

# SECTION 10: VENDORS

## IRS Notice of Levy

### INTRODUCTION

*IRS Notice of Levy* provides procedures for paying an invoice from a state vendor who is the subject of an IRS Notice of Levy. A levy is the legal seizure of property to satisfy a tax debt. An IRS Notice of Levy is issued due to nonpayment of federal taxes such as personal or business income taxes, employee withholding, etc., and is sent to obligors of the levied taxpayer. Obligor must then make payment to the IRS for any monies owed to the taxpayer. IRS Notices of Levy are periodically received by the state for levies made against various state employees and state vendors.

#### State Employees

Levies made against state employees are handled exclusively through the Alaska Statewide Payroll System, AKPAY. Travel and other employee reimbursements of actual expenses paid via the Alaska Statewide Accounting System, AKSAS, **are not subject to levy.**

#### State Vendors

An IRS Notice of Levy against a state vendor seizes the state's payments to the vendor while the levy is in place. The state must turn over to the IRS any payments it would normally have made to the vendor.

The Department of Administration (DOA)/Division of Finance (DOF) is responsible for ensuring that all payments made using AKSAS vendor records, sometimes referred to as Pay Vendor Numbers (PVNs), are turned over to the IRS when required by a Notice of Levy. DOF uses vendor records to prevent payment to the levied vendor, and to inform the paying agency that the vendor is under levy.

***NOTE:** DOF is NOT responsible for levy compliance for Permanent Fund Dividend, WIC, WIC Farmer's Market, Unemployment, Medical Assistance, Court Warrant, or Retirement and Benefit payments. These payments do not use AKSAS vendor records. Agencies with these programs are responsible for levy compliance on those payment types according to applicable departmental procedures. Refer any questions regarding levy compliance to the DOF, State Accountant.*

#### Board/Commission Members

Payments to Board/Commission members (**VENDOR CLASS: BC**), other than reimbursements for travel expenses, are subject to levy. These include honorariums and payments for "in hometown" per diem. If your agency needs to make payment to a Board or Commission member under levy, please contact the DOF, State Accountant for guidance on which payment types are subject to levy. Such cases are expected to be rare.

### LEVY COMPLIANCE REQUIREMENTS

DOF ensures compliance with levy requirements by:

#### Informing the Vendor:

- Informing the vendor of the levy by forwarding a copy of the Notice of Levy as required by the IRS.
- Informing the vendor of levy payments made to the IRS so that the vendor can correctly credit state accounts for invoices paid to the IRS on their behalf.

#### Tracking the Levy Amount:

- Tracking the amount of the levy against payments made. The amount of a levy can be quite small – in

## SECTION 10: VENDORS, IRS NOTICE OF LEVY

some cases only a few hundred dollars. Many state agencies may also be paying the same vendor. DOF ensures that the aggregate of payments made to the IRS on behalf of the vendor do not exceed the amount of the levy.

### **Sending Paperwork to the IRS:**

- Attaching required IRS paperwork to any levy payments so that the IRS can correctly apply the payment against the balance of the levy.

## **PROCEDURES**

### **I. Receive IRS Notice of Levy form.**

- A. Forward the original form and associated IRS paperwork to DOA/DOF, Mail Stop 0204. Refer to [Exhibit 10.B: IRS Notice of Levy](#) in this Section for an example of this form.
- B. Upon receipt of the form, DOF:
  1. Inactivates the vendor's AKSAS vendor record, causing any payment attempt to error.
  2. Enters a message in the **VENDOR NOTES** field of the vendor record indicating the vendor is under levy and prompting the paying agency to contact DOA/DOF to coordinate payments:

**LEVY RECD 08/01/11-CALL DOA/FIN 465-5631**

3. Changes the remittance address to the IRS address indicated on the form so that future payments are sent to the IRS as required:

**PAY TO IRS ATTN: LINDA DEAS, 4408  
949 E 36TH AVE MSC A201  
ANCHORAGE AK 99508-4361**

### **II. Pay a vendor subject to an IRS Notice of Levy.**

- A. Determine whether a vendor is subject to levy by one of the following methods:
  1. You receive a Financial Transaction Register (FTP) for a 310-XX: Add Warrant Request in **error status because the vendor record is inactive**.
  2. Review the VENDOR DETAIL screen for the vendor record (refer to [Vendor Inquiry](#) in this Section for procedures). A note in the **VENDOR NOTES** field indicates that the vendor is under levy, and gives instruction to contact DOF to make payment.
- B. Gather information on the vendor and type of payment to be made.
  1. Review the **VENDOR CLASS** field on the vendor record to determine if the vendor is a Board or Commission member (**VENDOR CLASS**: BC).
    - a. If the vendor is not a Board or Commission member, proceed with Step B.2.
    - b. If the vendor is a Board or Commission member, determine the nature of the payment your agency is trying to make as follows:
      - 1) If the payment is for reimbursement of actual expenses (e.g., travel), email the Vendor Authorization team at [doa.dof.vendor.auth@alaska.gov](mailto:doa.dof.vendor.auth@alaska.gov) before proceeding.

## SECTION 10: VENDORS, IRS NOTICE OF LEVY

- 2) If the payment is for an honorarium, meal allowance in the member's hometown, or another type of payment that is not a reimbursement of actual expenses, proceed with Step B.2.
  2. Determine whether the payment is for a lease. Leases are continuing obligations under the terms of a levy. DOF ensures that future payments to be made under the lease contract are sent to the IRS as required until the levy is satisfied.
  3. Determine if you have scheduled payments in AKSAS for the vendor. If there are, they will need to be canceled until the levy is released.
- C. Modify the erred 310-XX: Add Warrant Request transaction.

***NOTE:** Refer to [Section 8: Payments](#) for more information regarding processing warrant request transactions. Refer to [Section 4: Financial Transactions & Batch Processing](#) for more information regarding batch maintenance.*

1. From the **DM: Maintain Batches – Batch Selection List** screen, select the batch number corresponding to the batch number on the erred 310-XX: Add Warrant Request FTP and press <Enter> to display the **DM: Maintain Batches – Transaction Selection List** screen.
  2. From the **DM: Maintain Batches – Transaction Selection List** screen, select the sequence number corresponding to the sequence number on the erred 310-XX: Add Warrant Request FTP and press <Enter> to display the **Batch Created Errors** screen for the transaction.
  3. Press <PF5> to display the **310-XX: Add Warrant Request** base screen.
  4. Tab to the **ADD'L AUTH RD** field and enter the AKSAS RD code per instructions from DOF:  
**ADD' L AUTH RD \_\_\_\_\_**
  5. Tab to the **ROUTING CODE** field and enter **A**, which delivers the warrant to DOF:  
**ROUTING CODE \_**
  6. Enter the DOF AKSAS RD Code in the **ROUTING RD CODE** field per instructions from DOF:  
**ROUTING RD CODE \_\_\_\_\_**
  7. Submit the transaction and related backup to the appropriate individual for certification according to department procedures.
- D. Email the Vendor Authorization team at [doa.dof.vendor.auth@alaska.gov](mailto:doa.dof.vendor.auth@alaska.gov) to request dual authorization and reactivation of the levied vendor record.
1. Have the following information available:
    - a. The batch and sequence number of the erred 310-XX: Add Warrant Request transaction.
    - b. Whether the vendor is being paid for a lease.
  2. DOF dual authorizes the 310-XX: Add Warrant Request transaction.
  3. DOF processes a 505-20: Change Vendor transaction to activate the vendor record for **one day only** to allow the erred transaction to process.
  4. After the warrant transaction has successfully processed, the warrant is returned to DOF.

## SECTION 10: VENDORS, IRS NOTICE OF LEVY

5. DOF attaches the required IRS paperwork to the warrant, mails it to the IRS, and sends a copy of the remittance to the vendor.

DOF processes a 505-20: Change Vendor transaction to inactivate the vendor record to prevent other payments from processing, if any.

### III. Receive IRS Release of Levy form.

- A. Forward the form and associated IRS paperwork to DOA/DOF, Mail Stop 0204. Refer to [Exhibit 10.C: IRS Release of Levy](#) for an example of this form.
- B. Upon receipt of the form, DOF:
  1. Reactivates the vendor's AKSAS vendor record.
  2. Removes the message indicating the vendor is under levy and replaces it with a message indicating the levy has been released:  
**LEVY RELEASED 8/15/2011**
  3. Changes the remittance address back to the vendor's remittance address.
- C. Review the vendor record in AKSAS to verify that steps III.B.1-3 are complete (refer to [Vendor Inquiry](#) in this Section for instructions). Once this is verified, resume making payment to the vendor as normal. Refer to [Section 8: Payments](#) for instructions.