

CMS Manual System	Department of Health & Human Services (DHHS)
Pub 100-06 Medicare Financial Management	Centers for Medicare & Medicaid Services (CMS)
Transmittal 11462	Date: June 23, 2022
	Change Request 12481

SUBJECT: Federal Paper Tax Levy

I. SUMMARY OF CHANGES: The Taxpayer Relief Act of 1997 authorized the Federal Payment Levy Program (FPLP), which the Internal Revenue Service (IRS) and the Treasury Department’s Financial Management Service implemented in July 2000. This program gives CMS the authority to collect overdue taxes through a levy on certain federal payments, including those made to providers, contractors, and vendors doing business with the government. The Medicare Improvements for Patients and Providers Act of 2008 requires CMS to fully implement the FPLP for Medicare payments for overdue taxes, and extends it to also include a levy for non-tax debt. Under Internal Revenue Manual (IRM) 5.11.6.7.2, and in addition to automatic levies through FPLP, payments to Medicare providers and suppliers may be general levies, also referred to as paper levies.

EFFECTIVE DATE: July 25, 2022

**Unless otherwise specified, the effective date is the date of service.*

IMPLEMENTATION DATE: July 25, 2022

Disclaimer for manual changes only: The revision date and transmittal number apply only to red italicized material. Any other material was previously published and remains unchanged. However, if this revision contains a table of contents, you will receive the new/revised information only, and not the entire table of contents.

II. CHANGES IN MANUAL INSTRUCTIONS: (N/A if manual is not updated)

R=REVISED, N=NEW, D=DELETED-Only One Per Row.

R/N/D	CHAPTER / SECTION / SUBSECTION / TITLE
R	4/Table of Contents
N	4/130//Federal Payment Levy Program – IRS Tax Levy Requests

III. FUNDING:

For Medicare Administrative Contractors (MACs):

The Medicare Administrative Contractor is hereby advised that this constitutes technical direction as defined in your contract. CMS does not construe this as a change to the MAC Statement of Work. The contractor is not obligated to incur costs in excess of the amounts allotted in your contract unless and until specifically authorized by the Contracting Officer. If the contractor considers anything provided, as described above, to be outside the current scope of work, the contractor shall withhold performance on the part(s) in question and immediately notify the Contracting Officer, in writing or by e-mail, and request formal directions regarding continued performance requirements.

IV. ATTACHMENTS:

**Business Requirements
Manual Instruction**

Attachment - Business Requirements

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SUBJECT: Federal Paper Tax Levy

EFFECTIVE DATE: July 25, 2022

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I. GENERAL INFORMATION

A. Background: The Taxpayer Relief Act of 1997 authorized the Federal Payment Levy Program (FPLP), which the Internal Revenue Service (IRS) and the Treasury Department's Financial Management Service implemented in July 2000. This program gives CMS has the authority to collect overdue taxes through a levy on certain federal payments, including those made to providers, contractors, and vendors doing business with the government. The Medicare Improvements for Patients and Providers Act of 2008 requires CMS to fully implement the FPLP for Medicare payments for overdue taxes, and extends it to also include a levy for non-tax debt. Under Internal Revenue Manual (IRM) 5.11.6.7.2, and in addition to automatic levies through FPLP, payments to Medicare providers and suppliers may be subject to general levies, also referred to as paper levies.

Medicare payment to physicians and providers is subject to attachment due to receipt of a tax levy. A tax levy is served by the IRS. The IRS may send a paper Notice of Levy directly to the Medicare contractor. The Medicare contractor implements the tax levy to recoup funds against current Medicare claims processing on behalf of the IRS. However, on occasion a request will be submitted to CMS. The Medicare Claims Processing Manual, Chapter 1, Section 80.2.1.2, Payment Floor Standards, describe the method of calculation of the applicable calendar days as described in the Social Security Administration §1816(c)(3) & §1842(c)(3). For the purpose of implementing this section, the Payment Floor Date, as described in Chapter 1, Section 80.2.1.2, is the earliest day after receipt of the clean claim that payment may be made.

Any claims payment amounts owed to the provider of services, hospital, or supplier which are held on the payment floor, but have not yet reached the Payment Floor Date, regardless of date of submission, shall be considered "obligation(s) existing at the time" the IRS Levy is received by CMS. Under IRM 5.11.6.7.2, and in addition to automatic levies through FPLP, payments to Medicare providers and suppliers may be general levies, also referred to as paper levies, received on form 668a.

B. Policy: General or paper tax levies received on IRS form 668a are not continuous levies. If the provider or supplier for whom the paper levy is received and already subject to FPLP, the paper levy shall be set up as a Third-Party Payment (TPP). Provider claims received after the general or paper levy IRS form 668a has been served shall not be added to the obligated amount due to the provider. For general or paper tax levies received on IRS form 668a this amount shall be held at 100% up to the total amount reflected on the IRS form 668a general levy. Once the claims clear the payment floor, up to the amount of the levy, the amount shall be transmitted to the Treasury Department as requested. If the amount due the provider on the day the levy was served, and the total amount due the provider for the claims on the floor, is not enough to cover the levy amount (once all the obligated claims clear the floor, no later than the number of calendar days specified in the IRS form 668a general levy), the entire amount withheld shall be released to the Treasury Department.

II. BUSINESS REQUIREMENTS TABLE

"Shall" denotes a mandatory requirement, and "should" denotes an optional requirement.

Number	Requirement	Responsibility									
		A/B MAC			D M E M A C	Shared- System Maintainers				Other	
		A	B	H H H		F I S S	M C S	V M S	C W F		
12481.1	<p>Contractors shall follow these instructions when the Medicare payments to providers and suppliers are subject to withhold due to receipt of a general or paper tax levy on form 668a when:</p> <ol style="list-style-type: none"> 1. A tax levy is served by the IRS at the Medicare Administrative Contractor, or 2. In rare circumstances, received by the CMS. <ul style="list-style-type: none"> • CMS as a responsible party shall promptly notify the appropriate MAC, if a general or paper levy is served to the CMS. 	X	X	X	X						
12481.2	Contractors shall implement the general or paper tax levy to recoup funds against current Medicare claims payments on behalf of the IRS.	X	X	X	X						
12481.3	<p>Contractors shall be responsible to setup the paper levy as a TPP Debt. Once a paper levy has been end-dated and sufficient paperwork is returned, it is possible to receive a new levy for the same provider, with new dates.</p> <ul style="list-style-type: none"> • It is also possible to have more than one paper levy served on a provider (not a duplicate) at the same time. 	X	X	X	X						
12481.3.1	Contractors shall decline the additional 668a tax levy and return it to the IRS with instruction to resend when the existing debt is finished collecting.	X	X	X	X						
12481.4	<p>Contractors shall understand that the general or paper tax levies received on IRS form 668a are not continuous levies.</p> <ul style="list-style-type: none"> • If the provider or supplier for whom the paper levy is received is already subject to FPLP, the paper levy is setup as a TPP and collected according to the HIGLAS hierarchy. • Any Provider claims received after the general or paper levy IRS form 668a has been served shall not be added to the obligated amount due to the provider. 	X	X	X	X						

Number	Requirement	Responsibility									
		A/B MAC			D M E M A C	Shared- System Maintainers				Other	
		A	B	H H H		F I S S	M C S	V M S	C W F		
12481.5	<p>Contractors shall follow these steps for general or paper tax levies received on IRS form 668a:</p> <ol style="list-style-type: none"> The amount shall be held at 100% up to the total amount reflected on the IRS form 668a general levy; After the claims clear the payment floor, up to the amount of the levy, this amount shall be transmitted to the Treasury Department as requested;however: <ul style="list-style-type: none"> If the amount due the provider on the day the levy was served, and The total amount due the provider for the claims on the floor, is not enough to cover the levy amount (once all the obligated claims clear the floor, no later than the number of calendar days specified in the IRS form 668a general levy). The entire amount withheld shall be released to the Treasury Department. 	X	X	X	X						
12481.6	Contractors shall have the number of calendar days specified in the IRS form 668a levy to collect funds from the date the third-party transaction is set up.	X	X	X	X						
12481.6.1	Contractors shall add an inactive date to the third-party transaction when the full amount is not collected in full within the required timeframe.	X	X	X	X						
12481.7	<p>Contractors shall complete the back section on the IRS 668a form as requested by the IRS.</p> <ul style="list-style-type: none"> Send back the form to the IRS, after the number of calendar days specified in the IRS 	X	X	X	X						

Number	Requirement	Responsibility									
		A/B MAC		H H H	D M E M A C	Shared- System Maintainers				Other	
		A	B			F I S S	M C S	V M S	C W F		
	<p>form 668a general levy and the total amount is collected.</p> <ul style="list-style-type: none"> Report the tax levies as a withholding on the Remittance Advice. 										
12481.8	<p>Contractors shall setup the TPP offset form for non-tax FPLP withholdings in the Medicare Provider Payment Offset process which are collected in the Hierarchy order below:</p> <ol style="list-style-type: none"> Medicare Accounts Receivable debt, FPLP Offsets for Federal Tax debt at 100% maximum of the payable amount, Administrative Offsets for Federal Non-Tax debt at 100% of the payable amount, and TPP <p>Refer to https://www.irs.gov/businesses/small-businesses-self-employed/federal-payment-levy-program for additional information on the Tax Levy Program.</p>	X	X	X	X						

III. PROVIDER EDUCATION TABLE

Number	Requirement	Responsibility									
		A/B MAC		H H H	D M E M A C	Shared- System Maintainers				Other	
		A	B			F I S S	M C S	V M S	C W F		
	None										

IV. SUPPORTING INFORMATION

Section A: Recommendations and supporting information associated with listed requirements: N/A

"Should" denotes a recommendation.

X-Ref Requirement Number	Recommendations or other supporting information:
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Section B: All other recommendations and supporting information: N/A

V. CONTACTS

Pre-Implementation Contact(s): Deborah Miller, 410-786-0331 or deborah.miller3@cms.hhs.gov

Post-Implementation Contact(s): Contact your Contracting Officer's Representative (COR).

VI. FUNDING

Section A: For Medicare Administrative Contractors (MACs):

The Medicare Administrative Contractor is hereby advised that this constitutes technical direction as defined in your contract. CMS does not construe this as a change to the MAC Statement of Work. The contractor is not obligated to incur costs in excess of the amounts allotted in your contract unless and until specifically authorized by the Contracting Officer. If the contractor considers anything provided, as described above, to be outside the current scope of work, the contractor shall withhold performance on the part(s) in question and immediately notify the Contracting Officer, in writing or by e-mail, and request formal directions regarding continued performance requirements.

ATTACHMENTS: 0

Medicare Financial Management Manual

Chapter 4 – Debt Collection

Table of Contents *(Rev.11462)*

Transmittals for Chapter 4

130 – Federal Payment Levy Program – IRS Tax Levy Requests

130 –Federal Payment Levy Program – IRS Tax Levy Requests
(Rev. 11462; Issued: 06-23-22; Effective: 07-25-22; Implementation: 07-25-22)

In coordination with the Internal Revenue Services’ Federal Payment Levy Program (FPLP), under Internal Revenue Manual, Part 5, Chapter 11, Section 7, CMS receives automated Notice of Levy to collect delinquent debts owed to the federal government. Automated FPLP interfaces with the Bureau of Fiscal Services’ (BFS) Treasury Offset Program (TOP). CMS shall comply with automated FPLP requests under 26 U.S.C. §6331(a);(h), which requires:

- (1) A Levy shall extend only to property possessed and obligations existing at the time thereof, in accordance to 26 USC §6331(b);*
- (2) Any Federal payment owed to the taxpayer shall be levied on a continuous basis, until such levy is satisfied, as determined by the Secretary of Treasury; 26 USC §6331(h)(1)*
- (3) Any such levy shall be applied at the rate of 100% for any payment(s) due to a Medicare provider or supplier under Title XVIII of the Social Security Act. 26 USC §6331(h)(2)*

For the purposes of operationalizing the CMS’s obligations under the FPLP, specifically in identifying “an obligation existing at the time thereof” under 26 USC §6331(a) the Social Security Act, § 1816(c)(3)(A)&(B), and 1842(c)(3)(A)&(B):

- (4) “No payment shall be issued, mailed, or otherwise transmitted with respect to any claim submitted under this title within the applicable number of calendar days after the date on which the claim is received.” SSA §1816(c)(3)(A)&(B); and*
- (5) “Applicable number of calendar days” means with respect to claims submitted electronically as prescribed by the Secretary, 13 days, and with respect to claims submitted otherwise, 28 days. SSA§ 1842(c)(3)(A)&(B)*

The Medicare Claims Processing Manual, Chapter 1, Section 80.2.1.2, Payment Floor Standards, describe the method of calculation of the applicable calendar days as described in SSA §1816(c)(3) & §1842(c)(3). For the purpose of implementing this section, the Payment Floor Date, as described in Chapter 1, Section 80.2.1.2, is the earliest day after receipt of the clean claim that payment may be made. Any claims payment amounts owed to the provider of services, hospital, or supplier, which are held on the payment floor, but have not yet reached the Payment Floor Date, regardless of date of submission, shall be considered “obligation(s) existing at the time thereof” the IRS Levy is received by CMS.

Under Internal Revenue Manual (IRM) 5.11.6.7.2, and in addition to automatic levies through FPLP, payments to Medicare providers and suppliers may be general levies, also referred to as paper levies, received on form 668a.

A. Medicare payment to providers and suppliers are subject to withhold due to receipt of a general or paper tax levy on form 668a when:

1. A tax levy is served by the Internal Revenue Service (IRS) at the Medicare Administrative Contractor, or

2. In rare circumstances, received by the CMS.

- CMS as a responsible party shall promptly notify the appropriate MAC if a general or paper levy is served to the CMS.*

B. Once received, the contractor shall implement the general or paper tax levy to recoup funds against current Medicare claims payments on behalf of the IRS.

C. Contractors shall be responsible to setup the paper levy as a Third-Party Payment (TPP) Debt.

1. Once a paper levy has been end-dated and sufficient paperwork is returned, it is possible for the provider to receive a new levy for the same provider, with new dates.

2. It is also possible to have more than one paper levy served on a provider (not a duplicate) at the same time.

- Contractors shall decline the additional 668a tax levy and return it to the IRS with instruction to resend when the existing debt is finished collecting.*

D. General or paper tax levies received on IRS form 668a are not continuous levies.

- If the provider or supplier for whom the paper levy is received is already subject to FPLP, the paper levy is setup as a TPP and collected according to the HIGLAS hierarchy.*
- Any provider claims received after the general or paper levy IRS FORM 668a has been served shall not be added to the obligated amount due to the provider.*

E. Contractors shall follow these steps for general or paper tax levies received on IRS form 668a:

1. The amount shall be held at 100% up to the total amount reflected on the IRS form 668a general levy;

2. After the claims clear the payment floor, up to the amount of the levy, the amount shall be transmitted to the Treasury Department as requested; however:

- If the amount due the provider on the day the levy was served, and*

- *The total amount due the provider for the claims on the floor is not enough to cover the levy amount (once all the obligated claims clear the floor, no later than the number of calendar days specified in the IRS form 668a general levy).*

3. The entire amount withheld shall be released to the Treasury Department.

F. Contractors shall have the number of calendar days specified in the IRS form 668a levy to collect funds from the date the third-party transaction is set up.

- *Contractors shall add an inactive date to the third-party transaction when the full amount is not collected in full within the required timeframe.*

G. Contractors shall complete the back section on the IRS 668a form as requested by the IRS.

- 1. Send back the form to the IRS, after the number of calendar days specified in the IRS form 668a general levy and the total amount is collected.*
- 2. Report the tax levies as a withholding on the Remittance Advice (RA).*

H. Contractors shall setup the TPP offset form for non-tax FPLP withholdings in the Medicare Provider Payment Offset process which are collected in the hierarchical order below:

- 1. Medicare Accounts Receivable debt,*
- 2. FPLP Offsets for Federal Tax debt at 100% maximum of the payable amount,*
- 3. Administrative Offsets for Federal Non-Tax debt at 100% of the payable amount, and*
- 4. TPP*

Refer to <https://www.irs.gov/businesses/small-businesses-self-employed/federal-payment-levy-program> for additional information on the Tax Levy Program.