

Improving the Income Withholding Order (IWO) Process Proposed Approach

IWO Issued after 11/1/2010 (i.e., new IWOs)

Not Directed to SDU	Not on OMB-Approved Form
<p>Proposed Approach:</p> <ul style="list-style-type: none"> • Employer rejects income withholding notice/order and returns to sender if not directed to the SDU <p>Advantages:</p> <ul style="list-style-type: none"> • No adverse impact on IV-D families • Expedites notification to sender of SDU requirement • Protects NCP by tracking payment receipt • Reduces costs to employers particularly with EFT • Prevents private collection agencies (PCA) from receiving direct payment • Ensures appropriate distribution in multiple-family cases • Protects NCP and employer from fraudulent IWOs <p>Potential Risks:</p> <ul style="list-style-type: none"> • Delays payments to non-IV-D families • Employer liability for rejection of IWO • CSE agency has no CP address for forwarding payment • Some CSE agencies may require system changes to accommodate receiving, distributing, and disbursing non-IV-D payments <p>Mitigation:</p> <ul style="list-style-type: none"> • Cited on form - "Payment must be directed to the SDU in accordance with 42 USC §666(b)(5) and (b)(6) [*unless issued by a Tribal CSE agency]. If payment is not directed to the SDU, you <i>must</i> check this box and return this form to the sender." • Link "regular on its face" to form instructions directing payment to SDU thereby addressing employer liability • Educate stakeholders as to necessity for requirement • Include in PIQ/Reg that states cannot reject non-IV-D payments that are submitted to an SDU 	<p>Proposed Approach:</p> <ul style="list-style-type: none"> • Employer rejects income withholding notice/order and returns to sender if not on OMB-approved form effective 12/31/2011 <p>Advantages:</p> <ul style="list-style-type: none"> • Protects NCP and employer from fraudulent IWOs • Expedites notification to sender of form requirement • Facilitates employer determination of "regular on its face" • Provides time for state CSE agencies to perform system changes <p>Potential Risks:</p> <ul style="list-style-type: none"> • Delays payments to non-IV-D families • Employer liability for rejection of IWO • Employers reject IV-D IWOs if state CSE agencies do not update their system <p>Mitigation:</p> <ul style="list-style-type: none"> • Delayed effective date allows time for states to update their system with revised form • Delayed effective date allows time for outreach to employers, judiciary and private bar • Educate all stakeholders as to necessity for OMB-approved form requirement • Post new form on federal, state, and stakeholder websites • Link "regular on its face" to form instructions directing use of OMB-approved form thereby addressing employer liability • Advise employers they may receive old or new form during implementation period

***Improving the Income Withholding Order (IWO) Process
Proposed Approach***

IWOs issued between 1/1/94 to 10/31/10

Not Directed to SDU	Not on OMB-Approved Form
<p>Proposed Approach:</p> <ul style="list-style-type: none"> • Employer initiated: <ul style="list-style-type: none"> ○ Employer contacts state CSE agency with the underlying order on case-by-case basis to request revised IWO redirecting payment to SDU ○ State CSE agency exercises their administrative authority [466(c)(1)(e)] to redirect/change the payee to the SDU ○ State CSE agency notifies CP, NCP, court and employer of redirected payment ○ Employer continues to send payments to non-SDU address; redirects when notice from state CSE agency received <p>Advantages:</p> <ul style="list-style-type: none"> • No adverse impact on families • Enables state CSE agency to obtain CP address for payment disbursement prior to SDU receiving payment • Protects NCP by tracking payment receipt • Reduces costs to employers particularly with EFT • Prevents PCAs from receiving direct payment • Ensures appropriate distribution in multiple-family cases • Protects NCP and employer from fraudulent IWOs <p>Potential Risks:</p> <ul style="list-style-type: none"> • Not all states have laws conforming to 466(c)(1)(e) requiring states to administratively redirect payment to SDU • Burden placed on state CSE agencies to perform activities necessary for processing non-IV-D payments <p>Mitigation:</p> <ul style="list-style-type: none"> • Issue PIQ clarifying non-IV-D activities that are eligible for FFP • Allow time for states without conforming laws to change/amend their legislation 	<p>Proposed Approach:</p> <ul style="list-style-type: none"> • Employer initiated: <ul style="list-style-type: none"> ○ If order presents a problem or the sender requests a modification of the IWO, employer contacts sender to request OMB-approved form ○ Employer continues to honor original IWO until new OMB-approved form received <p>Advantages:</p> <ul style="list-style-type: none"> • Little or no adverse impact on families • Minimizes burden on employer and sender • Protects NCP and employer from fraudulent IWOs <p>Potential Risks:</p> <ul style="list-style-type: none"> • When non-IV-D order presents a problem, not clear who is responsible for issuing OMB-approved form <p>Mitigation:</p> <ul style="list-style-type: none"> • Employer only requests OMB-approved form when there are additional withholding issues