a results-oriented process to help counties collect outstanding debts in a timely, cost-effective manner. The service allows counties to compile and submit their delinquencies for setoff against pending state personal income tax refunds and lottery winnings.

In concert with the state county association, NACo provides and maintains the centralized automation and back office systems needed to transmit and process debts through the state’s lead revenue agency. Standard systems configuration includes an automated voice response system to connect debtor queries to the appropriate local agency.

Counties can increase debt collection rates with minimal effort and costs

Minimal County Cost or Effort
Participating counties incur little if any additional collection cost—the debtor is charged the local collection assistance fee which supports program operations and provides a revenue stream to the participating county associations.

NACo’s TRECS Clearinghouse service builds upon individual state agency debt collection functions already in place, allowing county setoff programs to be established quickly and easily with minimal county staff effort. To lessen county work disruption, county staff expertise is engaged early on during program development to integrate its setoff services into existing county billing and collection processes.

Proven Success
NACo piloted its national debt setoff clearinghouse system with the Association of Indiana Counties and its members January 1, 2018. The results to date have been of great value to the 130 participating agencies in Indiana. Initial debtor notices have collected over $30 million for Indiana counties. In 2019, 2020, and 2021, respectively, the TRECs clearinghouse service expanded into California, Arkansas, and Utah. Participating agencies in Indiana, California, and Arkansas doubled their debt/refund match rates from 2019, with nearly 20,000 county debts being matched in 2020.

For more information, please contact Spencer Bridgers, NACo Revenue Recovery Director, at 202-942-4214 or Danielle Steinhart, NACo Revenue Recovery Project Manager, at 202-942-4252.
Local Government Debt Setoff Clearinghouse 2021 Participants

The Association of Indiana Counties started the program in 2018.

The California State Association of Counties started the program in 2019.

The Association of Arkansas Counties started the program in 2020.

The Utah Association of Counties started the program in 2021.

Common Clearinghouse Process

Local agency sends notices to debtors by state-set date (may follow offset) → Debtor has set time to resolve or contest debt → Local agency submits claims to clearinghouse (ongoing) → Clearinghouse formats data file to state standards & loads AVR system

Clearinghouse sends funds & reconciliation files to local agency → State DoR submits matche file to clearinghouse → State DoR sets off debt & notifies debtor of action → State DoR checks claims for refund via debtor SSN & name → Clearinghouse securely transfers file to state revenue dept. (DoR)

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