

Child Support Assignment and Distribution Provisions in TANF Reauthorization Bills

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Assignment and Distribution: Background

- Some child support payments are kept by the government to repay welfare benefits received by families.
- Child support is retained for current and former welfare families.

Assignment and Distribution: Background

- In 2002, the government collected \$20.1 billion in child support and retained \$2.1 billion as recovered welfare costs.
- The government retained \$1.2 billion for former TANF families and \$919 million for current TANF families.

Assignment and Distribution: Background

- States share retained support with the federal government according to the state's Federal Medical Assistance Percentage (FMAP).
- All states pay at least a 50% share of retained support to the federal government.
- Poorer states pay a larger share of support to the federal government.

Assignment and Distribution: Background

- Assignment and distribution laws govern whether families or states keep collected support.
- Assignment laws answer the question: “Who has a claim to the child support?”
- Distribution laws answer the question: “Who is first in line for payment?”

Assignment: Current Law

Families applying for TANF assistance must assign (sign over) to the state all rights to unpaid child support owed before and during the assistance period.

Assignment: Current Law

- Assignments of support owed while families receive TANF assistance are permanent.
- Assignments of support owed before families apply for TANF are temporary and conditional.
- States may not keep more support than the amount of assistance paid out.

Assignment: Current Law

- Support owed while a family receives TANF is “permanently” assigned to the state.
- Even after a family leaves TANF, the state has a claim against support permanently assigned during the assistance period.

Assignment: Current Law

- So long as a family receives TANF, the state “temporarily” owns the rights to support owed before the assistance period.
- The state can claim the pre-assistance support if collected while the family is receiving TANF.

Assignment: Current Law

- After the family leaves TANF, the state “conditionally” owns the rights to support owed before the family received TANF.
- The “condition” is met when the state collects arrears through a federal tax offset. Otherwise, the support rights revert to the former TANF family.

Assignment: House Bill

The House-passed bill would not change current law.

Assignment: Senate Finance Bill

- Families applying for TANF must permanently assign support owed during assistance period.
- Beginning Oct. 2007, families would not assign pre-assistance support.
- States would have options to:
 - implement upon enactment.
 - cancel older pre-assistance assignments.

Distribution: Current Law

- While a family is receiving TANF, the state's claim to support is paid off before the family's claim.
- After a family leaves TANF, support owed to the family is paid off first, *except* for arrears collected through a federal tax offset.

Distribution to Current TANF Families: Current Law

- Support collected for a family receiving TANF is paid to the state first.
- A state has the option to keep the support or “pass through” some or all of the support to the family.
- Either way, the state must pay the federal government a share of the support.

Distribution to Current TANF Families: House Bill

- If a state *increases* the amount of support it passes through (and disregards for TANF benefits), the federal government would waive a limited portion of its share, effective Oct. 2005.
- The federal government would waive its share in the *increase*, up to the greater of a \$50 increase or a \$100 pass-through.

Distribution to Current TANF Families: Senate Finance Bill

- The federal government would waive its share to the extent that a state passes through (and disregards) the support, up to \$400 for 1 child and \$600 for 2 children, effective upon enactment.
- The federal government would waive its share under existing pass-through state policies.

Distribution to Former TANF Families: Current Law

- In general, once a family leaves TANF, support owed to the family is paid first.
- Monthly support is paid to the family.
- Arrears are paid to the family if collected by a method other than federal tax offset, but paid to the state when collected through a federal tax offset.

Distribution to Former TANF Families: House Bill

- State option to pay arrears collected through a federal tax offset to former TANF families, effective Oct. 1, 2005.
- To elect this option, states would have to convert their distribution system. Whether families or states get the support would depend upon the date collected, not the date owed.

Distribution to Former TANF Families: Senate Finance Bill

- State option to pay arrears collected through federal tax offsets to former TANF families, effective upon enactment.
- IRS offset priority for child support, whether or not assigned.
- States could claim TANF Maintenance of Effort (MOE) credit for expanded distribution.