

EXHIBIT OO

**Letter from Christopher Geiger to Walter Fratzke
regarding use of federal funds for offsets (August 10, 2005)**

Office of the Tribal Attorney
Keweenaw Bay Indian Community



107 Beartown Road ♦ Baraga, MI 49908
(906) 353-7031 ♦ Fax: (906) 353-7174

OFFICE OF POLICY &
RESEARCH DEVELOPMENT

AUG 19 2005

August 10, 2005

VIA FACSIMILE & U.S. CERTIFIED
MAIL-RETURN RECEIPT REQUESTED

Mr. Walter A. Fratzke
Michigan Department of Treasury
430 W. Allegan
Lansing, Michigan 48922

Re: Offsets - Keweenaw Bay Indian Community

Dear Mr. Fratzke:

I am writing on behalf of the Keweenaw Bay Indian Community, a federally recognized Indian tribe (the "Community"), to follow up on our fax message of May 25, 2005 and letter of June 15, 2005 regarding the Michigan Department of Treasury's unlawful offsets of funds belonging to the Community and its members.

I understand that the Department's offsets have been made with respect to the following fund categories in the following amounts:

<u>Fund Category</u>	<u>Offset Amount</u>
Federal Medicaid Program	\$ 4,157.61
Federal Women, Infant & Children ("WIC") Program	\$ 28,670.42
Federal Safe and Stable Families Program	\$ 410.00
Federal Child Day Care Program	\$ 928.28
State Motor Fuel Tax Refunds	\$ 55,623.48
<u>Total:</u>	\$ 89,789.79

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Each offset is identified specifically in Attachment A to this letter.

In your letter of June 28, 2005, you requested further explanation of the Community's position regarding the Department's offsets. The offsets are unlawful for at least the following reasons:

1. There was no basis for the sales tax deficiencies asserted by the Department for 1993 and 1994, because the legal incidence of the Michigan sales tax falls on the seller. Sims v. Firestone Tire & Rubber Co., 397 Mich. 469, 245 N.W.2d 13 (1976); Federal Reserve Bank of Chicago v. Department of Revenue, 339 Mich. 587, 64 N.W.2d 639 (1954); National Bank of Detroit v. Department of Revenue, 334 Mich. 132, 54 N.W.2d 278 (1952); Mich. Att'y Gen. Op. No. 7062 (Oct. 4, 2000). Because the Community is the seller, Michigan sales tax cannot be imposed on the Community under Oklahoma Tax Commission v. Chickasaw Nation, 515 U.S. 450 (1995).
2. There also was no basis for the use tax deficiencies asserted by the Department for 1993 and 1994. The Department's audit reports indicate that the asserted deficiencies arose from room rentals, bowling shoe rentals, and related charges for services provided by the Community in its gaming and related enterprises. The Michigan use tax cannot be imposed with respect to these services under the principles set forth in Chickasaw Nation, White Mountain Apache Tribe v. Bracker, 448 U.S. 136 (1980), and similar cases, because the federal and tribal interests against the tax outweigh any legitimate interests of Michigan in imposing the tax and also because imposition of the tax would infringe on the Community's rights of tribal self-government and violate its inherent sovereign right to make its own laws and be ruled by them.
3. The Department improperly has included interest and penalties in the sales and use tax liabilities asserted to be owing for 1993 and 1994. Both the examining agent and the hearing referee reached the conclusion that interest and penalties could not be imposed with respect to any sales and use tax liabilities of the Community for 1993 and 1994.
4. Regardless of whether there is any legal basis for the sales and use tax liabilities asserted to be owing for 1993 and 1994, the offsets themselves violate federal Indian law under balancing of interests and sovereignty infringement principles.
5. Although the Department relies on "the common law right of the State to set off any liquidated sums which may be due it by a citizen against any refund or income tax which may be due the citizen," enunciated in Whispering Pines AFC Home, Inc. v. Department of Treasury, 212 Mich. App. 545, 553, 538 N.W.2d 452, 456 (1995), to justify the offsets, the sales and use tax liabilities asserted to be owing for 1993 and 1994 are not "liquidated sums" because the Community disputes that these liabilities are owing. See County of Wayne v. State

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Treasurer, 105 Mich. App. 249, 254, 306 N.W.2d 468, 471 (1981) (offset improper where county disputed liability and State Treasurer never sought judicial determination of amount due).

6. Finally, there are additional reasons why the offsets of the federal program funds are illegal. Federal appropriations shall be applied only to the objects for which the appropriations were made, except as otherwise provided by law. 31 U.S.C. § 1301(a). The federal government itself is forbidden to offset Medicaid, child day care, safe and stable families, and WIC program funds under the Debt Collection Improvement Act of 1996, Pub. L. 104-134, 110 Stat. 1321 (Apr. 26, 1996) ("DCIA"), codified at 31 U.S.C. § 3716(c).¹ It is axiomatic under the Supremacy Clause of the U.S. Constitution, therefore, that state governments also are forbidden to offset these program funds. In addition, these program funds must be used by the Community for payments or delivery of services to Community members and other third parties. Even if the common law offsets doctrine could be applied in this situation (which it cannot), offsets can never be proper under this doctrine with respect to funds earmarked for persons *other than* the purported debtor. When the Department attempted similar offsets of the Community's federal program funds in late 2002 and the Community protested the offsets, it is my understanding that the Department agreed with the Community that such offsets should be reversed.

The Department's offsets have caused and will continue to cause irreparable harm to the Community, because they violate the federal treaty rights of the Community and its members, constitute an affront to the Community's sovereignty recognized by longstanding federal law, threaten the Community's government operations and continued vitality, and diminish Community funds and resources available to provide essential governmental services and employment for Community members.

By this letter, the Community demands that the Department reverse the offsets and pay over the federal funds and gasoline tax refunds to the Community. The Community expects that the Department will do so by August 17, 2005.

¹ I understand that the Medicaid, child day care, and safe and stable families programs are provided for under the Social Security Act, 42 U.S.C. chapter 7. Except in circumstances not relevant here, amounts payable under the Social Security Act are exempt from federal offset pursuant to the DCIA. 31 U.S.C. § 3701(d)(2). WIC program payments have been exempted from offset by the Secretary of the Treasury pursuant to 31 U.S.C. § 3716(c)(3)(B). See Treasury Offset Program: Payments Exempt from Offset by Disbursing Officials ([Federal] Nontax Debt Collection), <<http://www.fns.treas.gov/debt/dmexmpt.pdf>>, a copy of which is attached as Attachment B.

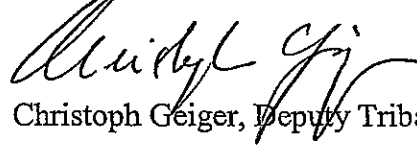
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To the extent that the offsets may be viewed by the Department as payments of outstanding tax liabilities of the Community, and to the extent that a claim for refund may be viewed by the Department as required to preserve the Community's right to refund of such payments under applicable law, the Community intends this letter to constitute a claim for refund of such payments, plus interest under applicable law.

So that there is no question that the Department has been fully apprised of the Community's position in this matter, we are directing copies of this letter and Attachments A and B to Michigan Treasurer Jay B. Rising and Department Collection Division Administrator Michael Reynolds.

The Community is hopeful that this matter can be resolved promptly on a government to government basis.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Christoph Geiger", is written over the typed name.

Christoph Geiger, Deputy Tribal Attorney

Attachments

cc: State Treasurer Jay B. Rising
Treasury Collection Division Administrator Michael Reynolds

Attachment A

**Michigan Department of Treasury
Offsets of Funds
Belonging to Keweenaw Bay Indian Community
and its Members**

<u>Date</u>	<u>Amount</u>	<u>Michigan Payment Number</u>	<u>Fund Category</u>
05/10/05	\$1,293.08	225895907	Federal Medicaid Program
05/10/05	\$369.23	225895899	Federal Day Care Program
05/17/05	\$445.47	225938032	Federal Medicaid Program
05/25/05	\$935.34	226019727	Federal Medicaid Program
05/25/05	\$410.00	226019728	Federal Safe and Stable Families Program
05/31/05	\$692.28	226057393	Federal Medicaid Program
06/01/05	\$403.20	226076967	State Motor Fuel Tax Refunds
06/02/05	\$9,316.84	226082286	State Motor Fuel Tax Refunds
06/07/05	\$28,670.42	226136237	Federal WIC Program
06/07/05	\$791.44	226136236	Federal Medicaid Program
06/07/05	\$559.05	226136229	Federal Day Care Program
06/08/05	\$45,903.44	226187624	State Motor Fuel Tax Refunds

Attachment B
TREASURY OFFSET PROGRAM
Payments Exempt from Offset by Disbursing Officials
(Nontax Debt Collection)

PAYMENTS EXEMPT BY FEDERAL LAW		
Payment Agency	Type of Payment	Statutory Exemption (U.S. Code)
Department of Education	Payments under a program administered by the Secretary of Education under Title IV of the Higher Education Act of 1965	31 U.S.C. ' 3716(c)(1)(C)
Department of Veterans Affairs	Payments of benefits under any law administered by the Secretary of Veterans Affairs, including: * Pension programs * Parents= dependency and indemnity compensation programs * Disability and death compensation * Dependency and indemnity compensation * Monetary educational assistance * Monetary benefits under training (including work study allowances) and rehabilitation programs * Special monetary benefits * Life insurance payments * Funeral and burial expenses * Financial assistance for adapted housing and automobile equipment * Minimum income widow * Special allowance under 38 U.S.C. ' 1312 * Attorney fees withheld from retroactive benefits for representation at the Board of Veterans Appeals * Clothing allowance * Apportionment funds * Accrued benefits * Child support withholdings * Reimbursements for travel, medical, rehabilitation, and health care related needs and activities	38 U.S.C. ' 5301(a)
Department of the Treasury	Payments under the tariff laws	31 U.S.C. ' 3701(d)
Department of Labor/Social Security Administration	Payments under the Black Lung Benefits Act, other than payments under Part B	30 U.S.C. ' 932(a) [incorporating 33 U.S.C. ' 916]
Department of Labor	Longshore and Worker=s Compensation Act payments	33 U.S.C. ' 916
Railroad Retirement Board	Tier 2 Railroad Retirement benefit payments	45 U.S.C. ' 231m
Department of Agriculture	Federal Crop Insurance indemnity payments	7 U.S.C. ' 1509
Department of Defense	Survivors benefits (military retirement) payments	10 U.S.C. ' 1450(i)
Department of Defense	Medal of Honor pension payments	38 U.S.C. ' 1562(c)
Social Security Administration/Department of Health and Human Services	Payments made under the Social Security Act, except to the extent provided under 31 U.S.C. ' 3716(c) [Debt Collection Improvement Act]	31 U.S.C. ' 3701(d)
Federal Emergency Management Agency	Payments made under the Cerro Grande Fire Assistance Act (covering claims resulting from the wildfire in New Mexico in May 2000)	Public Law 106-246

PAYMENTS EXEMPT BY FEDERAL LAW FOR COLLECTION OF STATE NONTAX DEBTS AND PAST-DUE SUPPORT OBLIGATIONS		
Payment Agency	Type of Payment	Statutory Exemption (U.S. Code)
See above	All payments listed above as A Payments Exempt by Federal Law@	See above
Railroad Retirement Board	Railroad Retirement benefit payments	45 U.S.C. ' 231m, 31 U.S.C. ' 3716(h)
Social Security Administration	Payments made under the Social Security Act	31 U.S.C. ' 3701(d), 31 U.S.C. ' 3716(h), 42 U.S.C. ' 407 and 42 U.S.C. ' 1383(d)(1)
Department of Labor/Social Security Administration	Payments under the Black Lung Benefits Act	31 U.S.C. ' 3716(h), 30 U.S.C. ' 932(a) [incorporating 33 U.S.C. ' 916]
PAYMENTS EXEMPT BY ACTION OF THE SECRETARY OF THE TREASURY (31 U.S.C. ' 3716(c)(3)(B))		
Payment Agency	Type of Payment	
All Agencies	Federal Loan payments other than travel advances [see 31 CFR 285.5 (e)(2)(vii)]	
Social Security Administration	Social Security Supplemental Security Income (SSI) benefit payments Federal Old-Age, Survivors, and Disability Insurance (OASDI) benefits being offset internally by SSA	
Department of Agriculture	Department of Agriculture, Food and Nutrition Services benefit payments made under the following programs: * Food stamp program * Nutrition assistance program for Puerto Rico * Special supplemental nutrition program for women, infants, and children (WIC) * WIC farmer=s market nutrition program * National school lunch program * Summer food service program * Child and adult care food program * Special milk program for children * School breakfast program Payments made under the following Rural Development programs: * Multi-Family Rental Assistance program * Community Facilities direct loans and grants * Single Family Housing-Homeownership direct loans and grants * Single Family Housing-Technical Assistance grants * Multi-Family Housing direct loans and grants * Multi-Family Housing Preservation grants * Business and Industry direct loans * Intermediary Relending direct loans * Rural Business Opportunity grants * Rural Business Enterprise grants * Rural Economic Development direct loans	

	*Water and Waste Disposal direct loans and grants
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Federal Emergency Management Agency	<p>Federal Emergency Management Agency payments under the following disaster relief and emergency assistance programs:</p> <ul style="list-style-type: none"> * Individual & family grant program * Disaster housing * Crisis counseling assistance & training * Disaster unemployment assistance * Cora Brown fund (disaster aid) * Community disaster loan * Public assistance to states & local governments * Fire suppression assistance * Urban search & rescue * Assistance to Firefighters Grant Program
Department of Justice	Payments to eligible claimants pursuant to the September 11 th Victims Compensation Fund
Pension Benefit Guaranty Corporation	<p>Pension Benefit Guaranty payments as follows:</p> <ul style="list-style-type: none"> * Premium refunds to pension plans and plan sponsors * Financial assistance to multiemployer plans * Contractor bank payments to participants and beneficiaries
Department of Housing and Urban Development	<p>Payments under the following programs:</p> <ul style="list-style-type: none"> * Annual Contributions for Operation of Low-Income Housing Projects * Contributions for Low-Income Housing Projects (Development) * Public Housing Modernization Program (Modernization) * Lease Adjustments * Section 8 Low-Income Housing Assistance (Rental Voucher Program) * Section 8 Counseling; Family Self Sufficiency (excluding payments for administrative costs) * Revitalization of Severely Distressed Public Housing (Hope VI) * Public and Assisted Housing Drug Elimination * Family Investment Centers * Indian Homeownership Program (Mutual Help Homeownership) grants * Hope 3 Program (HOPE for Homeownership of Single Family Homes) * Home Program (HOMB Investment Partnerships) * Section 8 Payment * Rental Assistance Section 236 * Direct Loans for the Elderly or Handicapped Section 202 * Rental Supplements (Section 101) * Safe Neighborhood Grants * Drug Elimination Grants * Two Homeless Assistance Programs (Supportive Housing, Emergency Shelter Grants, Shelter Plus Care Program and Section 8 Moderate Rehabilitation Single Room Occupancy Program) * Home Equity Conversion Mortgage Program * Flexible Subsidy Program * Mark-to-Market Portfolio Reengineering Demonstration Program * Community Development Block Grants to municipal governments, counties and townships * Housing Opportunities for Persons with Acquired Immune Deficiency Syndrome (HOPWA) * Grants to Historically Black Colleges and Universities * Service Coordinator and Congregate Housing Services Programs

Department of Health and Human Services	<p>Payments under the following:</p> <ul style="list-style-type: none"> *Vaccine Injury Compensation Program (other than death benefits) *Tribal Law 93-638 Contracts/Compacts *to National Institutes of Health Clinical Center patients *Ricky Ray Hemophilia Relief Fund Act of 1998 (Ricky Ray Fund) <p>Payments to small, non-profit organizations and/or Indian Tribes/Tribal organizations serving areas for which no alternative organization is available to provide the grant-specific services under the following programs:</p> <ul style="list-style-type: none"> *Head Start *Abandoned Infants *Native American *Transitional Living *Refugee Assistance-Voluntary Agency *Community Services Block Grant *Refugee and Entrant Assistance *Family Support Center and Gateway Demonstration *Runaway and Homeless Youth *Drug Education and Prevention for Homeless Youth *Youth Initiative and Youth Gangs *Older American Grants for Native Americans
Department of Interior	<p>Payments made to Indian tribes and tribal organizations under the provisions of the Indian Self-Determination and Education Assistance Act</p>

Office of the Tribal Attorney
Keweenaw Bay Indian Community



107 Beartown Road ♦ Baraga, MI 49908
(906) 353-7031 ♦ Fax: (906) 353-7174

FAX COVER SHEET

TO: Walter Fratzke, Office of Tax Policy

FAX: 517-241-4267

FROM: Christoph Geiger, Deputy Tribal Attorney

DATE: August 10, 2005

RE: Offsets – Keweenaw Bay Indian Community

MESSAGE:

Attached is a letter regarding the Michigan Department of Treasury's unlawful offsets of funds belonging to the Community and its members, as well as two enclosures. (We are also sending a hard copy by standard first class mail.)

Number of pages, including this cover page:

11

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EXHIBIT PP

**Paul Peterson, *KBIC voters to determine state tax issue,*
The Mining Journal (December 18, 2002)**

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THE MINING Journal

Print friendly page.



Marquette, Michigan

Wednesday, December 18, 2002
THE UPPER PENINSULA'S LARGEST DAILY NEWSPAPER.

Online Version

KBIC voters to determine state tax issue

By **PAUL PETERSON**
Journal correspondent

BARAGA — Keweenaw Bay Indian Community voters may decide as early as next month whether its businesses should collect state taxes from non-Indians making purchases on the reservation.

KBIC Tribal Chairman Bill Cardinal said the council voted Monday to set an election on the matter as soon as possible

“The council felt the people of the community should decide this by referendum,” Cardinal said Monday evening. “I don’t believe such an election could take place any sooner than January or February.”

The proposed agreement between the KBIC and the state calls for tribal businesses to collect sales taxes on items purchased by non-Indians and send the taxes to the state.

Under the agreement, the KBIC would receive a certain percent of the tax money collected from non-Indians and receive other exemptions from the state.

The question of a waiver of immunity in regard to the tribe’s sovereignty was one of the key issues brought up at a forum held last Friday in Baraga. More than 125 people attended.

Cardinal, who previously said he believes the agreement would benefit the tribe, added that it was his understanding Engler administration was hoping to have the property tax agreement signed by Friday.

“That can’t possibly happen,” Cardinal said. “Things like this take time to set up.”

The question of tribal members having to pay property taxes is an entirely different issue. Cardinal said tribal attorneys are continuing to discuss that matter with state officials.

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EXHIBIT QQ

**Letter from John Baker to Jay Rising regarding claims for
refunds for taxes paid on vehicle transactions
(August 31, 2005)**

Office of the Tribal Attorney
Keweenaw Bay Indian Community



107 Beartown Road ♦ Baraga, MI 49908
(906) 353-7031 ♦ Fax: (906) 353-7174

COPY

August 31, 2005

Jay Rising, State Treasurer
Michigan Department of Treasury
Treasury Building
430 W. Allegan St.
Lansing, MI 48922

via: UPS Overnight

Re: Sales/Use Tax Refund Request - Keweenaw Bay Indian Community

Dear Sir or Madam,

By this letter, the Keweenaw Bay Indian Community (the "Community"), on behalf of members of the Community and/or on behalf of the Community itself, files claims for refunds of Michigan sales and use tax paid by the members for the period August 2001 through July 2005 with respect to motor vehicles purchased by them. As explained in more detail below, imposition of Michigan sales and use tax with respect to this property is invalid as a matter of federal law.

Enclosed with this letter you will find a spreadsheet including the names of the tribal member purchasers of the motor vehicles, the tribal members' Enrollment Numbers as proof of their tribal membership, Year and Make of the motor vehicles and the amount of taxes paid. The spreadsheet is referred to as "Attachment A". Also enclosed you will find a packet including forms titled "Sales Tax and Use Tax Refund Request" together with documents evidencing the amount of taxes paid by the tribal members. Each purchase of a motor vehicle by a tribal member is documented by one form and one receipt. The names of the tribal members included in Attachment A correspond with the names of the tribal members included on the forms and documents. As you can see from the forms, the individual member purchasers have assigned their right for a tax refund to the Community.

A. Factual Background

The Community is a federally recognized Indian tribe organized and operating under a Constitution and Bylaws approved by the Secretary of the Interior on December 17, 1936, pursuant to the Indian Reorganization Act of 1934, 25 U.S.C. § 476. The Community exercises powers of self-governance and sovereign jurisdiction over the Reservation, which is located on both sides of the Keweenaw Bay of Lake Superior in Baraga County, Michigan, as well as over other lands held in trust for the Community by the United States outside the Reservation. The Community's governing body is its Tribal Council, consisting of 12 persons elected by the enrolled members, six each from the L'Anse and Baraga Districts on the east and west sides, respectively, of the Keweenaw Bay.

Jay Rising

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The motor vehicles at issue were sold to members of the Community by various car dealerships. The car dealerships in Michigan charged the members the Michigan sales tax imposed with respect to the vehicles. These members live and garage their vehicles on the Community's Reservation and trust lands.

In April 2005, the Michigan Tax Tribunal, Small Claims Division, held in Todd Chosa v. Michigan Department of Treasury, MTT Docket No. 283437 (2005), that the petitioner is entitled to a refund of Michigan use tax paid together with interest and filing fees. The case involved the purchase of an out-of-state vehicle by a Community member and the imposition of Michigan use tax on that purchase. The case will be discussed in more detail below.

B. Pertinent Michigan Sales and Use Tax Statutory Provisions and Other Authorities

Mich. Comp. Laws § 205.52 imposes a sales tax on all "persons engaged in the business of making sales at retail" generally equal to 6% of the gross proceeds of the business less deductions allowed by the act.

Mich. Comp. Laws § 205.93 imposes a use tax on "every person . . . for the privilege of using, storing, or consuming tangible personal property in this state" at a rate equal to 6% of the "price" of the property.

Mich. Comp. Laws § 205.92(g) defines "consumer" for purposes of the use tax to mean "the person who has purchased tangible personal property . . . for storage, use or other consumption in this state".

Mich. Comp. Laws § 205.92(f) defines "price" for purposes of the use tax to mean "the aggregate value in money of anything paid or delivered, or promised to be paid or delivered, by a consumer to a seller in the consummation and complete performance of the transaction by which tangible personal property or services are purchased or rented for storage, use, or other consumption in this state."

Mich. Comp. Laws § 205.95 provides that "[e]very seller shall collect the [use] tax imposed by this act from the consumer."

Mich. Comp. Laws § 205.73(1) provides that "[t]his act does not prohibit any taxpayer from reimbursing himself or herself by adding to the sale price any tax levied by this act."

C. Federal Indian Law Cases and Principles

The United States Supreme Court held in Oklahoma Tax Commission v. Chickasaw Nation, 515 U.S. 450 (1995), that if the legal incidence of a state tax falls upon a tribe or a tribal member, with respect to property located within Indian country, the imposition of the tax is categorically barred as a matter of federal law (absent explicit Congressional permission to the contrary). In cases in which the legal incidence of a state tax rests on a non-Indian in similar circumstances, no categorical bar prevents imposition of the tax. Rather, a preemption analysis

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balancing federal, tribal, and state interests is used to determine whether a state may validly tax the non-Indian. If the balance of interests tilts against the state's interest in imposing its tax, and federal law is not to the contrary, the state may not impose its tax. *Id.* at 459. In cases in which the non-Indian bearing the legal incidence of a state tax is an Indian trader, the tax has been held to be categorically preempted under the balancing test. Central Machinery Co. v. Ariz. State Tax Comm'n, 448 U.S. 160 (1980); Warren Trading Post Co. v. Arizona Tax Comm'n, 380 U.S. 685 (1965). "Indian country" is defined for these purposes as set forth in 18 U.S.C. § 1151 and includes the Community's Reservation and trust lands.

In the following cases, the United States Supreme Court or other federal appellate court held state taxes imposed on Indians and non-Indians with respect to transactions affecting Indians to be invalid under balancing of interests analysis:

- In Bryan v. Itasca County, 426 U.S. 373 (1976), the Supreme Court held that in the absence of Congressional authorization, the State of Minnesota lacked the power to levy a personal property tax on a mobile home which was owned by a tribal member and had its situs on that tribal member's reservation; even though the State of Minnesota had been granted civil jurisdiction under Public Law 280.
- In Moe v. Confederated Salish & Kootenai Tribes, 425 U.S. 463 (1976), the Supreme Court held, among other things, that the State of Montana did not, under the Supremacy Clause, have the power to impose a personal property tax on motor vehicles located within the reservation and owned by tribal members.
- In Washington v. Confederated Tribes of Colville Indian Reservation, 447 U.S. 134 (1980), the Supreme Court held, among other things, that motor vehicle excise taxes could not be imposed on vehicles owned by tribal members and used on or off the reservation.
- In Oklahoma Tax Commission v. Sac and Fox Nation, 508 U.S. 114 (1993), the Supreme Court held that the State of Oklahoma may not impose vehicle excise taxes and registration fees upon Indians who live and garage their vehicles in Indian country.
- In United States v. State of Michigan, 851 F.2d 808 (6th Cir. 1988), rehearing denied (August 1988), the United States Court of Appeals for the Sixth Circuit held that the legal incidence of the Michigan sales tax is on the retail purchaser, not the retail seller. *Id.* at 808. The Court concluded that "state law clearly indicates the state legislature's intent that the tax be passed on the purchaser". *Id.*

D. State Cases

As already mentioned above, in Todd Chosa v. Michigan Department of Treasury, MTT Docket No. 283437 (2005), the Michigan Tax Tribunal, Small Claims Division, held that the petitioner, a Community member, is entitled to a refund of Michigan use tax paid together with interest and filing fees. *Id.* at 4. The case involved the purchase of an out-of-state vehicle by the petitioner. When the petitioner applied for a Michigan title for the motor vehicle at the Michigan Secretary of State office, he was charged \$ 979.26 in

Jay Rising

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use tax together with a title fee of \$ 11.

The motor vehicle is used by the petitioner both inside and outside the Community's reservation. The vehicle has been housed within the reservation boundaries since its purchase. Based upon its findings of fact and the applicable statutory and case law, the Tribunal concluded that petitioner's out-of-state purchase of the motor vehicle is not subject to Michigan use tax. The Tribunal also held that "[w]ithout express authorization by statute, it is improper to impose the tax in this case as the U.S. Constitution prohibits such". *Id.*

One of the cases cited by the *Chosa* Court, is *J.K. Wofford v. Department of Revenue of the State of Washington*, 28 Wash App 68, 622 P2d 1278 (1980). In *Wofford*, the Washington Court of Appeals held that neither the state's retail sales tax nor its use tax could be applied to motor vehicles owned by members of an Indian tribe when the vehicles are used both on and off the tribe's reservation.

E. Discussion

Under *U.S. v. State of Michigan*, because the legal incidence of the Michigan sales and use tax falls upon tribal members with respect to property located within Indian country, the imposition of these taxes is categorically barred as a matter of federal law. An explicit Congressional permission to the contrary does not exist.

Even assuming that the legal incidence of the taxes falls on the retailer, imposition of the taxes also is categorically barred as a matter of federal law under *Central Machinery* and *Warren Trading*.

In addition, under the authority of *Chickasaw*, *Bryan*, *Moe*, *Colville*, *Sac and Fox*, *Wofford* and *Chosa*, the imposition of Michigan's sales and use tax on motor vehicles owned by members of the Community who live and garage the vehicles on the Reservation is preempted under the balancing test. The federal and tribal interests against state taxation derive from the general federal policies favoring tribal self-government and self-determination that were present in these and other federal Indian law cases in which state laws were held to be preempted. While the federal and tribal interests against a tax are strong, Michigan's interest in imposing its sales and use tax is minimal. These taxes serve merely a general revenue raising purpose.

The *Chosa* decision involves the imposition of a use tax on a motor vehicle purchased out of state. Since the use tax is a tax complementary and supplementary to the sales tax and is designed to protect the sales tax base, the decision of the *Chosa* Court impacts both sales and use taxes paid by individual members of the Community who live and garage their vehicles on the reservation.

Section III(A)(2)(c) of the tax agreement that Michigan entered into with seven tribes provides for the same result, consistent with federal law:

- c. Resident Tribal Members are exempt from both the sales tax and

Jay Rising

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use tax on the following items regardless of where purchased or used provided they are purchased for non-commercial, personal use and principally garaged, berthed, or stored within the Agreement Area:

- i. Passenger vehicles, including automobiles, pick-up trucks, recreational vehicles and motorcycles;

This provision of the tax agreement constitutes an admission by the State that Community members who live and garage their vehicles on the Community's Reservation and trust lands are not subject to sales tax and use tax on the vehicles as clearly stated in federal case law on this subject.

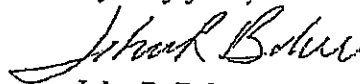
F. Refund Request

By this letter, the Community demands that the State of Michigan refund the sales and use taxes described in Attachment A in the amount of \$284,957.07 to the Community, plus interest as provided for under applicable law.

Please contact me at (906) 353-7031 if you have any questions in connection with this claim for refund.

Thank you for your time and prompt attention to this important issue.

Very truly yours,



John R. Baker
Tribal Attorney

Enclosures

cc: John Wernet, Deputy Legal Counsel, Executive Office of the Governor
Susan LaFemier, Tribal Council President
Jennifer Misegan, Tribal Council Treasurer

EXHIBIT RR

**Letter from Jennifer Misegan to Menash Modie regarding
net win payments (December 19, 2005)**

KEWEENAW BAY INDIAN COMMUNITY

2006 TRIBAL COUNCIL

SUSAN J. LAFERNIER, President
WARREN C. SWARTZ, JR., Vice-President
LARRY J. DENOMIE III, Secretary
DOREEN G. BLAKER, Asst. Secretary
TONI J. MINTON, Treasurer

Keweenaw Bay Tribal Center
107 Beartown Road
Baraga, Michigan 49908
Phone (906) 353-6623
Fax (906) 353-7540

FRED DAKOTA
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MICHAEL F. LAFERNIER, SR.
GARY E. LOONSFOT, SR.
ELIZABETH "CHIZ" MATTHEWS
ELIZABETH D. MAYO
SHAWANUNG

DELIVERY BY MESSENGER SERVICE

December 19, 2006

Mr. Menash Modie
Michigan Economic Development Corporation
Suite 200
300 N. Washington Square
Lansing, MI 48913

Re: 8% Payments Under Consent Judgment
Keweenaw Bay Indian Community v. State of Michigan, et al
U.S. District Court Case No. 2:94-CV-262

Dear Mr. Modie,

Enclosed herewith is the Ojibwa Casino II check, dated November 28, 2006, in the amount of \$732,507.61, as payment of the Net Win from the Marquette Casino.

Also, enclosed herewith is the Ojibwa Casino check, dated November 28, 2006, in the amount of \$575,463.93, as payment of 8% of the "net win" from the Baraga Casino in the amount of \$641,489.35, after subtracting there from the sum of \$66,025.42 ("Offsets"), which amount is owed by the state of Michigan to the Community for motor vehicle sales taxes paid by members of the Community to the state of Michigan. (See Attachment II for the calculations of the Offsets.)

The enclosed checks have been made payable to the Michigan Economic Development Corporation as the payee designated by the state of Michigan under the terms of the Consent Judgment.

The reason that the Community has made the Offsets is that the State of Michigan has continually refused to recognize the tax exempt status of the members of the Community when purchasing motor vehicles in Indian country. (For a detailed discussion of reasons for the

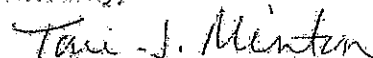
LAKE SUPERIOR BAND OF CHIPPEWA INDIANS

KBIC 203405

Mr. Menash Modie
November 17, 2006
Page 2

Offsets, please see the Community's letter to Governor Granholm, dated September 8, 2005, a copy of which was forwarded to your attention.)

Sincerely,

A handwritten signature in cursive script that reads "Toni J. Minton".

Toni J. Minton
Treasurer

cc: w/ attachments
John Wernet, Deputy Legal Counsel, Office of the Governor
Susan J. LaFemier, President

KBIC 203406

8% Offset for Sales and Use Tax for the Baraga Property

4/01/06-9/30/06	\$641,489.35
-----------------	--------------

Sales/Use Tax Refunds

Apr-06	-\$11,637.84
May-06	-\$7,931.97
Jun-06	-\$9,124.80
Jul-06	-\$9,016.65
Aug-06	-\$13,584.47
Sep-06	<u>-\$14,729.69</u>
	-\$66,025.42

State of MI Total Payment	\$575,463.93
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KBIC 203407

KEWEENAW BAY INDIAN COMMUNITY**OJIBWA CASINOS****STATE 8% AND LOCAL 2% SUMMARY****FOR PERIODS 04/01/2006 THROUGH 09/30/2006**DATE: 11/22/00
TIME: 10:33 AM

DESCRIPTION	DATE	OCR BARAGA	OC II MQT	COMBINED TOTAL
Assessable Slot Win				
Gross Slot Win		8,052,939.76	9,201,540.27	17,254,480.03
+ / (-) Hopper Changes		11,999.80	(5,017.40)	6,982.40
= Adjusted Slot Win		8,064,939.56	9,196,522.87	17,261,462.43
- Wide Area Deductions		(46,322.44)	(40,177.77)	(86,500.21)
Assessable Slot Win	Apr 06-Sep 06	8,018,617.12	9,156,345.10	17,174,962.22

Local 2%

Beginning Balance	04/01/06	-	-	-
+ Current Period	Apr 06-Sep 06	160,372.35	183,126.90	343,499.25
= Amounts Due	09/30/06	160,372.35	183,126.90	343,499.25
- Current Payments	Apr 06-Sep 06	-	-	-
Ending Balance 2%	09/30/06	160,372.35	183,126.90	343,499.25

State 8%

Beginning Balance	04/01/06	571,673.39	-	571,673.39
+ Current Period	Apr 06-Sep 06	641,489.35	732,507.61	1,373,996.96
= Amounts Due	09/30/06	1,213,162.74	732,507.61	1,945,670.35
- Due from State of MI *Note 1	Apr 06-Sep 06	(637,698.81)	-	(637,698.81)
Ending Balance 8%	09/30/06	575,463.93	732,507.61	1,307,971.54

Note 1: Deductions from 8% for
amounts due from State of MI.

03/31/05	476,300.97
09/30/05	28,388.35
03/31/06	66,984.07
09/30/06	66,025.42
Total	637,698.81

OJIBWA CASINO
 INVOICE NUMBER
 MEDC112206
 Message : STATE 8%

DATE
 11/22/2006

AMOUNT DISCOUNT
 575,463.93 .00

NET 066872
 575,463.93

For Reorder Call 800-999-0940

THE FACE OF THIS CHECK HAS A SECURITY VOID BACKGROUND PATTERN. DO NOT CASH IF THE WORD VOID IS VISIBLE.



OJIBWA CASINO
 KEWEENAW BAY INDIAN COMMUNITY
 797 MICHIGAN AVENUE
 BARAGA, MICHIGAN 49908
 VOID AFTER 90 DAYS

SUPERIOR NATIONAL BANK
 & TRUST COMPANY
 235 QUINCY ST. HANCOCK, MI 49930

066872

DATE CHECK AMOUNT
 11/28/2006 \$*****575,463.93

PAY Five Hundred Seventy-Five Thousand Four Hundred Sixty-Three and 93/100
 Dollars

TO THE
 ORDER
 OF

MICHIGAN ECONOMIC DEVELOPMENT
 CORPORATION
 300 NORTH WASHINGTON SQUARE
 2ND FLOOR
 LANSING MI 48913

Doreen Blakas
 Signature
 MP

KBIC 203409

OJIBWA CASINO II

INVOICE NUMBER

MEDC112206M

Message : STATE 8%

DATE

11/22/2006

AMOUNT

732,507.61

DISCOUNT

.00

NET

732,507.61

023303

For Reorder Call 800-888-0840

THE FACE OF THIS CHECK HAS A SECURITY VOID BACKGROUND PATTERN-DO NOT CASH IF THE WORD VOID IS VISIBLE



OJIBWA CASINO II

KEWEENAW BAY INDIAN COMMUNITY

787 MICHIGAN AVENUE

BARAGA, MICHIGAN 49908

VOID AFTER 90 DAYS

WELLS FARGO BANK
MARQUETTE, MI 49855

023303

DATE

11/28/2006

CHECK AMOUNT

\$****732,507.61

PAY Seven Hundred Thirty-Two Thousand Five Hundred Seven and 61/100 Dollars

TO THE
ORDER
OFMICHIGAN ECONOMIC DEVELOPMENT
CORPORATION

300 NORTH WASHINGTON SQUARE

2ND FLOOR

LANSING MI 48913

 AUTHORIZED SIGNATURE

KBIC 203410

04387

017542_P1

35467315

275 of 300



See instructions on back, Call 1-800-PICK-UPS (800-742-5877) for additional information.

TRACKING NUMBER 1Z F4W 886 22 1000 3845

1 SHIPMENT FROM

SHIP FROM
UPS
ACCOUNT NO.
F4W886
REFERENCE NUMBER

NAME John R. Baker TELEPHONE 906-353-6623

COMPANY KEWEENAW BAY INDIAN COMM

STREET ADDRESS 107 BEARTOWN RD

CITY AND STATE BARAGA ZIP CODE MI 49908-9678

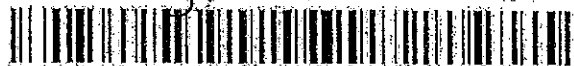
2 EXTREMELY URGENT DELIVERY TO

NAME Mr. Mehesh Modie TELEPHONE 517-241-0523

COMPANY Michigan Economic Development Corp.

STREET ADDRESS Suite 200, 300 N. Washington Square

CITY AND STATE (INCLUDE COUNTRY IF INTERNATIONAL) Lansing, MI ZIP CODE 48913



3	WEIGHT ENTER "LBS" IF LBS ENTER "KG" IF KG	DIMENSIONAL WEIGHT ENTER "L" IF L ENTER "W" IF W ENTER "H" IF H	SHIPPER'S COPY
4	<input checked="" type="checkbox"/> NEXT DAY AIR <input type="checkbox"/> EXPRESS (INTL) PARAWORLDWIDE EXPRESS SHIPMENTS: Mark as "X" in the box if shipment only contains documents of no commercial value.		CHARGES
5	<input type="checkbox"/> SATURDAY PICKUP See instructions. <input type="checkbox"/> SATURDAY DELIVERY See instructions.		
6	INSURED VALUE *Contents are automatically protected up to \$100. For insured value over \$100, see instructions. C.O.D. *C.O.D. only amount to be collected and all other conditions apply. C.O.D. fee is \$3.00.		AMOUNT
7	ADDITIONAL HANDLING CHARGE <input type="checkbox"/> An Additional Handling Charge applies for certain items. See instructions.		AMOUNT
8	METHOD OF PAYMENT <input checked="" type="checkbox"/> Bill Shipper <input type="checkbox"/> Bill Receiver <input type="checkbox"/> Bill Third Party <input type="checkbox"/> CREDIT CARD <input type="checkbox"/> American Express <input type="checkbox"/> Diner's Club <input type="checkbox"/> Discover <input type="checkbox"/> MasterCard <input type="checkbox"/> Visa		DATE
9	RECEIVERS / THIRD PARTY'S UPS ACCT. NO. OR MAJOR CREDIT CARD NO. THIRD PARTY'S COMPANY NAME STREET ADDRESS CITY AND STATE ZIP CODE		EXPIRATION DATE
SHIPPER'S SIGNATURE X <i>Betsy McCarthy</i> DATE OF SHIPMENT 12/19/06			

0101911202609 6/00 S

KBIC 203411

EXHIBIT SS

**Letter from Toni Minton to Menash Modie
regarding net win payments (June 5, 2006)**

KEWEENAW BAY INDIAN COMMUNITY

2006 TRIBAL COUNCIL

SUSAN J. LAFERNIER, President
WARREN C. SWARTZ, JR., Vice-President
LARRY J. DENOMIE III, Secretary
DOREEN G. BLAKER, Asst. Secretary
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GARY F. LOONSFOT, SR.
ELIZABETH "CHIZ" MATTHEWS
ELIZABETH D. MAYO
SHAWANONG

June 5, 2006

Mr. Menash Modie
Michigan Economic Development Corporation
Suite 200
300 N. Washington Square
Lansing, MI 48913

Re: 8% Payments Under Consent Judgment
Keweenaw Bay Indian Community v. State of Michigan, et al
U.S. District Court Case No. 2:94-CV-262

Dear Mr. Modie,

Enclosed herewith is the Community's check, dated May 24, 2006, in the amount of \$485,908.60, as payment of 8% of the "net win" from the Baraga Casino in the amount of \$552,892.67, after subtracting therefrom the sum of \$66,984.07 ("Offsets"), which amount is owed by the state of Michigan to the Community for motor vehicle sales taxes paid by members of the Community to the state of Michigan. (See Attachment I for the calculations of the Offsets.) The enclosed check has been made payable to the Michigan Economic Development Corporation as the payee designated by the state of Michigan under the terms of the Consent Judgment.

The reason that the Community has made the Offsets is that the State of Michigan has continually refused to recognize the tax exempt status of the members of the Community when purchasing motor vehicles in Indian country. (For a detailed discussion of reasons for the Offset, please see the Community's letter to Governor Granholm, dated September 8, 2005, a copy of which was forwarded to your attention.)

KBIC 203400

LAKE SUPERIOR BAND OF CHIPPEWA INDIANS

Mr. Menash Modie
June 5, 2006
Page 2

Also enclosed is the Community's check, dated May 25, 2006, in the amount of \$658,051.97, as payment of 8% of the "net win" from the Chocoday Casino (Ojibwa Casino II). The enclosed check has been made payable to the Michigan Economic Development Corporation as the payee designated by the state of Michigan under the terms of the Consent Judgment.

Sincerely,

Toni J. Minton
Toni J. Minton
Treasurer

cc: w/ attachments:

John Wernet, Deputy Legal Counsel, Office of the Governor
Susan J. LaFemier, President

KBIC 203401

Attachment I

8% Offset for Sales and Use Tax for the Baraga Property

10/1/05-3/31/06 \$552,892.67

Sales/Use Tax Refund Requests for Vehicle Purchases

Oct. 05 -\$16,152.01

Nov. 05 -\$12,236.34

Dec. 05 -\$15,582.25

Jan. 06 -\$4,422.68

Feb. 06 -\$5,252.10

Mar. 06 -\$13,338.69

Total Refund Requests -\$66,984.07

State of MI Total Payment \$485,908.60



OJIBWA CASINO
KEWEENAW BAY INDIAN COMMUNITY
797 MICHIGAN AVENUE
BARAGA, MI 49908
VOID AFTER 90 DAYS

SUPERIOR NATIONAL BANK
& TRUST COMPANY
235 QUINCY ST. HANCOCK, MI 49930

CHECK NUMBER
064641

DATE	CHECK AMOUNT
5/24/06	****485,908.60

PAY FOUR HUNDRED EIGHTY-FIVE THOUSAND *****
NINE HUNDRED EIGHT AND 60/100 DOLLARS

TO THE ORDER OF MICHIGAN ECONOMIC DEVELOPMENT
CORPORATION
300 N WASHINGTON SQ, 2ND FLOOR
LANSING MI 48913

[Signature]
[Signature]
AUTHORIZED SIGNATURE



OJIBWA CASINO II
KEWEENAW BAY INDIAN COMMUNITY
797 MICHIGAN AVENUE
BARAGA, MI 49908
VOID AFTER 90 DAYS

WELLS FARGO BANK
MARQUETTE, MI 49855

CHECK NUMBER
021657

DATE	CHECK AMOUNT
5/25/06	****658,051.97

PAY SIX HUNDRED FIFTY-EIGHT THOUSAND *****
FIFTY-ONE AND 97/100 DOLLARS

TO THE ORDER OF MICHIGAN ECONOMIC DEVELOPMENT
CORPORATION
300 N WASHINGTON SQ, 2ND FLOOR
LANSING MI 48913

[Signature]
[Signature]
AUTHORIZED SIGNATURE

KBIC 203403

KEWEENAW BAY INDIAN COMMUNITY**OJIBWA CASINOS****STATE 8% AND LOCAL 2% SUMMARY**

FOR PERIODS 10/01/2005 THROUGH 03/31/2006

DESCRIPTION	DATE	OCR BARAGA	OC II MQT	DATE: TIME:	COMBINED TOTAL
Assessable Slot Win					
Gross Slot Win	Oct 05-Mar 06	6,932,207.45	8,256,353.97	05/23/06 1:29 PM	15,188,561.42
+ / (-) Hopper Changes:		604.85	697.95		1,302.80
= Adjusted Slot Win		6,932,812.30	8,257,051.92		15,189,864.22
- Wide Area Deductions:		(21,653.94)	(31,402.30)		(53,056.24)
Assessable Slot Win	Oct 05-Mar 06	6,911,158.36	8,225,649.62		15,136,807.98
Local 2%					
Beginning Balance	10/01/05	(54,638.68)	-		(54,638.68)
+ Current Period	Oct 05-Mar 06	138,223.17	164,512.98		302,736.15
= Amounts Due	03/31/06	83,584.49	164,512.98		248,097.47
- Current Payments	Oct 05-Mar 06	-	-		-
Ending Balance 2%	03/31/06	83,584.49	164,512.98		248,097.47
State 8%					
Beginning Balance	10/01/05	504,689.32	-		504,689.32
+ Current Period	Oct 05-Mar 06	552,892.67	658,051.97		1,210,944.84
= Amounts Due	03/31/06	1,057,581.99	658,051.97		1,715,633.96
- LTD Deductions	Oct 05-Mar 06	(571,673.39)	-		(571,673.39)
Ending Balance 8%	03/31/06	485,908.60	658,051.97		1,143,960.57

EXHIBIT TT

Community's response to Defendants' Second Set of Interrogatories (May 11, 2007)

UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF MICHIGAN

KEWEENAW BAY INDIAN COMMUNITY,
a federally-recognized Indian tribe, on its own
behalf and as *parens patriae* for its members,

Hon. Gordon J. Quist

Plaintiff,

Civil Action No. 2:05-CV-0224

v.

ROBERT J. KLEINE, Treasurer of the State of
Michigan; JAY RISING, former Treasurer of
the State of Michigan; MICHAEL
REYNOLDS, Administrator of the Collection
Division of the Michigan Department of
Treasury; WALTER A. FRATZKE, Native
American Affairs Specialist of the Michigan
Department of Treasury; and TERRI LYNN
LAND, Secretary of State of Michigan,

Defendants.

**KEWEENAW BAY INDIAN COMMUNITY'S RESPONSE TO DEFENDANTS'
SECOND SET OF INTERROGATORIES, REQUEST FOR PRODUCTION OF
DOCUMENTS AND REQUESTS FOR ADMISSION**

TO: DEFENDANTS KLEINE, RISING, REYNOLDS, FRATZKE, AND LAND, AND
THEIR ATTORNEYS MILLER, CANFIELD, PADDOCK AND STONE, P.L.C., ONE
MICHIGAN AVENUE, SUITE 900, LANSING, MI 48933-1609

Plaintiff Keweenaw Bay Indian Community (the "Community") submits this Response to
Defendants' Second Set of Interrogatories, Request for Production of Documents and Requests
for Admissions to Plaintiff Keweenaw Bay Indian Community (the "Discovery Requests"),
stating as follows:

GENERAL OBJECTIONS

The following objections shall apply to each Discovery Request and are hereby
incorporated into each response.

cc W Fratzke on 7/11/07

(g) To the Community's knowledge, the transactions with Ferrellgas and RE involved sales taxes, and the transaction with BTC involved sales and use taxes.

Document Request No. 6: Please produce all documents consulted for, relied on for or related to your answer.

OBJECTION: The Community objects to this Document Request on the grounds that it relates to an Interrogatory that seeks information that is irrelevant and not reasonably calculated to lead to the discovery of admissible evidence, is vague, is overbroad and unduly burdensome and seeks information that has previously been provided to Defendants. The Community further objects to this Document Request on the grounds that it calls for production of documents that have previously been produced by the Community or by Defendants or that otherwise are in Defendants' possession.

RESPONSE: Subject to and without waiving any of the foregoing objections, the Community states that in preparing the Answer to Interrogatory 6, the Community consulted and relied on the Affidavit of Jennifer S. Misegan in Support of Plaintiff's Motion for Partial Summary Judgment filed on September 29, 2006 and Exhibits B and F to such Affidavit, which are already in Defendants' possession.

7. Has the Community or its members ever claimed or obtained an exemption from Michigan sales or use tax other than through pre-approval from Defendant Walter Fratzke? If the answer is in the affirmative, please provide the following:

(a) Describe the transaction, including without limitation the purchaser, the retailer, whether the retailer was a licensed Indian trader under 25 CFR part 140, the type and quantity of goods or services purchased, the transaction date, the specific location where the transaction occurred, and whether the goods or services were purchased for individual or Community use. If the goods or services were purchased for individual use, were they purchased for a commercial purpose? If the goods or services were purchased for Community use, were they purchased for an essential governmental purpose?

(b) Identify and describe the basis for the claimed exemption.

(c) Identify any person or entity that bestowed and/or confirmed the exemption.

(d) Explain how the exemption was obtained, including without limitation the process for establishing entitlement to the exemption, what means the Community or its members used to demonstrate to retailers entitlement to an exemption, and whether the Department of Treasury provided written authorization for use of those means.

OBJECTION: The Community objects to this Interrogatory on the grounds that it seeks information that is irrelevant and not reasonably calculated to lead to the discovery of admissible evidence, is vague, overbroad and unduly burdensome, and seeks information that has previously been produced by the Community or by Defendants or otherwise is in Defendants' possession. In addition, the Community objects to Defendants' use of the term "exemption." This case involves tax immunities conferred by federal law, not tax exemptions conferred by the State of Michigan.

ANSWER: Subject to and without waiving any of the foregoing objections, the Community states as follows:

With respect to the Community's own purchases, for the period since 1999, the Community believes that it has not claimed or obtained any "exemption" from Michigan sales or use tax from any representative of the Department of Treasury or the State of Michigan, other than through pre-approval from Defendant Walter Fratzke in transactions involving purchases of motor vehicles. The Community generally has been able to purchase, lease, or rent goods and services without being charged Michigan sales and use taxes in transactions not involving motor vehicles, without involvement by Defendant Fratzke or other representatives of the Department or the State. In addition, pursuant to Rule 33(d) of the Federal Rules of Civil Procedure, the Community will produced nonduplicative, nonobjectionable records containing additional responsive information regarding these transactions at a mutually agreeable time and place. Since the filing of this action, BTC has begun to impose charges for Michigan sales and use

RESPONSE: Subject to and without waiving the foregoing objections, the Community states that it will produce any nonduplicative, nonobjectionable documents responsive to this request at a mutually agreeable time and place.

14. With respect to the claims in the Second Amended Complaint brought under 42 U.S.C. §1983, on what legal and factual basis do you contend that Defendant Jay Rising is personally liable under this statute? Fully describe how Plaintiff would apply that law to the relevant facts to show that Mr. Rising is personally liable as alleged.

OBJECTION: The Community objects to this Interrogatory on the grounds that it is unduly burdensome, calls for a legal conclusion and is premature, as the Community's discovery and investigation are continuing. In particular, the Community has not yet deposed Defendant Rising.

ANSWER: Subject to and without waiving the foregoing objections, the Community directs defendants to paragraph 7 of the Second Amended Complaint, paragraph 7 of the Affidavit of Skip Durocher attached to the Community's memorandum in response to Defendants' motion for summary judgment filed on February 20, 2007, and Exhibit C thereto. Defendants Rising, Reynolds, and Fratzke were the Department officials responsible for the making of the offsets in 2005, the continuation of such offsets after the Community raised an objection on or about May 25, 2005, and the failure to reverse any of the offsets. During the period he served as the Treasurer of the State of Michigan, Defendant had overall responsibility for the administration of the Department of Treasury's operations and programs, including its tax collection and offsets operations and programs. In addition, Defendant Rising's name appears on the repeated offset notices sent to the Community in May and June of 2005. As discussed in the Answer to Interrogatory 15, at least one other department of the State of Michigan has objected to offsets of federal program funds and indicated that such offsets are improper. The Department of Treasury is studying the issue regarding the propriety of the offsets but has

continued to make offsets of such funds.

Document Request No. 14: Please produce all documents consulted for, relied on for or related to your answer.

OBJECTION: The Community objects to this Document Request on the grounds that it relates to an Interrogatory that calls for a legal conclusion and is premature, as the Community's discovery and investigation are continuing. The Community further objects to this Document Request on the grounds that it calls for production of documents that have previously been produced by the Community or by Defendants or that otherwise are in Defendants' possession.

RESPONSE: Subject to and without waiving the foregoing objections, the Community states that it will produce any nonduplicative, nonobjectionable documents responsive to this request at a mutually agreeable time and place.

15. With respect to the claims in the Second Amended Complaint brought under 42 U.S.C. §1983, on what basis do you contend that Defendant Mike Reynolds is personally liable under this statute? Fully describe how Plaintiff would apply that law to the relevant facts to show that Mr. Reynolds is personally liable as alleged.

OBJECTION: The Community objects to this Interrogatory on the grounds that it is unduly burdensome, calls for a legal conclusion and is premature, as the Community's discovery and investigation are continuing.

ANSWER: Subject to and without waiving the foregoing objections, the Community directs defendants to paragraph 8 of the Second Amended Complaint, paragraph 7 of the Affidavit of Skip Durocher attached to the Community's memorandum in response to Defendants' motion for summary judgment filed on February 20, 2007, and Exhibit C thereto. Defendants Rising, Reynolds, and Fratzke are or were the Department of Treasury officials responsible for the making of the offsets in 2005, the continuation of the offsets after the Community raised an objection on or about May 25, 2005, and the failure to reverse any of the

offsets. As the Administrator of the Department's Collection Division, Defendant Reynolds is the official within the Department with specific responsibility for administration of the Department's tax collection and offsets operations and programs. Defendant Reynolds' name appears on the repeated offset notices sent to the Community in May and June of 2005. He was directly involved in the discussions and actions within the Department that resulted in the Community's account being placed in a "bypass" status in 2002, pursuant to which the 2002 Offsets were reversed and further offsets were not to be made with respect to funds payable to the Community from the State of Michigan. It also appears from the information currently available to the Community that Defendant Reynolds was directly involved in the discussions and actions within the Department following the Community's objection to the offsets in 2005 that resulted in the failure by the Department to reverse the offsets. Defendant Reynolds acknowledged in his deposition that the Michigan Department of Human Services has objected to offsets of federal child care program funds and indicated that such offsets are improper. Defendant Reynolds testified that the Department of Treasury is studying the issue regarding the propriety of offsets of federal child care program funds but nonetheless has continued to make offsets of such funds over the objections of the Department of Human Services.

Document Request No. 15: Please produce all documents consulted for, relied on for or related to your answer.

OBJECTION: The Community objects to this Document Request on the grounds that it relates to an Interrogatory that calls for a legal conclusion and is premature, as the Community's discovery and investigation are continuing. The Community further objects to this Document Request on the grounds that it calls for production of documents that have previously been produced by the Community or by Defendants or that otherwise are in Defendants' possession.

RESPONSE: Subject to and without waiving the foregoing objections, the Community states that it will produce any nonduplicative, nonobjectionable documents responsive to this request at a mutually agreeable time and place.

16. With respect to the claims in the Second Amended Complaint brought under 42 U.S.C. §1983, on what legal and factual basis do you contend that Defendant Walter A. Fratzke is personally liable under this statute? Fully describe how Plaintiff would apply that law to the relevant facts to show that Mr. Fratzke is personally liable as alleged.

OBJECTION: The Community objects to this Interrogatory on the grounds that it is unduly burdensome, calls for a legal conclusion and is premature, as the Community's discovery and investigation are continuing.

ANSWER: Subject to and without waiving the foregoing objections, the Community directs defendants to paragraph 9 of the Second Amended Complaint, paragraph 8 of the Affidavit of Skip Durocher attached to the Community's memorandum in response to Defendants' motion for summary judgment filed on February 20, 2007, and Exhibit D thereto. Defendants Rising, Reynolds, and Fratzke are or were the Department of Treasury officials responsible for the making of the offsets in 2005, the continuation of the offsets after the Community raised an objection on or about May 25, 2005, and the failure to reverse any of the offsets. Defendant Fratzke is the official within the Department with specific responsibility for administration of the Department's policies and programs involving Indian tribes and tribal members. Defendant Reynolds testified in his deposition that Defendant Fratzke informed Defendant Reynolds that if an offset occurs involving an Indian tribe, Defendant Fratzke needed to be made aware of it and would provide the Collection Division with direction on whether to keep the funds or return the funds to the tribe. Defendant Fratzke was directly involved in the discussions and actions within the Department that resulted in the Community's account being placed in a "bypass" status in 2002, pursuant to which the 2002 Offsets were

reversed and further offsets were not to be made with respect to funds payable to the Community from the State of Michigan. He also was directly involved in the discussions and actions within the Department following the Community's objection to the offsets in 2005 that resulted in the failure by the Department to reverse the offsets.

Document Request No. 16: Please produce all documents consulted for, relied on for or related to your answer.

OBJECTION: The Community objects to this Document Request on the grounds that it relates to an Interrogatory that calls for a legal conclusion and is premature, as the Community's discovery and investigation are continuing. The Community further objects to this Document Request on the grounds that it calls for production of documents that have previously been produced by the Community or by Defendants or that otherwise are in Defendants' possession.

RESPONSE: Subject to and without waiving the foregoing objections, the Community states that it will produce any nonduplicative, nonobjectionable documents responsive to this request at a mutually agreeable time and place.

17. What is the legal and factual basis for your claim in Count VI of the Second Amended Complaint that the 2005 Offsets constituted a taking of property without just compensation in contravention of the Fifth and Fourteenth Amendments of the United States Constitution? Fully describe how Plaintiff would apply that law to the relevant facts to show that the 2005 Offsets constituted a taking of property as alleged.

OBJECTION: The Community objects to this Interrogatory on the grounds that it is unduly burdensome, calls for a legal conclusion and is premature, as the Community's discovery and investigation are continuing.

ANSWER: Subject to and without waiving the foregoing objections, the Community directs Defendants to paragraphs 32-45 of the Second Amended Complaint. The Community states that the offset property constitutes the property of the Community and its members and

that Defendants are the officials of the State of Michigan who bear responsibility for overseeing the offset program operated by the Department of Treasury and its Collection Division.

Document Request No. 17: Please produce all documents consulted for, relied on for or related to your answer.

OBJECTION: The Community objects to this Document Request on the grounds that it relates to an Interrogatory that is unduly burdensome, calls for a legal conclusion and is premature, as the Community's discovery and investigation are continuing. The Community further objects to this Document Request on the grounds that it calls for production of documents that have previously been produced by the Community or by Defendants or that otherwise are in Defendants' possession.

RESPONSE: Subject to and without waiving the foregoing objections, the Community states that it will produce any nonduplicative, nonobjectionable documents responsive to this request at a mutually agreeable time and place.

18. What is the legal and factual basis for your claim in Count VI of the Second Amended Complaint that the 2005 Offsets constituted an unreasonable seizure of property in contravention of the Fifth and Fourteenth Amendments of the United States Constitution? Fully describe how Plaintiff would apply that law to the relevant facts to show that the 2005 Offsets constituted an unreasonable seizure as alleged.

OBJECTION: The Community objects to this Interrogatory on the grounds that it is unduly burdensome, calls for a legal conclusion and is premature, as the Community's discovery and investigation are continuing.

ANSWER: Subject to and without waiving the foregoing objections, the Community directs Defendants to paragraphs 32-45 of the Second Amended Complaint. The Community states that the offset property constitutes the property of the Community and its members and that Defendants are the officials of the State of Michigan who bear responsibility for overseeing the offset program operated by the Department of Treasury and its Collection Division.

Document Request No. 18: Please produce all documents consulted for, relied on for or related to your answer.

OBJECTION: The Community objects to this Document Request on the grounds that it relates to an Interrogatory that is unduly burdensome, calls for a legal conclusion and is premature, as the Community's discovery and investigation are continuing. The Community further objects to this Document Request on the grounds that it calls for production of documents that have previously been produced by the Community or by Defendants or that otherwise are in Defendants' possession.

RESPONSE: Subject to and without waiving the foregoing objections, the Community states that it will produce any nonduplicative, nonobjectionable documents responsive to this request at a mutually agreeable time and place.

19. What is the legal and factual basis for your claim in Count VI of the Second Amended Complaint that the 2005 Offsets constituted a deprivation of property without due process in contravention of the Fourteenth Amendment of the United States Constitution? Fully describe how Plaintiff would apply that law to the relevant facts to show that the 2005 Offsets constituted a deprivation of property as alleged.

OBJECTION: The Community objects to this Interrogatory on the grounds that it is unduly burdensome, calls for a legal conclusion and is premature, as the Community's discovery and investigation are continuing.

ANSWER: Subject to and without waiving the foregoing objections, the Community directs Defendants to paragraphs 32-45 of the Second Amended Complaint. The Community states that the offset property constitutes the property of the Community and its members and that Defendants are the officials of the State of Michigan who bear responsibility for overseeing the offset program operated by the Department of Treasury and its Collection Division.

Document Request No. 19: Please produce all documents consulted for, relied on for or related to your answer.

OBJECTION: The Community objects to this Document Request on the grounds that it relates to an Interrogatory that is unduly burdensome, calls for a legal conclusion and is premature, as the Community's discovery and investigation are continuing. The Community further objects to this Document Request on the grounds that it calls for production of documents that have previously been produced by the Community or by Defendants or that otherwise are in Defendants' possession.

RESPONSE: Subject to and without waiving the foregoing objections, the Community states that it will produce any nonduplicative, nonobjectionable documents responsive to this request at a mutually agreeable time and place.

20. What is the legal and factual basis for your contention that the State of Michigan or the individual defendants in this action had no ability to exercise the 2005 Offsets? Please include in your answer the specific legal provisions, other than the constitutional provisions cited in Count VI of your Second Amended Complaint, that you contend were violated by the offsets. Fully describe how Plaintiff would apply that law to the relevant facts to show that the State of Michigan and the Defendants had no ability to exercise the 2005 Offsets.

OBJECTION: The Community objects to this Interrogatory on the grounds that it is unduly burdensome, calls for a legal conclusion and is premature, as the Community's discovery and investigation are continuing.

ANSWER: Subject to and without waiving the foregoing objections, the Community states as follows: The 1977 Tax Agreement did not authorize the 1993-94 Tax Assessments or the 2005 Offsets relating to such assessments. The Community has not waived its sovereign immunity to permit the 1993-94 Tax Assessments or the 2005 Offsets. A large portion of the 2005 Offsets were made with respect to federal program funds, as to which offsets such as the 2005 Offsets are invalid as a matter of federal law.

Document Request No. 20: Please produce all documents consulted for, relied on for or related to your answer.

and/or Fratzke are individually liable for "making" the 1993-94 tax assessments and it is not the Community's position that these Defendants are individually liable for "making" those assessments, because the Community is unaware of any facts suggesting that these Defendants were responsible for "making" those assessments.

Document Request No. 27: Please produce all documents consulted for, relied on for or related to your answer.

OBJECTION: The Community objects to this Document Request on the grounds that it relates to an Interrogatory that is unduly burdensome and calls for a legal conclusion. The Community further objects to this Document Request on the grounds that it calls for production of documents that have previously been produced by the Community or by Defendants or that otherwise are in Defendants' possession.

RESPONSE: Subject to and without waiving the foregoing objections, the Community refers Defendants to the Second Amended Complaint, a copy of which is in Defendants' possession.

28. Do you contend that Defendants Rising, Reynolds and/or Fratzke are individually liable for making the 2005 offsets? What is the legal and factual basis for your contention (or non-contention) in this regard? If this is your contention, fully describe how Plaintiff would apply that law to the relevant facts to show such individual liability.

OBJECTION: The Community objects to this Interrogatory on the grounds that it is vague, repetitious, unduly burdensome, calls for a legal conclusion and is premature, as the Community's discovery and investigation are continuing.

ANSWER: Subject to and without waiving the foregoing objections, the Community refers Defendants to Count VI of the Second Amended Complaint, which sets forth the claim made against Defendants Rising, Reynolds, and Fratzke in their individual capacities, as well as to the Community's responses to Interrogatories 14 to 23.

OBJECTION: The Community objects to this Request for Admission on the grounds that it calls for a legal conclusion.

RESPONSE: Deny, for the reason that Article II of the 1842 Treaty, which is a part of federal law applicable to the Ceded Area, provides that the federal Indian trade and intercourse laws remain in effect within the Ceded Area, and thus that the Ceded Area must be treated as if it were Indian country for purposes of determining federal preemption of state law. Accordingly, the State of Michigan may not impose a tax on the sale – or the use – of a motor vehicle to a Community member who principally housed, garaged or stored the vehicle anywhere within the Ceded Area, unless the tax was apportioned to the actual amount of use of the vehicle outside the Ceded Area.

4. Admit that the September 2005 letter from La Fernier to Granholm and the December 2005 letter from Misegan to Modie, attached as Exhibits E and F, respectively, to Reply Brief in Support of Defendants' Motion for Summary Judgment, are authentic.

RESPONSE: Admit

Dated: May 11, 2007

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EXHIBIT UU

**Michigan Department of Treasury Memorandum ET-23030,
Offsets Policy (October 1, 2000)**

1836 (Rev. 7-98) IS, Formerly M-1200

TREASURY DOCUMENTATION

Subject
Offsets, Policy

For
Collection Division and
Bureau of Revenue

Also See
BT-23028; PC-49020,
22

Identification	ET-23030 Policy
Effective Through	10-1-2000 10-1-2003 Page 1 of 1
Replaces	ET-23030 (6-1-90)

The right of offset (setoff) by the State of Michigan is founded both in common law and in the statutes:

1. Article IX, Section 22, of the Constitution of the State of Michigan states: "Procedures for the examination and adjustment of claims against the state shall be prescribed by law."
2. Section 530(5) of Act 281 of the Public Acts of 1967, as amended, (Income Tax Act) provides that: "The amount of a claim otherwise payable may be applied by the department against a liability outstanding on the books of the state against the claimant."
3. Section 30a of Act 122 of 1941, as amended, (Revenue Act) requires the Michigan Department of Treasury to intercept and apply individual income tax refunds and credit payments to the following types of taxpayer debts: (1) past due taxes owed to the State; (2) other debts owed to the State, including ADC/FIP (Aid to Dependent Children/Family Independence Program) Child Support; (3) Non-ADC/FIP Child Support owed to the Friend of the Court; (4) IRS levy; (5) a writ of garnishment or other valid court order.

Offsets are separate from any contractual relationship the state may have with a taxpayer.

Systems exist which match tax refunds, vendor payments and payments to Medicaid providers to outstanding liabilities in order to intercept the refund or payment. See Bulletin BT-23028 for a description of these processes.

Offsets are not performed against funds exempt by state or federal statutes, such as payments to welfare recipients. Bypassing monies which are not exempt from offset must be approved by the Collection Division Administrator.

End

Initials

Signature

EXHIBIT VV

Michigan Department of Treasury Memorandum ET-23030, *Offsets Policy* (October 1, 2000)

1836 (Rev. 7-98) IS, Formerly M-1200

TREASURY DOCUMENTATION**Subject**

Offsets of State Payables Against Receivables, Description

ForCollection Division and
Individual Taxes Division**Also See**ET-23030; JC-42050,
46001; PC-49020**Identification**BT-23028
Bulletin**Effective**

10-1-2000

Through

10-1-2003

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Replaces

BC-49021 (7-1-87)

Collection Division administers the offset of two types of payables against the State Account Receivable (STAR) system:

1. Individual Income Tax refunds
2. Vendor payments.

Each payable has a separate computer program that matches the refund/payment to an outstanding receivable. The match is made by a direct "search" of STAR for the account number identifying the payment. In addition, income tax refunds are matched against manually placed stops on the ITSTOP file, and vendor payments are matched against manually placed stops on the Garnishment and Levy file (GAL).

Once a refund/payment has been matched to a receivable, a combination of automatic and manual procedures are used to make the determination to offset the refund/payment and apply the offset payment to the receivables account.

Individual Income Tax Refund Offset

Before being issued, every income tax refund is passed by two systems for possible match of social security numbers (SSNs):

1. STAR files, including account numbers and all cross-reference numbers (on XRNUMB screen)
2. ITSTOP file (in TREAS mode) of stops placed manually by Income Tax (IT), Individual Taxes Division.

The existence of a stop in the ITSTOP file can be determined by entering ITSTOP and SSN.

Note: Collection Division no longer enters stops into this file, as the offset programs now search the XRNUMB screen for related account numbers.

Once an income tax refund has "hit" (matched) on either of the above files, it is diverted from the normal refund process. Refunds not "hitting" are immediately issued.

Initials**Signature**

Subject

Offsets of State Payables Against Receivables, Description

Identification

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After a "hit," the refund may still be bypassed if:

- Entire receivables account is in status 020 through 023 (hearings) or 030 (Tax Tribunal), and/or
- All assessments are not yet aged past the appeal period (status codes 005, 010, and 015).

Automatic Offsets

The offset program will automatically offset the refund against a receivable if there is:

- No assessment in status code 400 series (bankruptcy, Attorney General), and
- Responsibility code not bankruptcy, and
- Still an outstanding collectible balance due (i.e., the account is not written off), and
- No name difference between the refund and the receivable. (See "Non-obligated Spouse" section below.)

Accounts entirely in collectible status are automatically offset. Accounts for which part of the account is collectible, but part is not, are offset up to the amount collectible (with the exception of bankruptcy). The offset payment is posted specifically to the collectible debts.

Non-obligated Spouse

If a joint refund is eligible for offset, but the name(s) on the refund and the receivable does not match (e.g., Smith, John and Mary refund does not match Smith, John receivable), the refund is held and a non-obligated spouse letter is automatically generated. IT staff review these letters, discarding any where they can determine the refund and account do match. Letters are mailed for refunds payable to husband and wife, but the debt is for only one of the spouses.

The non-obligated spouse letter requests taxpayer to indicate what portion of the refund is attributable to each spouse. The taxpayer is requested to complete a form and return it to IT within 30 days.

If the taxpayer responds within 30 days, the designated portion of the refund is applied to the debt. If, after 50 days, the taxpayer has not responded, the entire refund is automatically applied (up to the amount of debt). Responses received after the refund has been applied are not processed.

Subject

Offsets of State Payables Against Receivables, Description

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Payments created by the automatic and manual offset processes are posted to the STAR account with the following identification.

Payment Source Code	Batch Code	Description
PITA	2499	Automatic income tax offset (refund matched primary account)
SITA	2499	Automatic income tax offset (refund matched secondary account)
PITO	2498	Automatic income tax offset after non-obligated spouse letter (refund matched primary account)
SITO	2498	Automatic income tax offset after non-obligated spouse letter (refund matched secondary account)
PITM	2450-2497	Manual income tax offset (refund matched primary account)
SITM	2450-2497	Manual income tax offset (refund matched secondary account)

Refunds pending in the automatic offset routine, whether regular or non-obligated spouse, are shown on the IITPND screen in TREAS. Entering IITPND and the primary SSN displays the screen which shows the status of the refund.

Subject

Offsets of State Payables Against Receivables, Description

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Manual Review and Offset

If the above automatic offset criteria are not met, the refund is printed as an exception on an offset list. This list is worked manually in IT and then in Collection Division to determine if the refund can be offset and, as necessary, to specify the payment to certain debts. IT staff uses the following criteria to determine how to apply or bypass payments.

**Forward to Collection Division
for Determination:****Bypass Payment (Do NOT apply to
debts in these codes):**

<u>Status Code</u>	<u>Or</u>	<u>Responsibility Code</u>	<u>Status Code</u>	<u>Or</u>	<u>Responsibility Code</u>
411, 412		003-006	005		2000
414		1200	010		2100
417		1300	015		2200
421, 422		4000	020-023		2300
424		4100	030		3000
427		4200	050-053		
431, 432			120-122		
434			413		
437			423		
447			433		
499					

After both divisions have reviewed the offset list and made determinations, the list is used to create payments and/or bypass refunds. Payments posting to STAR after manual review have source code PITM or SITM (primary or secondary, manual income tax offsets).

IT staff may manually prepare a non-obligated spouse letter as needed for refunds on the offset list. They follow up in the same manner as the automatic routine.

If an offset is made, whether through the automatic or manual routine, a letter is sent to the taxpayer explaining the offset.

Subject

Offsets of State Payables Against Receivables, Description

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Vendor Payment Offsets

Every vendor payment processed through the State vendor payment system is passed by two systems for possible match of account numbers:

1. STAR files, including account numbers and all cross-reference numbers (on XRNUMB screen)
2. Garnishment/Levy (GAL) file (in TREAS) of stops placed manually by Financial Operations Division for various agencies of the State and federal government.

If a vendor account number matches an account number on STAR, the payment is diverted and determination is made whether to offset using much the same criteria as for income tax refunds (excluding non-obligated spouse routine). The system includes parameters that allow vendor payments to be bypassed automatically, by account number or selected Batch ID and SAI codes (which identify the type of vendor payment). STAR also contains a "suppress table" for preventing offset of specific STAR accounts.

Payments matching a GAL stop are processed in Financial Operations Division and are not part of the offset routine.

Payments meeting the automatic offset criteria are offset and applied to the account with PVDA or SVDA source code, and a letter to the vendor is generated.

Payments needing manual review before determination are listed on the VENOFF screen. Staff in Special Procedures Unit review the accounts on VENOFF screen and indicate how to apply payment or to bypass payment. Vendor payments on hold in VENOFF screen are cleared daily. Once released, the system sends letters, releases payments, and/or creates accounts receivable payments with source codes PVDM or SVDM (primary or secondary account, manual vendor offset).

End

EXHIBIT WW

**Michigan Department of Treasury Bulletin BT-11011,
Warrant Offset Process (Vendor Payments) (January 1, 2006)**

1836 (Rev. 11-04)

Treasury Documentation

Subject: Warrant Offset Process (Vendor Payments) Using [REDACTED]

For: All State Agencies and Collection Division

Also See:

Identification	BT-11011
	Bulletin
Effective Date	1-1-2006
Replaces	New

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The purpose of this Bulletin is to assist with understanding the warrant offset process for vendor payments. Vendor payments are defined as payments issued using [REDACTED], from the vendor file in Michigan Administrative Information Network (MAIN). Section I is an overview for agency use, including exhibits of remittance advice details and detailed procedures for agencies. Section II includes further detailed procedures for the Department of Treasury, Collection Division.

I. AGENCY OVERVIEW AND PROCESS

Warrant Offset Types

There are two types of warrant offsets.

The State Treasury Accounts Receivable (STAR) system offsets outgoing payments for funds owed to the State of Michigan by the vendor/payee for tax- or agency-related debt. STAR offset is the process of offsetting a portion or the full amount of an outgoing payment to be applied to a tax liability or state agency debt. (See Exhibit J for flow chart)

The Garnishment and Levy (GAL) system where outgoing payments from the State of Michigan are intercepted or garnished and applied to a defendant's (payee's) debt. Garnishments are received from courts and are court ordered. A levy can be owed to the State of Michigan or the Federal government. There are three types of garnishments/levies: 1) Income Tax, 2) Vendor Payments, and 3) Wage Assignments. As noted above, this Bulletin focuses on vendor payments. (See Exhibit K for flow chart.)

Note: Wage garnishments occur when an employer withholds the earnings of an individual for the payment of a debt as the result of a court order or other equitable procedure. The Consumer Credit Protection Act protects the employee by limiting the amount of garnishments to 25% of the earnings until the debt is paid in full. A tax levy occurs when the State or Federal government withholds the earnings or any other income for the payment of a tax debt. There is no limit on the percentage deducted from the earnings until the debt is paid in full.

STAR offsets have priority over GAL offsets for debt owed to the State.

Electronic Funds Transfer (EFT) and vendor warrants may be offset. EFT payments are converted to a warrant [REDACTED] if there is a match against the tax identification number (TIN) file sent to MAIN from Treasury. EFT payments for school aid, colleges, universities and third-party payroll use [REDACTED] therefore when converted to warrants, [REDACTED] is utilized with the payment.

 Approving Signature

Subject: Warrant Offset Process (Vendor Payments) Using [REDACTED]

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The warrant print file, which includes the EFT converted warrants, is sent to Treasury from MAIN in the early morning. The offset (offset is used by taxpayers or debtors interchangeably to define STAR and GAL; technically, STAR offsets payments and GAL intercepts or garnishes payments) process begins with the STAR and GAL databases reading the warrant print file by vendor ID. Specific criteria determine whether a payment should be offset. Once the warrant offset process is complete, a residual warrant is issued if the payment amount is greater than the debt or none of the payment amount was intercepted. The [REDACTED] for a residual warrant is [REDACTED].

Remittance advice payment details are generated and sent along with the residual warrant:

1. Cover page: shows the calculation of what the MAIN original payment was, the amount of the Treasury STAR and/or GAL offset(s), and the net of the residual warrant (see Exhibit A)
2. Second page: shows the original MAIN warrant data (see Exhibit B)
3. Third page: if an offset is taken, shows the GAL offset data (see Exhibit C)
4. Fourth page: a letter is also generated if an offset is taken for STAR (see Exhibit D).

Notes: If the MAIN payment is entirely intercepted, no residual warrant is created, however, the remittance advice payment detail pages (items 1 through 4 above) are generated and sent to the vendor/payee to show how the MAIN warrant payment was applied to STAR and GAL debts.

There are situations where an EFT payment that is "potentially" offsetable may be converted to a warrant but not offset. This occurs when there is a status change between when the offset file is sent to MAIN and the EFT is converted to a warrant. (See Exhibits E through H, MAIN FACS Self-Study Training Material.)

Subject: Warrant Offset Process (Vendor Payments) Using [REDACTED]

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Exhibit A

009089

001 0005 [REDACTED] 2
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STATE OF MICHIGAN REMITTANCE ADVICE

PLEASE NOTE: Your State of Michigan payment has been intercepted by the Michigan Department of Treasury and applied to your receivable or garnishment or levy. The information below summarizes the Treasury offsets and indicates the remaining payment balance. The attached pages provide detail information on your payments and offsets.

Please refer to payment number [REDACTED] when making an inquiry regarding this payment.

PAYMENT AMOUNT PRIOR TO TREASURY OFFSET	\$	342.00
AMOUNT APPLIED TO TREASURY ACCOUNTS RECEIVABLE	(130.80)
AMOUNT APPLIED TO GARNISHMENT OR LEVY	(77.24)
WARRANT AMOUNT	\$	133.96

* VOID

JENNIFER M. GRANHOLM, GOVERNOR

001 0005 [REDACTED] 2

VENDOR NO.	MC	43T AGENCY	BANK ID	ACCTG.
------------	----	---------------	---------	--------

10/14/2004

ONE HUND THIRTY-THREE & 96/100 *****DOLLARS

\$*****133.96

009089

PAY TO THE
ORDER OF

DETROIT MI 48238

STATE TREASURER'S WARRANT
LANSING, MICHIGAN 48201

* VOID

11 [REDACTED] 11 [REDACTED] 11 [REDACTED] 00 11

Subject: Warrant Offset Process (Vendor Payments) Using [REDACTED]

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Exhibit B

009089

000 22 [REDACTED] 4
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STATE OF MICHIGAN REMITTANCE ADVICE

INVOICE NUMBER	INVOICE DATE	INVOICE DESCRIPTION	REF. DOC.	CURRENT DOC.	AMOUNT
43T 431 UNIFIED CHILD DAY CARE SYSTEM	10/09/04				342.00
CHILD'S NAME	CASE NO.	SERVICE PERIOD	UNITS	AMOUNT	
		09/19/04-10/02/04	075	114.00	
		09/19/04-10/02/04	075	114.00	
		09/19/04-10/02/04	075	114.00	

*** PLEASE KEEP THIS DOCUMENT FOR YOUR TAX RECORDS ***

*** THIS INCOME WILL BE REPORTED TO THE INTERNAL REVENUE SERVICE. **
***TENTATIVE WARRANT DATE: OCTOBER 13, 2004

WARRANT AMOUNT \$ 342.00

X VOID

Exhibit C

009089

001 0005 [REDACTED] 2
PAGE 3 OF 4

MICHIGAN DEPARTMENT OF TREASURY
GARNISHMENT/LEVY INFORMATION

YOUR PAYMENT HAS BEEN REDUCED. SEE THE FOLLOWING LIST.

TO THE BEST OF MY KNOWLEDGE, THE FOLLOWING IS TRUE.

CATHY GILLET, AUTHORIZED REPRESENTATIVE 10/13/04

IF YOU HAVE ANY QUESTIONS, CALL (517) 636-5333.

INCOME WITHHOLDING ORDER ISSUED 06/10/04 FOR \$ 77.24

COURT: [REDACTED]

CASE NUMBER: [REDACTED]

PAYER: [REDACTED]

AMOUNT APPLIED FROM ORIGINAL WARRANT NUMBER 22 [REDACTED] 4: \$ 77.24

X VOID

Subject: Warrant Offset Process (Vendor Payments) Using [REDACTED]

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Exhibit D



JENNIFER M. GRANHOLM, Governor
JAY B. RISING, State Treasurer

STATE OF MICHIGAN

DEPARTMENT OF TREASURY

TREASURY BUILDING

LANSING, MICHIGAN 48922

001 0005
PAGE 4 OF 4

October 12, 2004

[REDACTED]
DETROIT MI 48238

A total of \$ 130.80 has been taken from your payment and applied to your accounts receivable with the Michigan Department of Treasury, Collection Division. Specifically, your payment has been applied to the debts listed below.

Type of Debt	Period End	Assessment or Debt No.	Amount Applied to Debt	If questions, call:
INCOME TAX	12/03	[REDACTED]	\$ 75.80	517-636-5270
LVY/WARRANT COST07/04		[REDACTED]	55.00	517-636-5270
Total Offset			\$ 130.80	

Your collectible balance due after offset including all payments receipted through 10/12/04:

\$.00

Your accounts receivable account number, name and address are as follows:

[REDACTED]
DETROIT MI 48238

Michael Reynolds
Collection Division

X VOID

Subject: Warrant Offset Process (Vendor Payments) Using [REDACTED]

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Exhibit E

MAIN FACS
SELF-STUDY
Training Material

EFT CONVERSION TO WARRANT SITUATIONS

Treasury Offset Definitions

State Treasurer's Accounts Receivable (STAR)

State Treasurer's Accounts Receivable are maintained by Treasury and provide for the offset of funds owed to the State of Michigan by the vendor/payee for tax related or agency related debt. Star Offset is the process of taking a portion or full amount of a payment for the application to a tax liability or state agency debt.

Garnishment and Levy System (GAL)

The Garnishment and Levy System is an automated system whereby outgoing payments from the State of Michigan are offset and applied to defendant's debt. The debt can be owed to the State of Michigan, the Federal Government, or a third party. STAR has priority over GAL for the division of debt owed to the State.

Residual Warrant

Funds left after the application of the STAR Offset and/or GAL are issued to the payee as a warrant (remaining balance).

The primary circumstances that would cause the system to convert an EFT payment into a warrant are:

- Treasury (STAR or GAL) Offset
- Unavailable Vendor Bank Information. Examples are:
 - Bank information is missing or invalid
 - Payment is made using a Mail Code with an EFT indicator of 'N' and a PDT of DA; DD, D2 or D3

If an EFT payment is subject to Treasury Offset (STAR or GAL), the MAIN FACS payment processing subsystem will convert the EFT into a warrant. Treasury cashes the warrant and a residual warrant is issued if appropriate. **ALSO**

If an EFT payment cannot find vendor bank information, the MAIN FACS payment processing subsystem will convert the EFT into a warrant.

Subject: Warrant Offset Process (Vendor Payments) Using [REDACTED]

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Exhibit F

MAIN FACS
SELF-STUDY
Training Material

In cases where both a Treasury offset and missing bank information occur – The missing bank information causes the conversion to warrant and the Treasury offset occurs afterward.

There are eight system generated PDTs that are used for EFT to warrant conversion situations. When certain conditions exist, the system will replace the original EFT PDT used on the payment with one of the eight PDTs. Identification of these eight 'change' PDTs during payment inquiry in R*STARS will confirm and provide a reason for the EFT conversion to warrant.

EFT PDT Crosswalk Chart

EFT PDT USED ON PAYMENT DOCUMENT:	NO VENDOR BANK INFO SYSTEM CHANGES PDT TO:	TREASURY STAR/GAL OFFSET SYSTEM CHANGES PDT TO:
DA Across Documents Accounts Receivable Offset Direct Deposit	PA Across Documents Accounts Receivable Offset Warrant Written	PX Across Documents Accounts Receivable Offset Warrant Written
DD Across Funds Accounts Receivable Offset Direct Deposit	PD Across Funds Accounts Receivable Offset Warrant Written	PW Across Funds Accounts Receivable Offset Warrant Written
D2 Across Documents No Accounts Receivable Offset Direct Deposit	PB Across Documents No Accounts Receivable Offset Warrant Written	PY Across Documents No Accounts Receivable Offset Warrant Written
D3 Across Funds No Accounts Receivable Offset Direct Deposit	PC Across Funds No Accounts Receivable Offset Warrant Written	PZ Across Funds No Accounts Receivable Offset Warrant Written

*For Example: An EFT Direct Voucher was created with a PDT of DA and R*STARS payment inquiry revealed the PDT had been changed to PX. The chart shows the reason for the conversion is Treasury offset. The EFT was converted by the system into a warrant due to STAR or GAL offset.*

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Exhibit G

MAIN FACS SELF-STUDY Training Material

*Where do I look in R*STARS to find out if my PDT has been changed?*

If you have...	Find the PDT information in R*STARS
Vendor Number	Screen 85
Document Number	Screen 86 to screen 84
Warrant Number	Screen 44

Payment Inquiry Process When EFT Has Converted To Warrant

An EFT Direct Voucher with a PDT of DA was created in ADPICS for \$10,000. The vendor calls with questions about the payment.

```

PCHEL800 VS.0          ADVANCED PURCHASING/INVENTORY  MM/DD/YYYY  10:34 AM
LINK TO:                DIRECT VOUCHER HEADER ENTRY

DIR VOUCHER ID: [REDACTED]  DOG TYPE: DV          EFF DATE : MM/DD/YYYY
ACTION IND : P             DUE DATE:             INT TYPE: DV
PDT : DA  DMI : R  BANK ID : 000          EXENT NO :
VEN INVOICE NO: F02        REG TRMS: NET        DOG RE NO:
DEPARTMENT : KTB          NOTE : IF
CONTACT : [REDACTED]      STATUS: POST
TELEPHONE : [REDACTED]    EXT             CREATE: MM/DD/YY
VOUCHER AMOUNT: [REDACTED]  EFF IN :         UPDATE: MM/DD/YY
VENDOR ID : [REDACTED]    POST : MM/DD/YY
ADDRESS 001 : [REDACTED]  MUEG :
CITY : [REDACTED]        1099: SERVICE DATE: 10/03/2004
VOUCHER DESC : [REDACTED]  ST: MI ZIP: [REDACTED]  CTRY: USA
DISTRIB METHOD: M          REJECT CODE:          PCO :  CLIENT/PATIENT NO :
SX AGY MY INDEX PCA.  CORR AQBT GRANT  PH-PROJ  PH AG1 AG2 AG3 PERCENT

```

F1-HELP F2-SELECT F3-DELETE F5-NEXT F6-VIEW DOC
F8-SEL TRMS F9-LINK F10-SAVE F11-VW ACCT

An R*STARS payment inquiry to check the PDT will identify situations where an EFT had been converted to a warrant and the reason for the conversion.

From the Main Menu of R*STARS, press <F10> to access the RFM Reporting/Inquiry Menu

Then press <F2> to access the DIM Document Inquiry Menu

If the Vendor Number is known, press <F8> for the 85 Vendor Transaction Inquiry. This screen allows you to inquire on posted transactions pertaining to a specific vendor and Document Type for your agency.

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Exhibit H

MAIN FACS
SELF-STUDY
Training Material

APPENDIX B

EFT QUICK REFERENCE GUIDE

EFT CONVERSION TO WARRANT CHART
EXAMPLE OF RETURN EFT PROCESS

EFT Conversion To Warrant Chart

Appendix B should be used as a sample and is not intended to be all-inclusive. For more information about the EFT conversion to warrant process see page 27.

PDT Type	Banking Information (Payee's Routing number, Account number and Account type) Offset Information	Results
MA Mail across documents; A/R Offset	Not relevant or N/A	PDT Type MA. Warrant issued.
DA (EFT) Mail Across Documents; A/R Offset	Banking information present. Mail code EFT ready. No Treasury Offset.	PDT Type DA. EFT issued.
DA (EFT) Mail Across Documents; A/R Offset	Banking information absent or Mail code not EFT ready	PDT converted to type PA. Warrant issued.
DA (EFT) Mail Across Documents; A/R Offset	Banking Information present. Mail code EFT ready. Treasury Offset.	PDT converted to type PX. Warrant issued.

Note: ADPICS screens will show the PDT type as entered and posted in ADPICS.

Look at RSTARS screens, i.e., 84 Accounting Event Record Entry, to see PDT type as processed. Mail codes with an assignee or multiple payee(s) will not be paid via EFT. EFT bank information is not attached to those Mail codes.

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Agency Process

When an agency receives a phone call from a vendor regarding a payment made by the State of Michigan, the agency follows these steps to determine if the warrant was offset.

Agency Staff

WHEN: As Requested

1. Verifies caller is an authorized representative.
2. Accesses MAIN, R*STARS, accounting screen 47A Warrant Status Maintenance.
 - A. Enters bank ID.
 - B. Enters original warrant number.
3. Determines what information the vendor is requesting.
 - A. Reason for payment.
 - B. Status of payment (to be refunded, being offset, etc.)
4. If Treasury Status on 47A screen is "S," "G" or "B" and funds are left to disburse, a residual warrant will be issued.
 - A. Sends a caller to the STAR or GAL unit depending on the Treasury Status code.

```

S47A VER 2.0  STATE OF MICHIGAN -- ACCEPTANCE TEST (TMAIN) 12/01/00 10:45 AM
LINK TO:      WARRANT STATUS MAINTENANCE
      BANK ID: 000  WARRANT NUMBER: 0XXXXXXX  DOCUMENT NO:
      STATUS MAINT:  REAS CD:
      REQUEST STATUS: REQUEST REAS CD:
      PAID BY: 850000000  CLEARANCE DATE: 10182000
STAT/REQUEST MAINT DATE: 10232000  (MMDDYYYY)
      CLEARANCE FISCAL YR: 01  TRAN GENERATED FLAG: N
      CURRENT STATUS: P
      TREASURY STATUS: S
      CURRENT STATUS DATE: 10182000
      ISSUE DATE: 10222000
      EXPIRATION DATE: 10222000
      VENDOR/MC: 555555555 001
      VENDOR NAME: ANY VENDOR
      ADDRESS: 111 ANYWHERE ST
      CITY/STATE/ZIP: ANYWHERE  MI 44444
      ISSUE FISCAL YR: 01  AMOUNT: 10000.00
      CROSS REFERENCE NUMBER:  STATUS:  REPLACEMENT WARR IND:
      MICROFILM NUMBER:  REEL NO:
Z06 RECORD SUCCESSFULLY RECALLED

      S = STAR Offset
      G = GAL Offset
      B = Both Offsets
  
```

F1-HELP F2-PMT INQUIRY F4-REPLACE WARR F5-NEXT F6-VEND TRANS F7-PAY REDEMP
F8-PMT STATUS APPROVAL F9-INT F10-SAVE F11-SAVE/CLEAR ENTER-INQ CLEAR-EXIT

Subject: Warrant Offset Process (Vendor Payments) Using [REDACTED]

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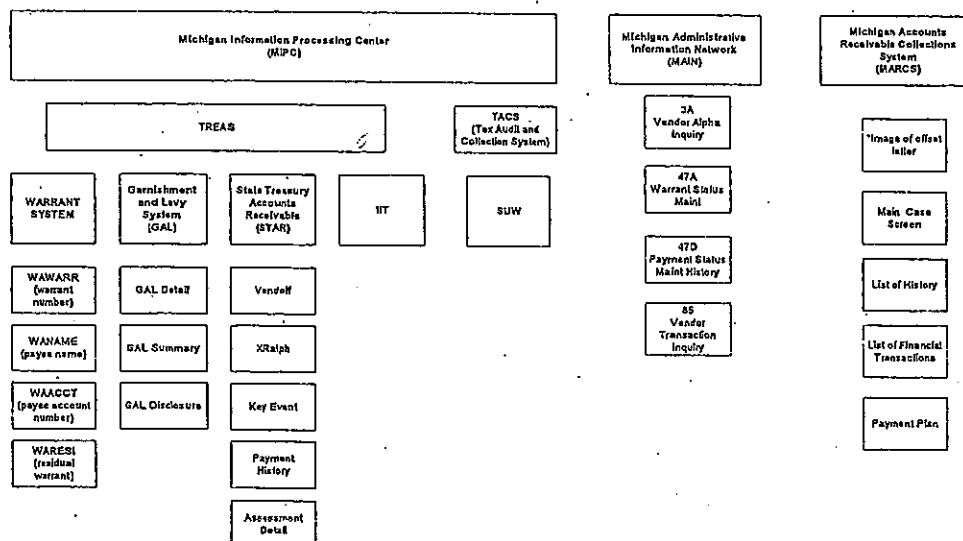
Agency Staff (cont.) 4. B. If the status is "B," the caller should first be referred to the STAR unit.

Notes: If funds are left after the STAR and/or GAL offset process, a residual warrant is issued to the vendor. The original warrant's "Current Status" changes to "P" (paid) and a residual warrant using bank ID 001 is issued by the Department of Treasury. The balance could be the entire amount of the original warrant or a reduced amount. Offset payment details (see Exhibits A, B, C and D) are mailed to the vendor.

The table below shows the information systems utilized by Treasury, Collection to help resolve vendor offset questions. Collection staff would utilize a similar process for income tax and payroll garnishments.

Agencies other than Treasury, Collection may not be able to access all the screens mentioned below.

Information Systems Utilized for Offset Process



* May be available at a future date.

Subject: Warrant Offset Process (Vendor Payments) Using [REDACTED]

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II. COLLECTION DIVISION PROCESS

Collection
Division Staff

WHEN: STAR Offset

1. Receives call from vendor.
2. Verifies caller is an authorized representative.
3. Determines what information the vendor is requesting:
 - A. Why has warrant been offset?
 - (1) Obtains warrant number from vendor.
 - (2) If warrant is less than one year old, looks up offset information on WAWARR, MARCS, or STAR screens.
 - (3) If warrant is one year old or greater than one year old, looks up offset letter on WAWARR fiche by date, then account number.
 - (4) Provides information about offset letter to vendor.
 - (5) Directs vendor to appropriate tax area for further details of tax liability.
 - B. What is payment for (residual warrant)?
 - (1) Obtains warrant number from vendor.
 - (2) Looks up offset letter on WAWARR fiche by date, then account number.
 - (3) If warrant is created prior to October 1, 2003, requests warrant register from Receipts Processing Division. If warrant is created on or after October 1, 2003, Collection Division will have a copy of the warrant register.
 - (4) Looks up warrant number on warrant register fiche.
 - (5) Provides MAIN invoice information to caller.
 - (6) Directs caller to appropriate tax area for further details of tax liability.

Subject: Warrant Offset Process (Vendor Payments) Using [REDACTED]

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Collection
Division Staff
(cont.)

3. C. Where is my payment?

(1) If caller does not have warrant number or offset letter and knows a payment is expected:

(a) Searches MAIN, STAR or WAWARR screens by vendor name to determine warrant number.

(b) If warrant is less than one year old, looks up warrant number on MAIN, STAR or WAWARR screens.

D. If searching through MAIN:

(1) Looks up vendor name on 3A screen (Vendor Alpha Inquiry).

(2) Searches for warrant number on 85 screen (Vendor Transaction Inquiry) to determine warrant number.

(3) Looks up warrant information on 47A screen (Warrant Status Maintenance).

E. If searching through STAR:

(1) Looks up vendor name on XRALPH screen.

(2) Determines warrant number.

(3) Looks up warrant information on MAIN 47A screen.

F. If searching through WAWARR:

(1) Looks up vendor name on WANAME screen.

(2) Determines warrant number.

(3) Looks up warrant information on MAIN 47A screen.

(4) Provides payment information to caller.

(5) Directs caller to appropriate tax area for further details on tax liability.

4. If warrant is greater than one year old, looks up warrant number on WAWARR fiche by date, then account number.

A. Using warrant number, looks up warrant detail on warrant register fiche.

B. Provides payment information to caller.

C. Directs caller to appropriate tax area for further details on tax liability.

Subject: Warrant Offset Process (Vendor Payments) Using [REDACTED]

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Collection
Division Staff
(cont.)

WHEN: GAL Offset

5. Receives call from vendor.
6. Verifies caller is an authorized representative.
7. Determines what information the vendor is requesting.
 - A. Why has warrant been offset?
 - (1) Looks up debt information on GAL summary screen.
 - (2) If information is less than one year old:
 - (a) Looks up attorney information on GAL detail screen.
 - (b) Provides payment information to caller.
 - (c) Directs caller to garnishee for further details, if necessary.
 - (3) If information is one year or older:
 - (a) Looks up ID number on GAL disclosure screen.
 - (b) Looks up payment information on GAL offset fiche.
 - (c) Provides payment information to caller.
 - (d) Directs caller to garnishee for further details, if necessary.

Note: If warrant is created prior to October 1, 2003, request warrant register from Receipts Processing Division. If warrant is created after October 1, 2003, Collection Division will have a copy of the warrant register.

- B. What is payment for?
 - (1) Looks up payment information on WAWARR screen.
 - (2) If information is less than one year old:
 - (a) Looks up attorney information on GAL detail screen.
 - (b) Provides payment information to caller.
 - (c) Directs caller to garnishee for further details, if necessary.
 - (3) If information is one year or older:
 - (a) Looks up ID number on GAL disclosure screen.
 - (b) Looks up payment information on Garnishment offset fiche.
 - (c) Provides payment information to caller.
 - (d) Directs caller to garnishee for further details, if necessary.

Subject: Warrant Offset Process (Vendor Payments) Using [REDACTED]

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Collection
Division Staff
(cont.)

7. C. Where is my payment?

- (1) Looks up ID number on GAL detail screen.
- (2) If information is less than one year old:
 - (a) Looks up warrant information on MAIN 85 or 47A screen.
 - (b) Provides payment information to caller.
 - (c) Directs caller to garnishee for further details, if necessary.

(3) If information is one year or older:

- (a) Looks up ID number on GAL disclosure screen.
- (b) Looks up payment information on Garnishment offset fiche.
- (c) Provides payment information to caller.
- (d) Directs caller to garnishee for further details, if necessary.

8. Sees attached warrant database purge processing table for more information on the purge process and the retention process. (See Exhibit L.)

Subject: Warrant Offset Process (Vendor Payments) Using [REDACTED]

Identification

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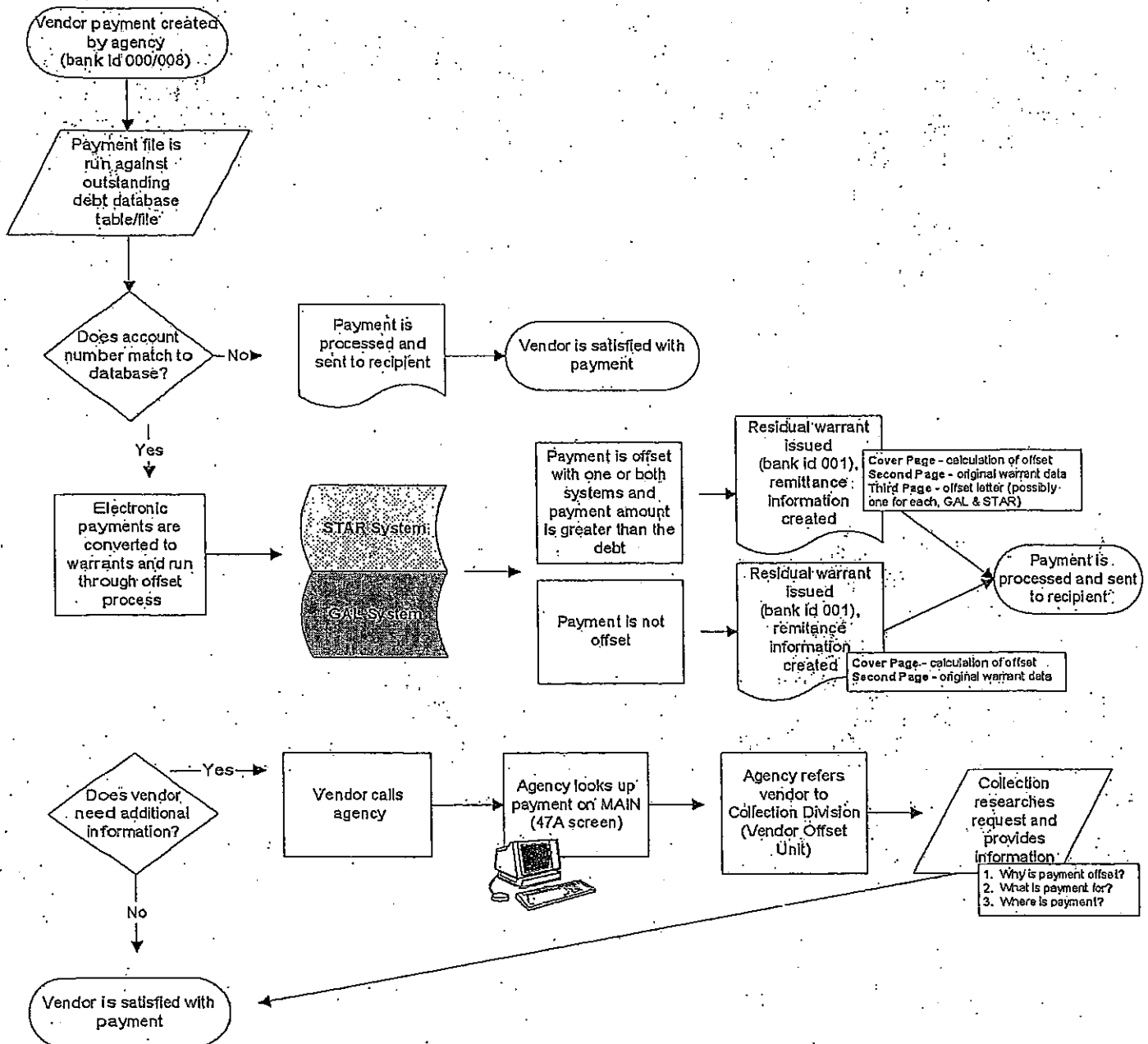
Effective Date

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Exhibit I

Warrant Offset Process Overview



Subject: Warrant Offset Process (Vendor Payments) Using [REDACTED]

Identification

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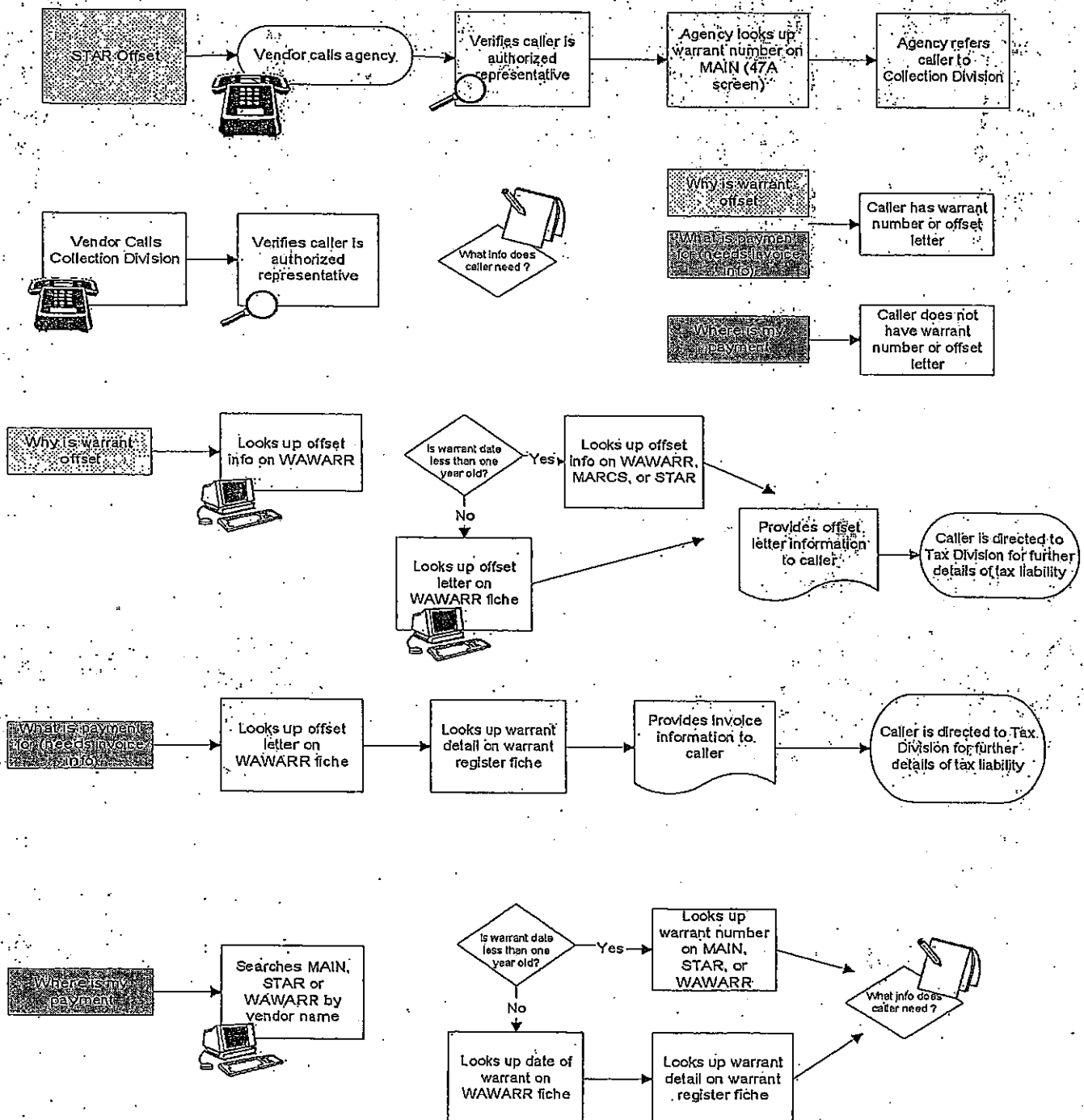
Effective Date

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Exhibit J

Warrant Offset Process Collection - STAR Offset



Subject: Warrant Offset Process (Vendor Payments) Using [REDACTED]

Identification

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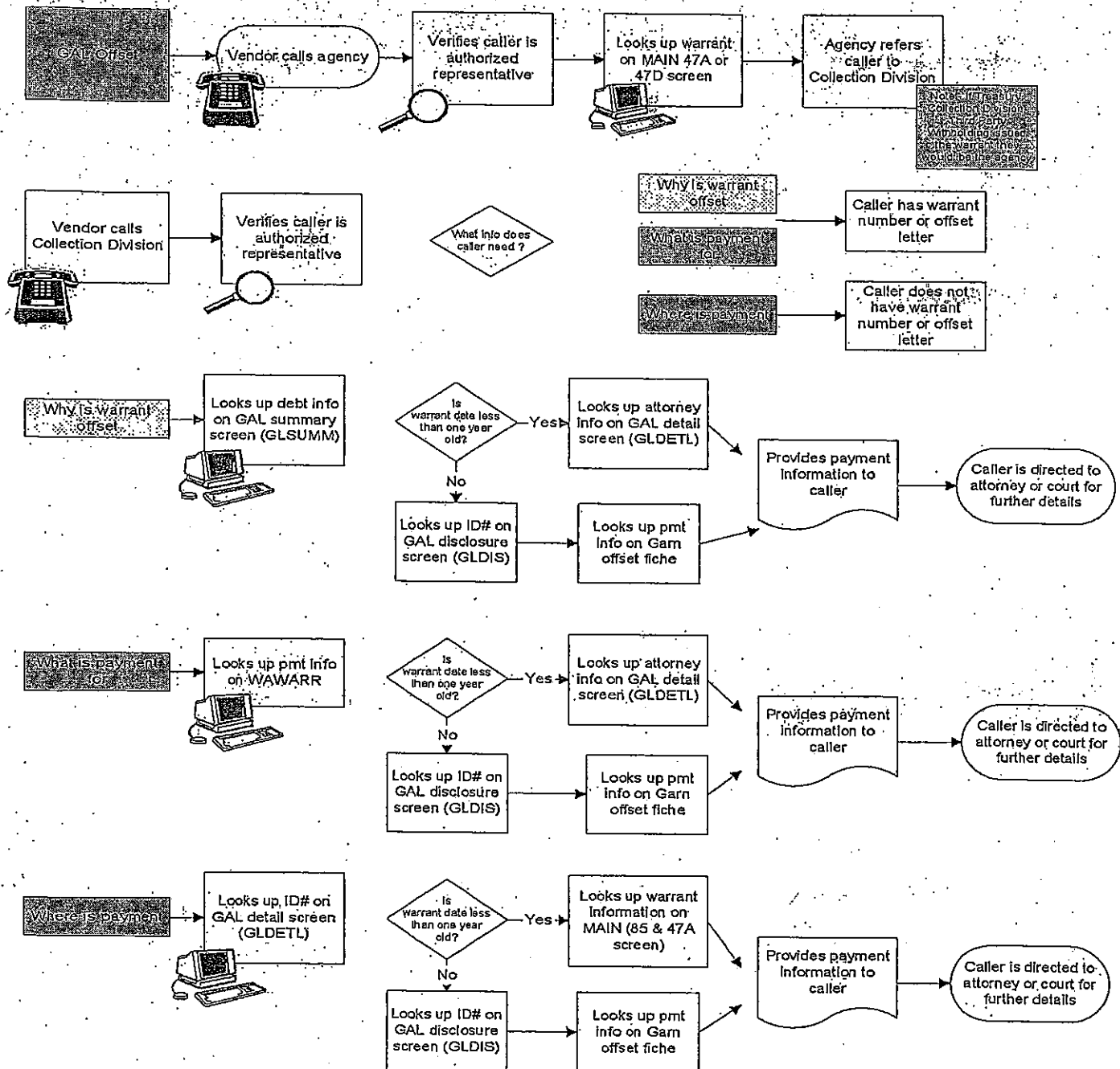
Effective Date

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Exhibit K

Warrant Offset Process Collection - GAL Offset



Subject: Warrant Offset Process (Vendor Payments) Using [REDACTED]

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Exhibit L

Warrant Database Purge Processing

Table Name	Identifier	Description	Fiche Backup Program	Purge Program	Frequency	Scheduling	Retention	Owner	Screen
Inbound Accounting	INA	Payments, refunds, and accounting generated by Treasury	None - returned as Invoice records by MAIN when warrant is ready to be issued	see Warrant TC88/930	TC88/930 - Monthly, 4th Friday	Automated	Minimum 60 days Maximum 3 1/2 months	Finance & Accounting	
Inbound Remittance	INB	Remittance text for payments or refunds	None - returned as Text records by MAIN when warrant is ready to be issued	see Warrant TC88/930	TC88/930 - Monthly, 4th Friday	Automated	Minimum 60 days Maximum 3 1/2 months	Finance & Accounting	
Warrant	WRN	Warrant file received from MAIN	TC88/280 Warrant Register microfiche	TC88/320 - w/no offset TC02/513 - w/offset	Every Friday Every 1 to 6 months	Automated Requested by Collections	Minimum 60 days Minimum 60 days	Receipts Processing	WAWARR WANAME WAACCT
Invoice	INV	Warrant remittance file received from MAIN	TC88/280 Warrant Register microfiche	see Warrant	see Warrant	see Warrant	see Warrant	Receipts Processing	
Text	TEX	Warrant remittance file received from MAIN	TC88/280 Warrant Register microfiche	see Warrant	see Warrant	see Warrant	see Warrant	Receipts Processing	
Offset	OFF	Created by warrant processing for payments held or offset, one per warrant	TC88/280 Warrant Register microfiche	TC02/513	Every 1 to 6 months	Requested by Collections	Minimum 60 days	Collections	WARESI WAWARR
Letter	LET	Created by warrant offset processing, STAR and GAL remittance information	TC02/512 for STAR letters	TC02/513	Every 1 to 6 months	Requested by Collections	Minimum 60 days	Collections	
Feedback	FBK	Created by MAIN feedback of warrant information, Invoice (INA) level	None	see Warrant TC88/930	TC88/930 - Monthly, 4th Friday	Automated	Minimum 60 days Maximum 3 1/2 months	Finance & Accounting	
Cross-Reference				None	None	None	Needs to be defined	Receipts Processing	WARESI WAWARR
MAIN Warrant Table	MAIN	Warrant information on MAIN databases	TC88/400 (all) TC88/401 (FIA)	MAIN controlled	Monthly	Requested by Receipts Processing	45 days	Finance & Accounting	47A 85 47D
MAIN EFT Table	MAIN	EFT information on MAIN databases	None	None	None	None	No purge defined for these yet	Finance & Accounting	
Refund approval	RAF	Queued refunds waiting for approval	None	None - deleted upon final approval, history in Refund Audit	N/A	N/A	N/A - temporary records	Finance & Accounting	WRPEND
Refund Audit	RAH	Audit file for refund requests - captures entry and approval activity	TC88/590 microfiche	see Refund Request	see Refund Request	see Refund Request	see Refund Request	Finance & Accounting	WRHIST
1099 reportable refunds	RPD	1099 reportable refunds	None	None	None	None	Needs to be defined	Finance & Accounting	
1099 addressing	RPM	1099 addressing	None	None	None	None	Needs to be defined	Finance & Accounting	
Refund Request	RRF	Refund requests entered using Treasury on-line	TC88/590 microfiche	TC88/591	Every few years		Minimum 730 days	Finance & Accounting	WRDETL WRNAME WRACCT WRFADO WRCHGE WRAPPD WRAPPL WRMESG
Refund Text	RTF	On-line refund remittance text	TC88/590 microfiche	see Refund Request	see Refund Request	see Refund Request	see Refund Request	Finance & Accounting	WRDETL WRAPPD WRMESG
Refund User	RUF	Table of valid enterers and approvers for refund requests	None	None - stable population of reference information	N/A	N/A	N/A - permanent reference	Finance & Accounting	WRUSER

Subject: Warrant Offset Process (Vendor Payments) Using [REDACTED]

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Exhibit L (cont.)

Warrant Database Purge Processing

Table Name	Identifier	Description	Fiscal Backup Program	Purge Program	Frequency	Scheduling	Retention	Owner	Screen
Control	CON	A control record for each Treasury and MAIN cycle	None	None - increases by three records each business day. Currently 6000 records back to 1994	None	None	Needs to be defined	Finance & Accounting/ Receipts Processing	
Batch Agency	BAF	Accounting codes (tax, index, object, SAI, PDT, trans) used for on-line refund requests	None	None - stable population of reference information	N/A	N/A	N/A - permanent reference	Finance & Accounting/ Receipts Processing	WRFUND
Direct Deposit Bypass	DOB	TINs that Treasury has decided to block from receiving EFT payments	None	None - very small population expected	None	None	Needs to be defined	Finance & Accounting/ Receipts Processing	WAVEND
Direct Deposit Ready	DDR	TINs that have signed up for EFT payment through MAIN	None	None	None	None	Needs to be defined	Finance & Accounting	WAVEND
STAR-Ord	ONL	On-line program work area	None	None	N/A	N/A	N/A - temporary records	Collections	
File Hist	PRT	Totals for vendor warrant print files	None	TC88/320	Every Friday	Automated	Minimum 60 days	Receipts Processing	
STAR Pay	PSA	STAR pending payments - deducted from a payment and waiting to be posted into the STAR system	None	TC88/320	Every Friday	Automated	Minimum 60 days	Collections	
				TC02/673	Approximately twice a year	Requested by Collections	Determined by Collections		
Standard Msg	SMF	Remittance text used by on-line and batch refund requests	None	None - stable population of reference information	N/A	N/A	N/A - permanent reference	Finance & Accounting	WRSTAN
Daily Totals	SRR	Control totals from various programs by MAIN cycle	None	None - increases by two records every business day	None	None	Needs to be defined	Receipts Processing	WRMMSG
Tables	TBL	Reference tables	None	None - stable population of reference information	N/A	N/A	N/A - permanent reference	Finance & Accounting	WATUPD
STAR Tot	TOT	Total of STAR pending payments by day	None	TC02/673	Approximately twice a year	Requested by Collections	Determined by Collections	Collections	WAUPPW

Note: TC02 = STAR System Info
TC88 = MAIN System Info

End

EXHIBIT XX

Michigan Department of Treasury Job Outline JC-46001, *Vendor Payable/Receivable Match, Determine Offset* (October 1, 2000)

1836 (Rev. 7-98) IS, Formerly M-1200

TREASURY DOCUMENTATION

Subject

Vendor Payable/Receivable Match, Determine Offset

For

Collection Division
Central Office Collection
Special Procedures Unit

Also See

BT-23028

Identification JC-46001
Job OutlineEffective 10-1-2000
Through 10-1-2003
Page 1 of 2Replaces
JC-46001 (11-1-82)
JC-45019 (2-1-83)
PC-49022 (2-1-83)

WHO

WHEN

ACTION

Vendor Offset Clerk

Notes: The State Accounts Receivable (STAR) system matches vendor payables (warrants to be issued) to accounts receivable and automatically offsets and applies payments to STAR.

When certain exceptions exist, the payments cannot be automatically offset. The VENOFF screen displays payable/receivable matches with exceptions. Sees Bulletin BT-23028 for an explanation of the vendor offset process. Also sees system manual for VENOFF screen.

Daily

1. Signs on to VENOFF screen and reviews first vendor payable match.
2. Determines reason for exception, evaluates account according to steps 3 through 11 and takes action as appropriate:
 - A. Offsets the warrant, or
 - B. Releases one or all warrants for a vendor.
3. If name mismatch (i.e., account numbers match, but payable/receivable names associated with that number do not match), checks AMSHDR, POTLIA and XRNUMB screens as necessary to verify identities.
4. If two-party check and one party is not liable, releases warrant.
5. If vendor is corporate officer or successor, checks POTLIA screen for "Y" in Assessed field, and verifies secondary assessment on COMENT or SECASM screens.
 - A. Releases warrant if corporate officer or successor has not been assessed.

Initials

Signature

Subject

Vendor Payable/Receivable Match, Determine Offset

Identification	JC-46001
	Job Outline
Effective	10-1-2000
Through	10-1-2003
	Page 2 of 2

WHO

WHEN

ACTION

Vendor Offset Clerk
(cont.)

Or

5. B. Offsets warrant if officer or successor has been assessed and assessment is in collectible status.
6. If vendor is liable party (responsibility code on POTLIA screen is other than CRPOF or SUCCR), offsets warrant.
7. If account number is on suppress table, checks COMENT screen to determine reason for suppressing offset and takes action accordingly.
8. If assessment status indicates possible bankruptcy, phones Bankruptcy staff to determine appropriate action.

Note: If appropriate to offset, Bankruptcy staff changes status to 001 (collectible) to allow offset, and then changes status back the next day.

9. If assessment status indicates Currently Not Collectible (CNC) or write-off in process or approved, checks COMENT screen for reason and verifies that Collection statute expiration date (COLSED) has not expired.
10. If COLSED expired or reason for CNC/write-off indicates that offset is inappropriate, releases warrant or applies payment to portion of account within statute.

OR

11. If no reason given for CNC or write-off, or if reason is no longer applicable, changes status code to 001 (collectible) and offsets warrant.
12. Continues reviewing warrants on VENOFF screen until all have been resolved.

- A. If necessary to be away from computer before all resolved, enters "U" for action code to "unlock" the warrant currently on the screen (so other staff may access the warrant and take action).

Note: All warrants on the VENOFF screen are cleared each day.

End

EXHIBIT YY

STAR/GAL SAI Code Bypass

TO BE FILED UNDER SEAL