

Reporting Withholding Due to IRS Federal Payment Levy Program (FPLP) on the Remittance Advice

Reference: Trans. 367, CR #6125, Pub. 100-20, MLN: MM6125

Published Online: 1/19/2009

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Note: This article was revised on January 8, 2009, to add information regarding requirements for provider representatives who contact IRS and to make other minor clarifications.

Provider Types Affected

Providers submitting claims to Medicare contractors (carriers, Fiscal Intermediaries (FIs) and/or Part A/B Medicare Administrative Contractors (A/B MACs)) for services provided to Medicare beneficiaries

Impact to You

Your Medicare payments could be reduced if the Centers for Medicare & Medicaid Services (CMS) needs to collect overdue taxes that you owe to the Internal Revenue Service (IRS).

What You Need to Know

The Taxpayer Relief Act of 1997, Section 1024, authorizes CMS to reduce certain federal payments, including Medicare payments, to allow collection of overdue taxes. Should you owe such taxes and your payments are reduced, your remittance advice will reflect a provider level adjustment code (PLB) of "WU" in the PLB03-1 data field. Such payments may be reduced by 15 percent or the amount of the tax owed if it is less than 15 percent of the payment.

What You Need to Do

See the Background and Additional Information Sections of this article for further details regarding these changes.

Background

In July 2000, the IRS started the Federal Payment Levy Program (FPLP), which is authorized by Internal Revenue Code Section 6331 (h), as prescribed by Section 1024 of the Taxpayer Relief Act of 1997. Through this program, collection of overdue taxes through a continuous levy on certain federal payments is authorized. This includes federal payments made to contractors and vendors, including Medicare providers, doing business with the government.

CMS may reduce your Medicare payments subject to the levy by 15 percent, or the exact amount of tax owed if it is less than 15 percent of the payment. The levy is continuous until the overdue taxes are paid in full, or other arrangements are made to satisfy the debt. Each time the federal payment is levied, CMS will notify the payee in the Remittance Advice which federal payment was levied, the amount withheld, and the toll free IRS/Treasury telephone number the payee should contact for resolution. If the amount of the withholding through FPLP exceeds the total debt owed by the payee, the IRS/Treasury is responsible for refunding the overpayment to the payee.

Effective October 1, 2008, if you owe such taxes to IRS, your Medicare payment may be adjusted accordingly. When such adjustments occur, your Medicare remittance advice will reflect the code of "WU" in the PLB03-1 data field. In addition, a 10 digit toll-free IRS number (1-800-829-3903) will appear in the PLB03-2 data field and the amount of the withholding will be inserted in the PLB04 field. **Please note that under current privacy rules and regulations, only the IRS / Treasury may discuss the tax issue with you. Thus, if you have questions, contact the IRS at the toll-free number just mentioned, instead of contacting your Medicare contractor.**

The person contacting the IRS must be authorized to represent the provider / physician regarding tax matters, otherwise the IRS will not discuss the issue. The caller must also have the Taxpayer Identification Number (TIN) of the provider / physician from whom the recovery was made. The person calling the IRS should also state that the recovery was from a Medicare payment.

Please be advised that it can take several days for the amount offset from the Medicare payment to be posted to the IRS records.

If you use Medicare Remit Easy Print (MREP) Software supplied by your Medicare contractor, you will need to obtain an updated version of the software, on or after October 6, 2008 in order to view these changes on your printed remittances.

Additional Information

To view the official instruction (CR6125) issued to your Medicare contractor on this issue, visit <http://www.cms.hhs.gov/Transmittals/downloads/R367OTN.pdf> on the Centers for Medicare & Medicaid Services website.

Effective Date: October 1, 2008; Implementation Date: October 6, 2008