

CHAPTER 16D

DEBT COLLECTION

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16D.02 DEFINITIONS.

[For text of subs 1 to 5, see M.S.1994]

Subd. 6. Referring agency. "Referring agency" means a state agency or a court that has entered into a debt qualification plan with the commissioner to refer debts to the commissioner for collection.

[For text of subd 7, see M.S.1994]

Subd. 8. Enterprise. "Enterprise" means the Minnesota collection enterprise, a separate unit established to carry out the provisions of this chapter, pursuant to the commissioner's authority to contract with the commissioner of revenue for collection services under section 16D.04, subdivision 1.

History: 1995 c 254 art 5 s 3,4

16D.04 COLLECTION ACTIVITIES.

Subdivision 1. Duties. The commissioner shall provide services to the state and its agencies to collect debts owed the state. The commissioner is not a collection agency as defined by section 332.31, subdivision 3, and is not licensed, bonded, or regulated by the commissioner of commerce under sections 332.31 to 332.35 or 332.38 to 332.45. The commissioner is subject to section 332.37, except clause (9) or (10). The commissioner may contract with the commissioner of revenue for collection services, and may delegate to the commissioner of revenue any of the commissioner's duties and powers under this chapter. Debts referred to the commissioner of revenue for collection under this section or section 256.9792 may in turn be referred by the commissioner of revenue to the enterprise. An audited financial statement may not be required as a condition of debt placement with a private agency if the private agency: (1) has errors and omissions coverage under a professional liability policy in an amount of at least \$1,000,000; or (2) has a fidelity bond to cover actions of its employees, in an amount of at least \$100,000. In cases of debts referred under section 256.9792, the provisions of this chapter and section 256.9792 apply to the extent they are not in conflict. If they are in conflict, the provisions of section 256.9792 control. For purposes of this chapter, the referring agency for such debts remains the department of human services.

[For text of subd 2, see M.S.1994]

Subd. 3. Services. The commissioner shall provide collection services for a state agency, and may provide for collection services for a court, in accordance with the terms and conditions of a signed debt qualification plan.

[For text of subd 4, see M.S.1994]

History: 1995 c 254 art 5 s 5,6

16D.06 DEBTOR INFORMATION.

Subdivision 1. Access to government data not public. Notwithstanding chapter 13 or any other state law classifying or restricting access to government data, upon request from the commissioner or the attorney general, state agencies, political subdivisions, and statewide systems shall disseminate not public data to the commissioner or the attorney general for the sole purpose of collecting debt. Not public data disseminated under this subdivision is

limited to financial data of the debtor or data related to the location of the debtor or the assets of the debtor.

Subd. 2. Disclosure of data. Data received, collected, created, or maintained by the commissioner or the attorney general to collect debts are classified as private data on individuals under section 13.02, subdivision 12, or nonpublic data under section 13.02, subdivision 9. The commissioner or the attorney general may disclose not public data:

- (1) under section 13.05;
- (2) under court order;
- (3) under a statute specifically authorizing access to the not public data;
- (4) to provide notices required or permitted by statute;
- (5) to an agent of the commissioner, including a law enforcement person, attorney, or investigator acting for the commissioner in the investigation or prosecution of a criminal or civil proceeding relating to collection of a debt;
- (6) to report names of debtors, amount of debt, date of debt, and the agency to whom debt is owed to credit bureaus and private collection agencies under contract with the commissioner;
- (7) when necessary to locate the debtor, locate the assets of the debtor, or to enforce or implement the collection of a debt; and
- (8) to the commissioner of revenue for tax administration purposes.

The commissioner and the attorney general may not disclose data that is not public to a private collection agency or other entity with whom the commissioner has contracted under section 16D.04, subdivision 4, unless disclosure is otherwise authorized by law.

History: 1995 c 254 art 5 s 7

16D.08 COLLECTION DUTIES AND POWERS.

[For text of subd 1, see M.S.1994]

Subd. 2. Powers. In addition to the collection remedies available to private collection agencies in this state, the commissioner, with legal assistance from the attorney general, may utilize any statutory authority granted to a referring agency for purposes of collecting debt owed to that referring agency. The commissioner may also use the tax collection remedies of the commissioner of revenue in sections 270.06, clauses (7) and (17), excluding the power to subpoena witnesses; 270.66; 270.69, excluding subdivisions 7 and 13; 270.70, excluding subdivision 14; 270.7001 to 270.72; and 290.92, subdivision 23, except that a continuous wage levy under section 290.92, subdivision 23, is only effective for 70 days, unless no competing wage garnishments, executions, or levies are served within the 70-day period, in which case a wage levy is continuous until a competing garnishment, execution, or levy is served in the second or a succeeding 70-day period, in which case a continuous wage levy is effective for the remainder of that period. A debtor who qualifies for cancellation of the collection penalty under section 16D.11, subdivision 3, clause (1), can apply to the commissioner for reduction or release of a continuous wage levy, if the debtor establishes that the debtor needs all or a portion of the wages being levied upon to pay for essential living expenses, such as food, clothing, shelter, medical care, or expenses necessary for maintaining employment. The commissioner's determination not to reduce or release a continuous wage levy is appealable to district court. The word "tax" or "taxes" when used in the tax collection statutes listed in this subdivision also means debts referred under this chapter. For debts other than state taxes or child support, before any of the tax collection remedies listed in this subdivision can be used, except for the remedies in section 270.06, clauses (7) and (17), if the referring agency has not already obtained a judgment or filed a lien, the commissioner must first obtain a judgment against the debtor.

History: 1995 c 254 art 5 s 8

16D.11 COLLECTION PENALTY.

Subdivision 1. Imposition. As determined by the commissioner, a penalty shall be added to the debts referred to the commissioner or private collection agency for collection. The

penalty is collectible by the commissioner or private agency from the debtor at the same time and in the same manner as the referred debt. The referring agency shall advise the debtor of the penalty under this section and the debtor's right to cancellation of the penalty under subdivision 3 at the time the agency sends notice to the debtor under section 16D.07. If the commissioner or private agency collects an amount less than the total due, the payment is applied proportionally to the penalty and the underlying debt. Penalties collected by the commissioner under this subdivision or retained under subdivision 6 shall be deposited in the general fund as nondedicated receipts. Penalties collected by private agencies are appropriated to the referring agency to pay the collection fees charged by the private agency. Penalty collections in excess of collection agency fees must be deposited in the general fund as nondedicated receipts.

Subd. 2. Computation. Beginning July 1, 1995, at the time a debt is referred, the amount of the penalty is equal to 15 percent of the debt, or 25 percent of the debt remaining unpaid if the commissioner or private collection agency has to take enforced collection action by serving a summons and complaint on or entering judgment against the debtor, or by utilizing any of the remedies authorized under section 16D.08, subdivision 2, except for the remedies in sections 270.06, clause (7), and 270.66 or when referred by the commissioner for additional collection activity by a private collection agency. If, after referral of a debt to a private collection agency, the debtor requests cancellation of the penalty under subdivision 3, the debt must be returned to the commissioner for resolution of the request.

Subd. 3. Cancellation. The penalty imposed under subdivision 1 shall be canceled and subtracted from the amount due if:

(1) the debtor's household income as defined in section 290A.03, subdivision 5, excluding the exemption subtractions in subdivision 3, paragraph (3) of that section, for the 12 months preceding the date of referral is less than twice the annual federal poverty guideline under United States Code, title 42, section 9902, subsection (2);

(2) within 60 days after the first contact with the debtor by the enterprise or collection agency, the debtor establishes reasonable cause for the failure to pay the debt prior to referral of the debt to the enterprise;

(3) a good faith dispute as to the legitimacy or the amount of the debt is made, and payment is remitted or a payment agreement is entered into within 30 days after resolution of the dispute;

(4) good faith litigation occurs and the debtor's position is substantially justified, and if the debtor does not totally prevail, the debt is paid or a payment agreement is entered into within 30 days after the judgment becomes final and nonappealable; or

(5) penalties have been added by the referring agency and are included in the amount of the referred debt.

Subd. 4. Appeal. Decisions of the commissioner denying an application to cancel the penalty under subdivision 3 are subject to the contested case procedure under chapter 14.

Subd. 5. Refund. If a penalty is collected and then canceled, the amount of the penalty shall be refunded to the debtor within 30 days. The amount necessary to pay the refunds is annually appropriated to the commissioner.

Subd. 6. Charge to referring agency. If the penalty is canceled under subdivision 3, an amount equal to the penalty is retained by the commissioner from the debt collected, and is accounted for and subject to the same provisions of this chapter as if the penalty had been collected from the debtor.

Subd. 7. Adjustment of rate. By June 1 of each year, the commissioner shall determine the rate of the penalty for debts referred to the enterprise during the next fiscal year. The rate is a percentage of the debts in an amount that most nearly equals the costs of the enterprise necessary to process and collect referred debts under this chapter. In no event shall the rate of the penalty when a debt is first referred exceed three-fifths of the maximum penalty, and in no event shall the rate of the maximum penalty exceed 25 percent of the debt. Determination of the rate of the penalty under this section is not rulemaking under chapter 14, and is not subject to the fee setting requirements of section 16A.1285.

History: 1995 c 254 art 5 s 9

16D.12 PAYMENT OF COLLECTION AGENCY FEES.

Unless otherwise expressly prohibited by law, a state agency may pay for the services of a state or private collection agency from the money collected. The portion of the money collected which must be paid to the collection agency as its collection fee is appropriated from the fund to which the collected money is due.

History: 1995 c 254 art 5 s 10

16D.13 INTEREST.

Subdivision 1. **Authority.** Unless otherwise provided by contract out of which the debt arises or by state or federal law, a state agency shall charge simple interest on debts owed to the state at the rate provided in subdivision 2 if notice has been given in accordance with this subdivision. Interest charged under this section begins to accrue on the 30th calendar day following the state agency's first written demand for payment that includes notification to the debtor that interest will begin to accrue on the debt in accordance with this section.

Subd. 2. **Computation.** Notwithstanding chapter 334, the rate of interest is the rate determined by the state court administrator under section 549.09, subdivision 1, paragraph (c).

Subd. 3. **Exclusion.** A state agency may not charge interest under this section on overpayments of assistance benefits under sections 256.031 to 256.0361, 256.72 to 256.87, chapters 256D and 256I, or the federal food stamp program. Notwithstanding this prohibition, any debts that have been reduced to judgment under these programs are subject to the interest charges provided under section 549.09.

History: 1995 c 254 art 5 s 11

16D.14 VENUE.

Subdivision 1. **Authorization.** The commissioner or the attorney general may bring an action to recover debts owed to the state in Ramsey county district court or Ramsey county conciliation court at the discretion of the state. In order to bring a cause of action under this section in any county other than the county where the debtor resides or where the cause of action arose, the commissioner or the attorney general must notify the debtor as provided in subdivisions 2 to 4, unless that venue is authorized by other law.

Subd. 2. **Conciliation court; claims for \$2,500 or less.** (a) Before bringing a conciliation court action for a claim for \$2,500 or less under this section in any county other than where the debtor resides or where the cause of action arose, the commissioner or the attorney general shall send a form by first class mail to the debtor's last known address notifying the debtor of the intent to bring an action in Ramsey county. The commissioner or attorney general must enclose a form for the debtor to use to request that the action not be brought in Ramsey county and a self-addressed, postage paid envelope. The form must advise the debtor of the right to request that the action not be brought in Ramsey county and that the debtor has 30 days from the date of the form to make this request.

(b) If the debtor timely returns the form requesting the action not be brought in Ramsey county, the commissioner or attorney general may only file the action in the county of the debtor's residence, the county where the cause of action arose, or as provided by other law. The commissioner or attorney general shall notify the debtor of the action taken. If the debtor does not timely return the form, venue is as chosen by the commissioner or attorney general as authorized under this section.

(c) If a judgment is obtained in Ramsey county conciliation court when the form was sent by first class mail under this subdivision and the debtor reasonably demonstrates that the debtor did not reside at the address where the form was sent or that the debtor did not receive the form, the commissioner or the attorney general shall vacate the judgment without prejudice and return any funds collected as a result of enforcement of the judgment. Evidence of the debtor's correct address include, but are not limited to, a driver's license, homestead declaration, school registration, utility bills, or a lease or rental agreement.

Subd. 3. **Conciliation court claims exceeding \$2,500.** (a) In order to bring a conciliation court claim that exceeds \$2,500 under this section in a county other than where the debtor resides or where the cause of action arose, the commissioner or the attorney general shall serve with the conciliation court claim a change of venue form for the debtor to use to request

that venue be changed and a self-addressed, postage paid return envelope. This form must advise the debtor that the form must be returned within 30 days of the date of service or venue will remain in Ramsey county.

(b) If the debtor timely returns the change of venue form requesting a change of venue, the commissioner or attorney general shall change the venue of the action to the county of the debtor's residence, the county where the cause of action arose, as provided by other law, or dismiss the action. The commissioner or attorney general must notify the debtor of the action taken. If the debtor does not timely return the form, venue is as chosen by the commissioner or attorney general as authorized under this section. The commissioner or the attorney general shall file the signed return receipt card or the proof of service with the court.

Subd. 4. District court. (a) In order to bring a district court action under this section in any county other than where the debtor resides or where the cause of action arose, the commissioner or attorney general shall serve the change of venue form with the summons and complaint or petition commencing the collection action. Two copies of the form must be served along with a self-addressed, postage paid return envelope. The form must advise the debtor that the form must be returned within 20 days of the date of service or venue will remain in Ramsey county. If the debtor timely returns the change of venue form, the time to answer the summons and complaint or petition runs from the date of debtor's request for change of venue.

(b) If the debtor timely returns the change of venue form requesting that the action not be brought in Ramsey county, the commissioner or attorney general shall change the venue of the action to the county of the debtor's residence, the county where the cause of action arose, as provided by other law, or dismiss the action. The commissioner or attorney general shall notify the debtor of the action taken. If the debtor is served the form to change venue along with the district court summons and complaint or petition, in accordance with court rules, but does not return the form within the statutory timelines, venue is as chosen by the commissioner or attorney general as authorized under this section. The commissioner or attorney general shall file the proof of service along with the summons and complaint or petition commencing the lawsuit.

Subd. 5. Fees. No court filing fees, docketing fees, or release of judgment fees may be assessed against the state for collection actions filed under this chapter.

History: 1995 c 254 art 5 s 12

16D.15 COMPROMISE OF DEBT.

Unless expressly prohibited by other federal or state law, a state agency may compromise debts owed to the state, whether reduced to judgment or not, where the state agency determines that it is in the best interests of the state to do so.

History: 1995 c 254 art 5 s 13

16D.16 SETOFFS.

Subdivision 1. Authorization. The commissioner or a state agency may automatically deduct the amount of a debt owed to the state from any state payment due to the debtor, except tax refunds; earned income tax credit, child care tax credit, prejudgment debts of \$5,000 or less, funds exempt under section 550.37, or funds owed an individual who receives assistance under the provisions of chapter 256 are not subject to setoff under this chapter. If a debtor has entered into a written payment plan with respect to payment of a specified debt, the right of setoff may not be used to satisfy that debt. Notwithstanding section 181.79, the state may deduct from the wages due or earned by a state employee to collect a debt, subject to the limitations in section 571.922.

Subd. 2. Notice and hearing. Before setoff, the commissioner or state agency shall mail written notice by certified mail to the debtor, addressed to the debtor's last known address, that the commissioner or state agency intends to set off a debt owed to the state by the debtor against future payments due the debtor from the state. For debts owed to the state that have not been reduced to judgment, if no opportunity to be heard or administrative appeal process has yet been made available to the debtor to contest the validity or accuracy of the debt, before setoff for a prejudgment debt, the notice to the debtor must advise that the debtor

has a right to make a written request for a contested case hearing on the validity of the debt or the right to setoff. The debtor has 30 days from the date of that notice to make a written request for a contested case hearing to contest the validity of the debt or the right to setoff. The debtor's request must state the debtor's reasons for contesting the debt or the right to setoff. If the commissioner or state agency desires to pursue the right to setoff following receipt of the debtor's request for a hearing, the commissioner or state agency shall schedule a contested case hearing within 30 days of the receipt of the request for the hearing. If the commissioner or state agency decides not to pursue the right to setoff, the debtor must be notified of that decision.

History: 1995 c 254 art 5 s 14