Legislative Discussion

10:15 AM to Noon | 75 minutes

Presenter: Bryan Tribble (IL)

Modernization of Federal Law in Order to Better Support the Families of Today and Tomorrow

Panel Discussion

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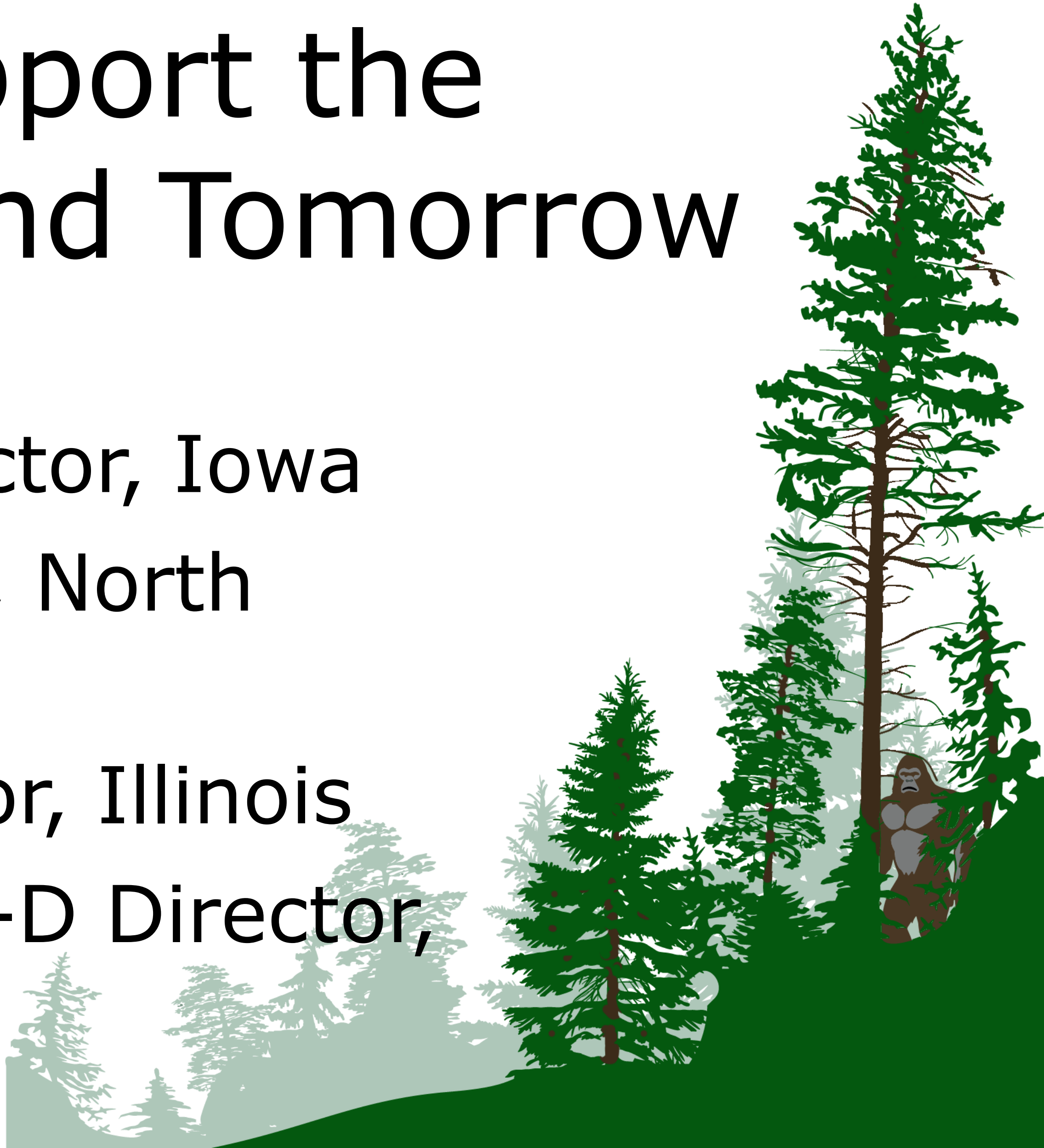
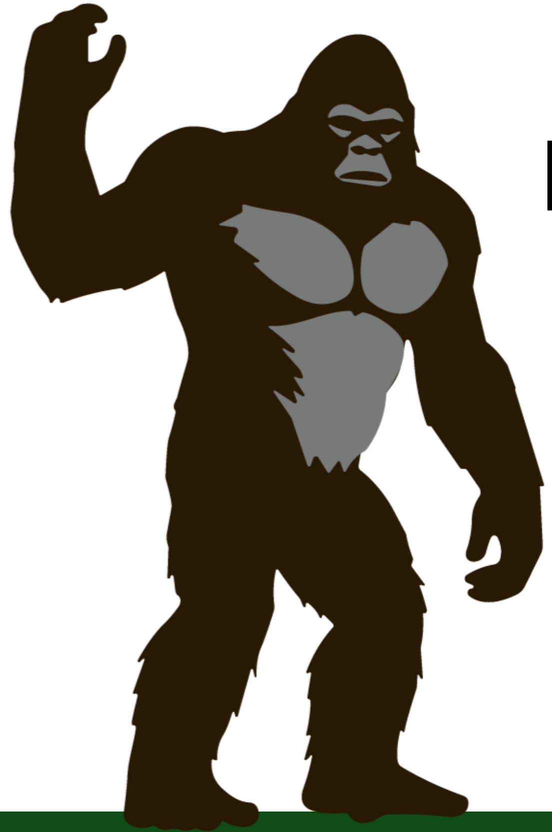
Modernization of Federal Law in Order to Better Support the Families of Today and Tomorrow

- **Kylie Claycomb**: IV-D Director, Iowa
- **Jim Fleming**: IV-D Director, North Dakota
- **Bryan Tribble**: IV-D Director, Illinois
- **Denise Wesley Spivey**: IV-D Director, Mississippi





Modernization of Federal Law in Order to Better Support the Families of Today and Tomorrow

Introduction and Background

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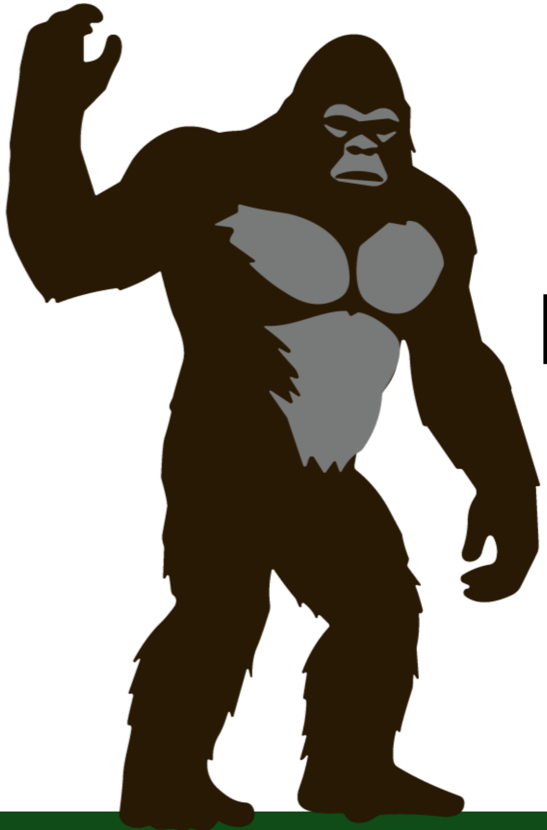

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Distribution

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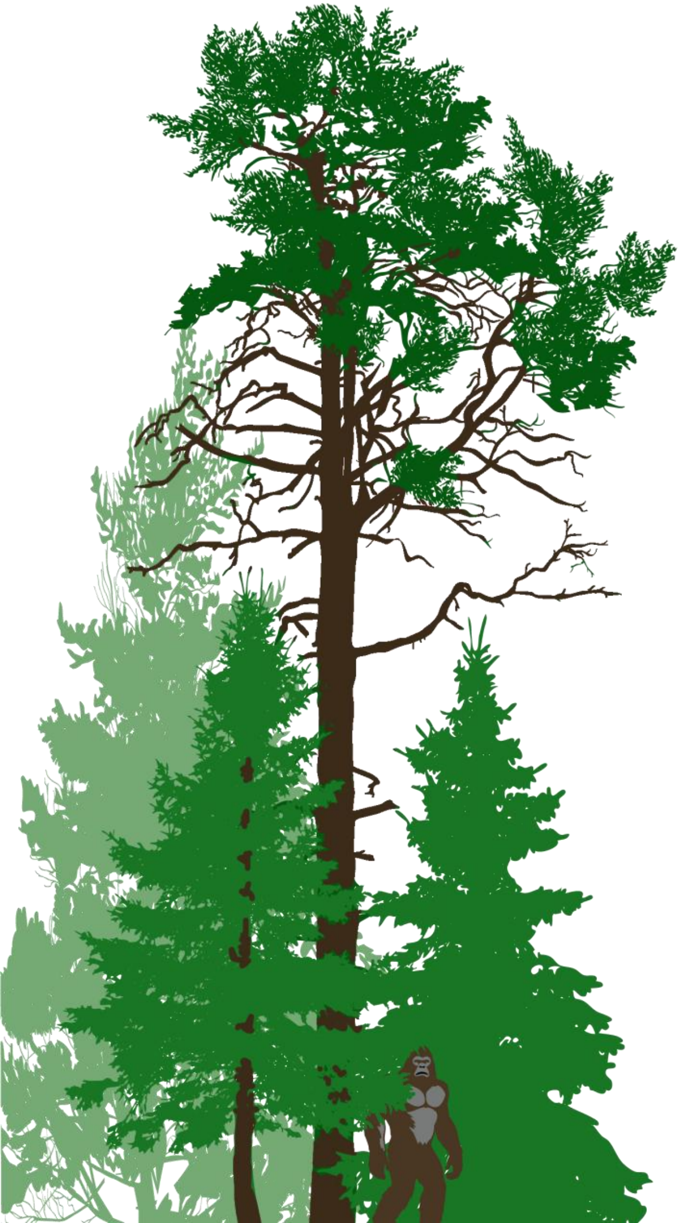
Distribution



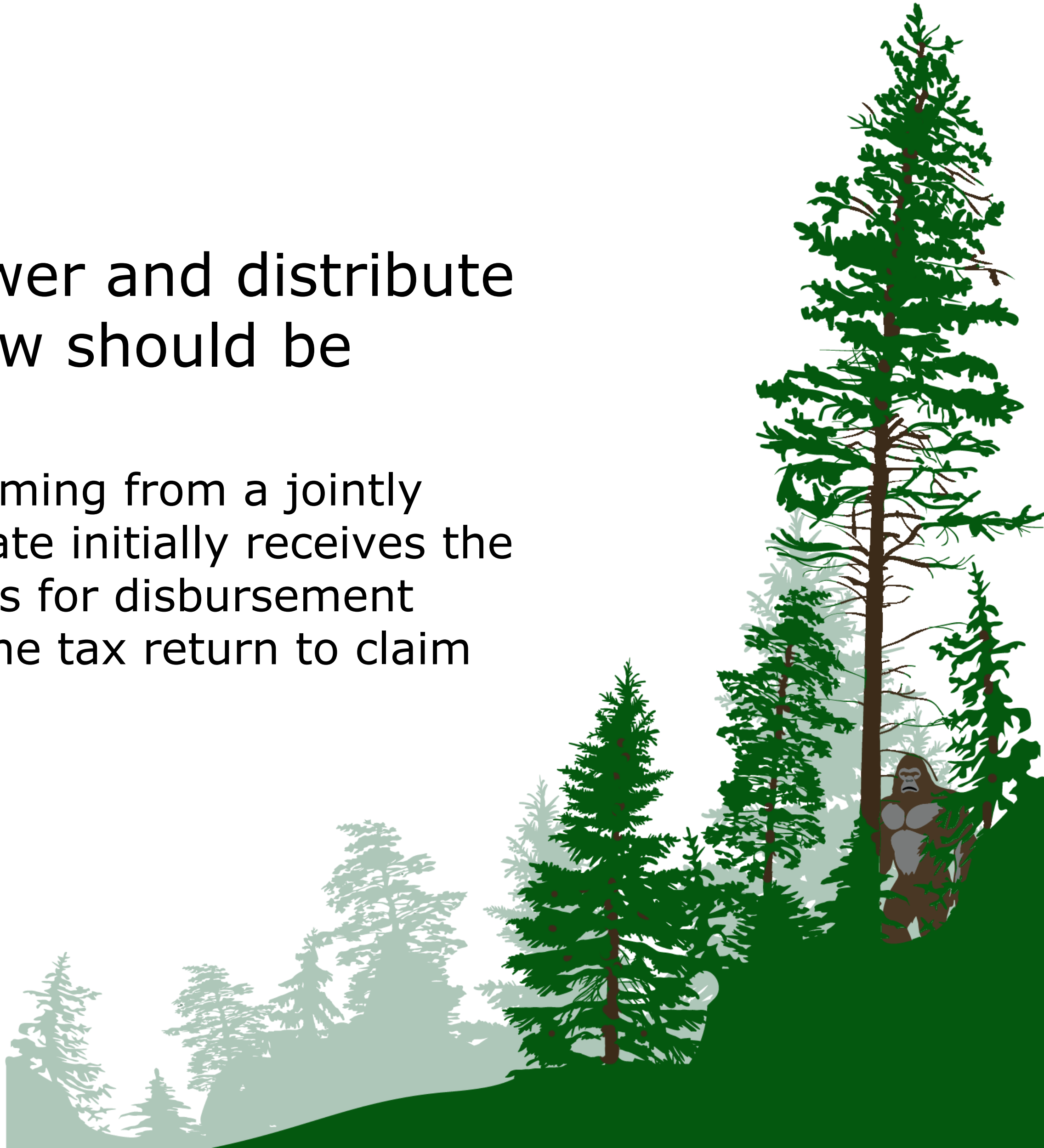
Full Family Distribution

- Three Ways the Federal Government Can Encourage States to Reduce the Amount of Collections That Are Retained
    - Authorizing 90-10 federal financial participation (FFP) for system-related expenses to change distribution
    - Waiving the entire federal share of retained collections on behalf of current TANF families to the extent states agree to distribute those collections to the family
    - Providing backfill for states that distribute assigned collections to the family

Distribution

Full Family Distribution

- To advance states’ efforts to retain fewer and distribute more collections to families, federal law should be clarified
    - Date of collection for tax refund offsets stemming from a jointly filed tax return can be either the date the state initially receives the funds or the date the state releases the funds for disbursement after any hold period for the other party to the tax return to claim their share of the refund

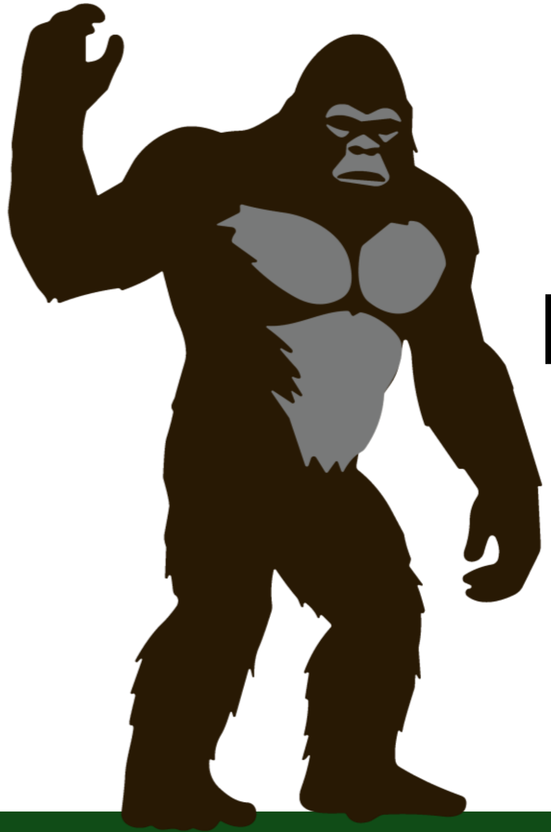


Distribution

Full Family Distribution

- Two ways to reimburse states for lost retained collections
  - Restore the eligibility of federal incentive funds for Federal Financial Participation (FFP), or
  - Increase the annual incentive pool

In either event, states are not only made whole, but the current child support performance incentive structure is strengthened



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Program Funding

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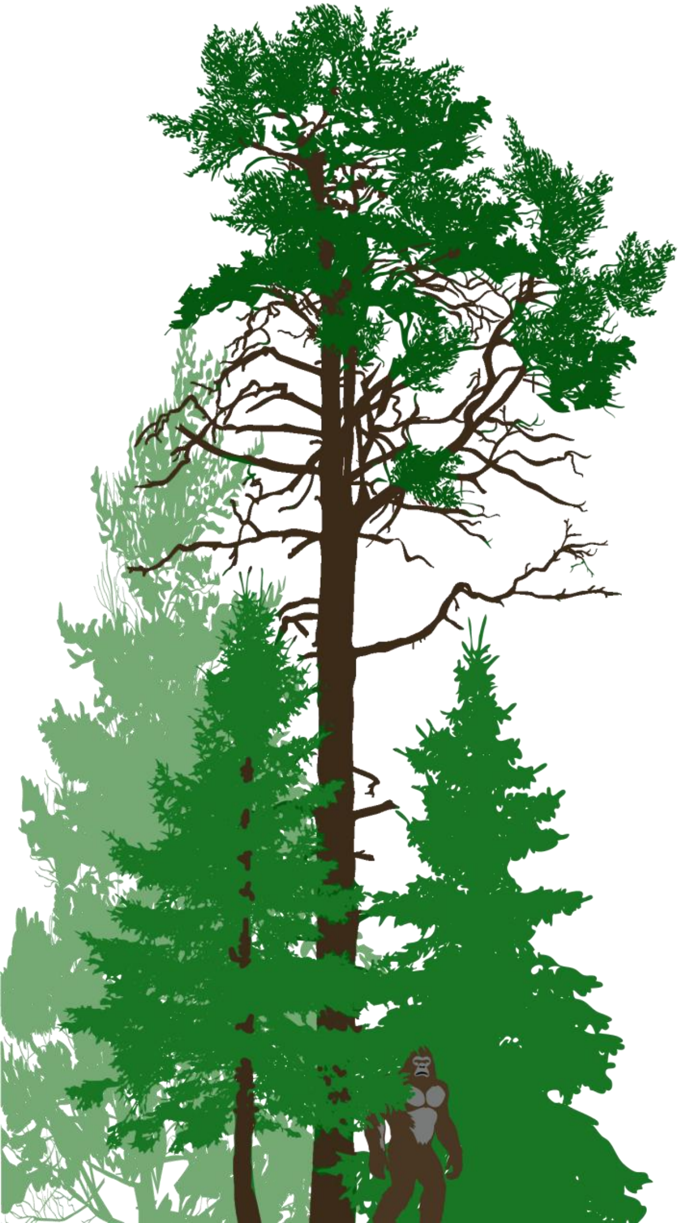
Program Funding



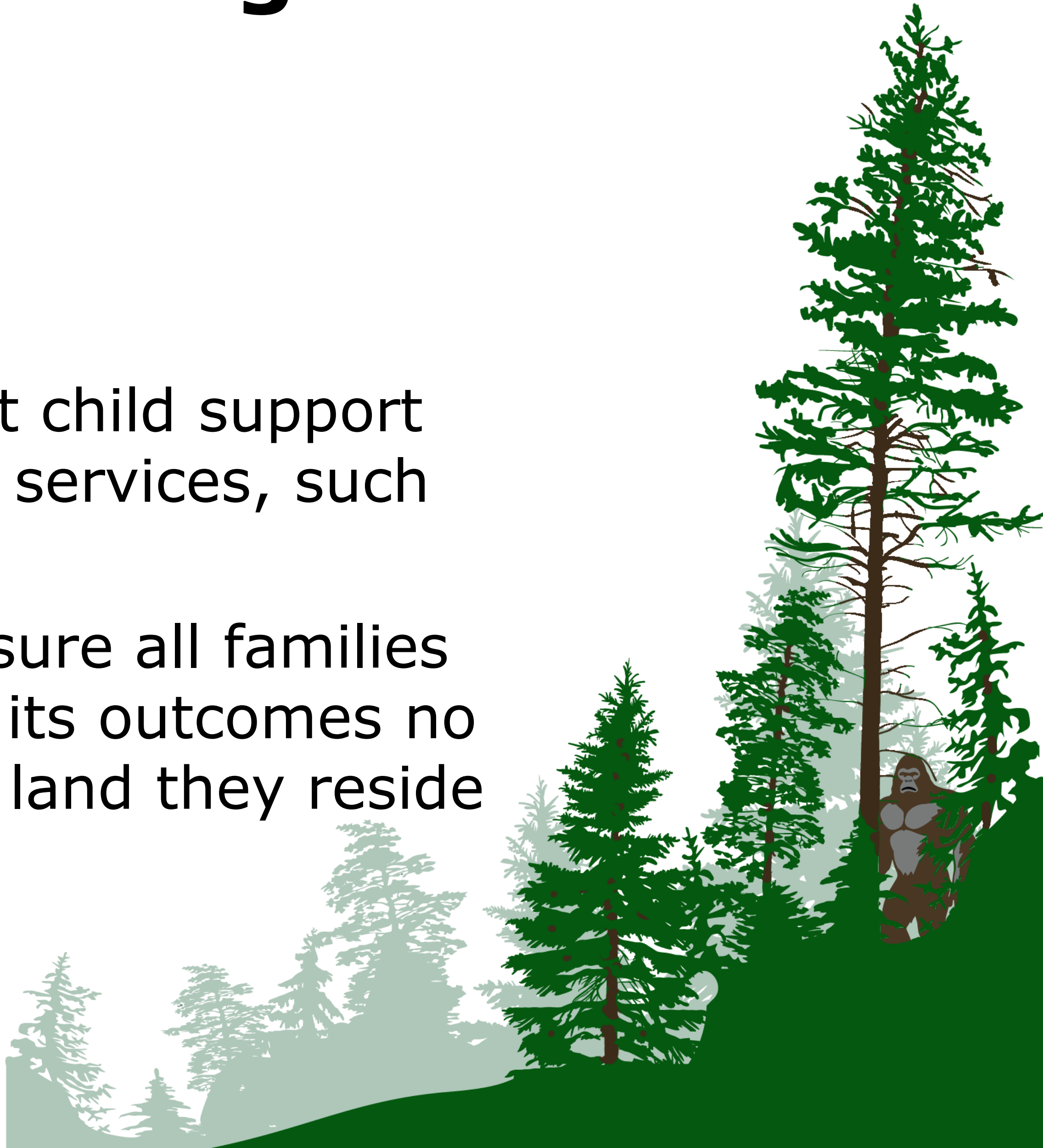
Parenting Plans

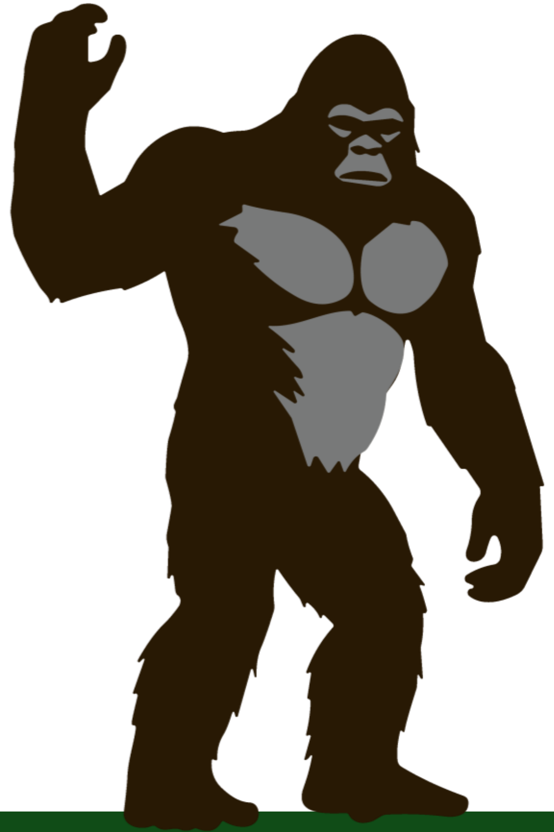
- The establishment of parenting time orders, as a companion to a financial support obligation, should be an allowable activity for child support expenditures
  - Eligible for 66% FFP, and
  - An allowable use of incentive funds without the requirement to submit an exemption request

Program Funding

Employment and Training Services

- Due to restricted or limited funds, most child support programs are unable to fund beneficial services, such as employment service
- FFP for employment services would ensure all families benefit from employment services and its outcomes no matter in which state, county, or tribal land they reside





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Additional Sources of Information: Parents, Income, and Assets

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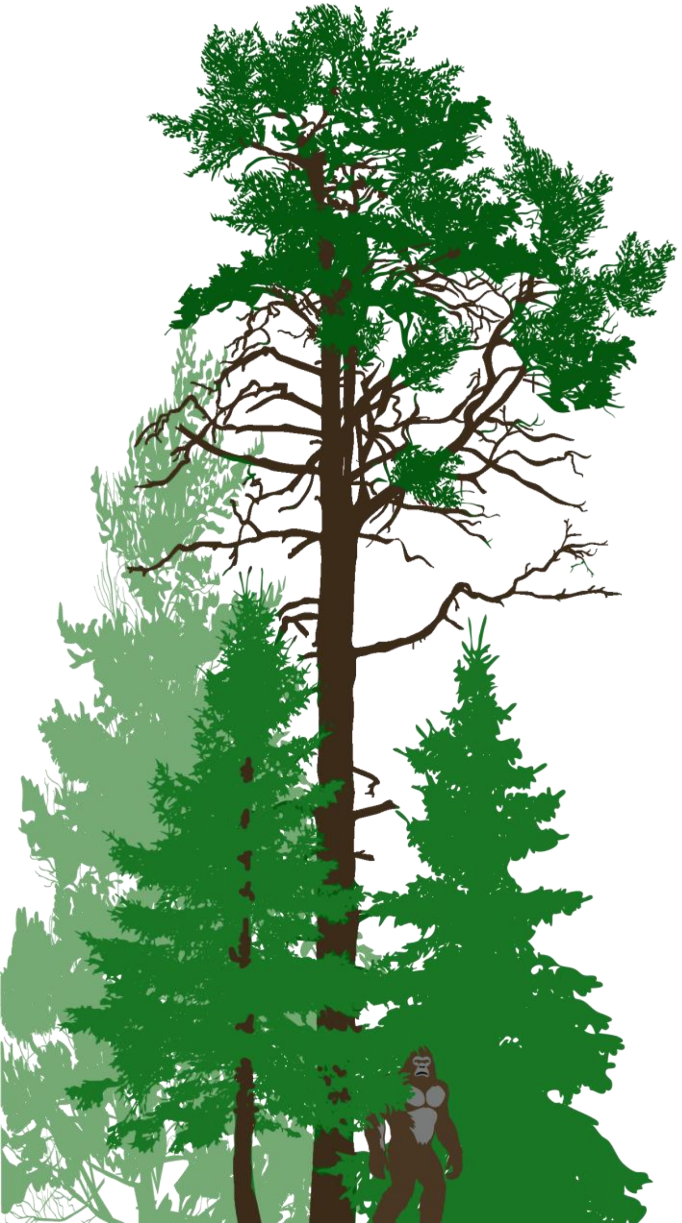
Additional Sources of Information



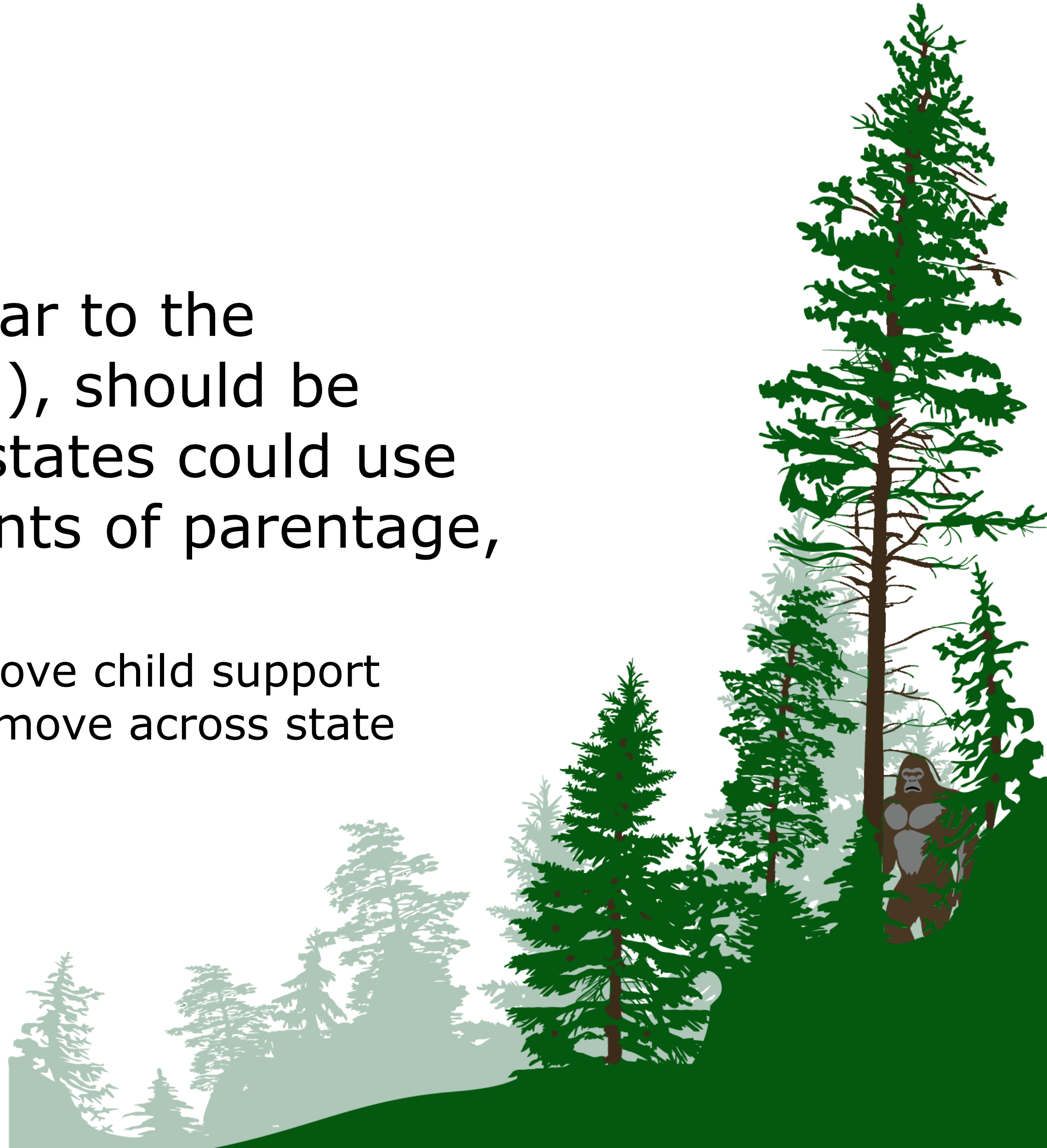
New Hire Reporting of Independent Contractors

- More and more child support payers have turned to the “gig environment,” as a new occupation or to supplement their diminished wages
  - Those who hire independent contractors should be required to report those contractors, similar to employers who must report newly hired employees
  - One-time hires, by a homeowner, are recommended to be excluded

Additional Sources of Information

National Vital Records Database

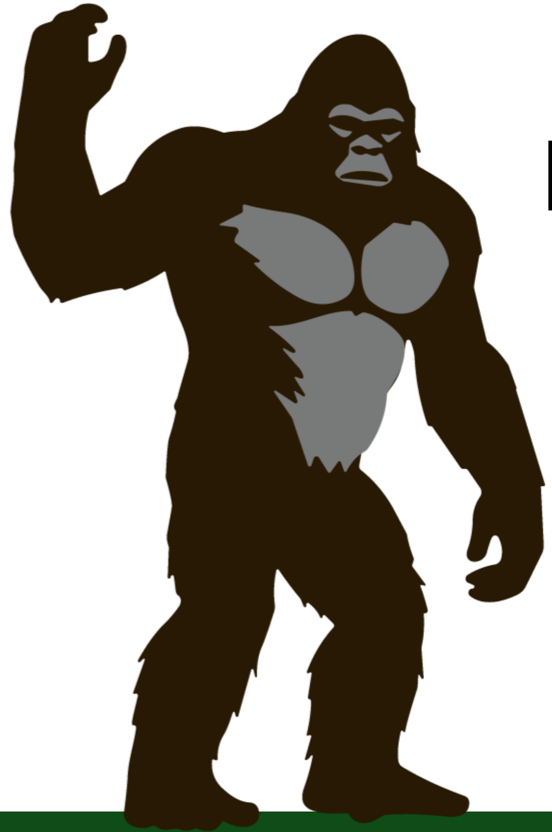
- A national vital records database, similar to the National Directory of New Hires (NDNH), should be created to provide a federal database states could use to obtain birth records, acknowledgments of parentage, marriage records, and divorce records
    - This type of database would significantly improve child support operations for parents and children who may move across state lines



Additional Sources of Information

Access to 1099 Information

- Access to and receiving data contained within all 1099 IRS forms would be essential to monitor compliance with state or new federal independent contractor reporting requirements
  - Would function similarly to quarterly wage information, helping the program to identify sources of income not reported through the directory
  - Would enable outreach to employers who may not be aware of the reporting requirements
  - The authority for the child support program to obtain this information already exists in 26 USC 6103(l)(6)(A)(i)



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Improved Enforcement

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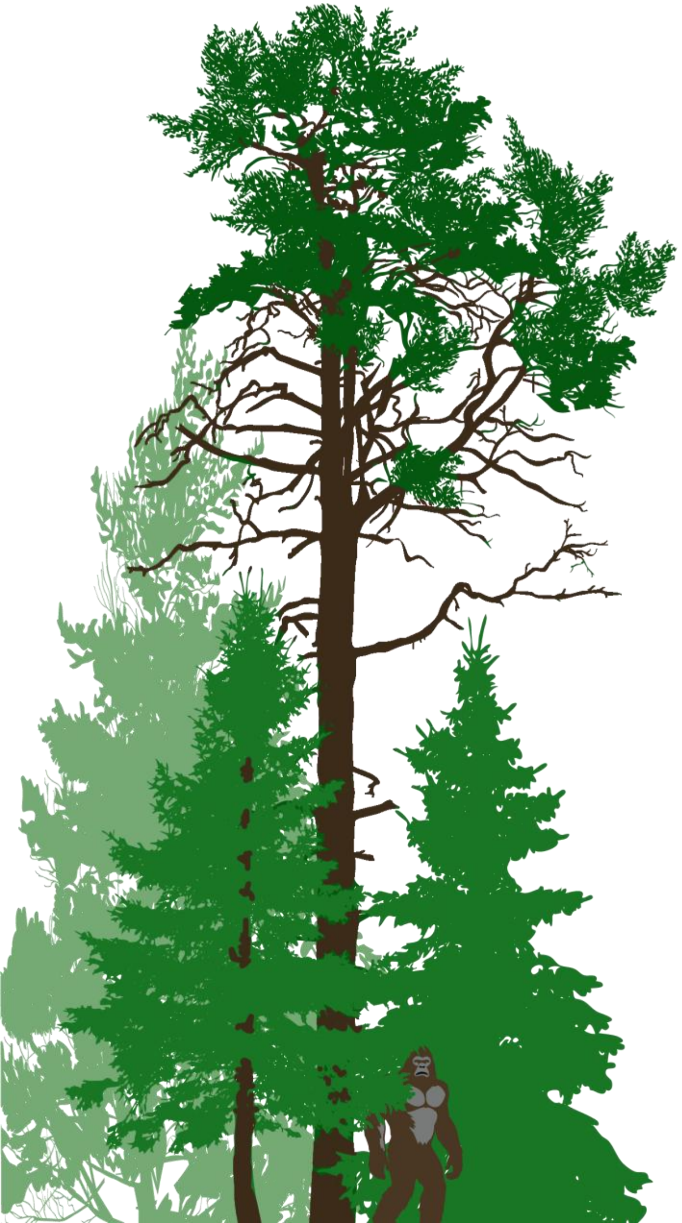
Improved Enforcement



Mandatory reporting of Gaming Winnings

- Mandate states enact laws requiring the reporting and intercept of gambling proceeds, including sports betting, regardless of medium (e.g., online, in-person, etc.)
    - Should be subject to offset at the same amounts as is required to be reported on IRS W-2G

Improved Enforcement

Full Faith and Credit for Levies

- Current federal law requires full faith and credit for account liens, but financial institutions generally will not honor a levy unless they do business within a state
  - Requires a state child support agency that locates and freezes an account in another state to request the services of that state's child support agency to seize those funds.
- Amend 42 U.S.C. §666(a)(4) to require full faith and credit not only for liens but also for levies.
  - Requiring financial institutions to give full faith and credit to a levy issued by any child support agency will allow states to leverage OCSE's Multistate Financial Institution Data Match (MSFIDM) and issue levies directly to these institutions.

Improved Enforcement

Reporting of Employment-Related Lump Sum Payments and National Threshold

- Establishing standard requirements for reporting lump sum payments made by employers will increase child support collections while reducing the burden employers now face
- Currently, several states have laws that require employers to report lump sum payments made to employees to determine if past-due support is owed
  - Requirements for when and how employees report vary from state to state
  - Each state has a different threshold for reporting, a different method of reporting, and a different time frame for the state to respond

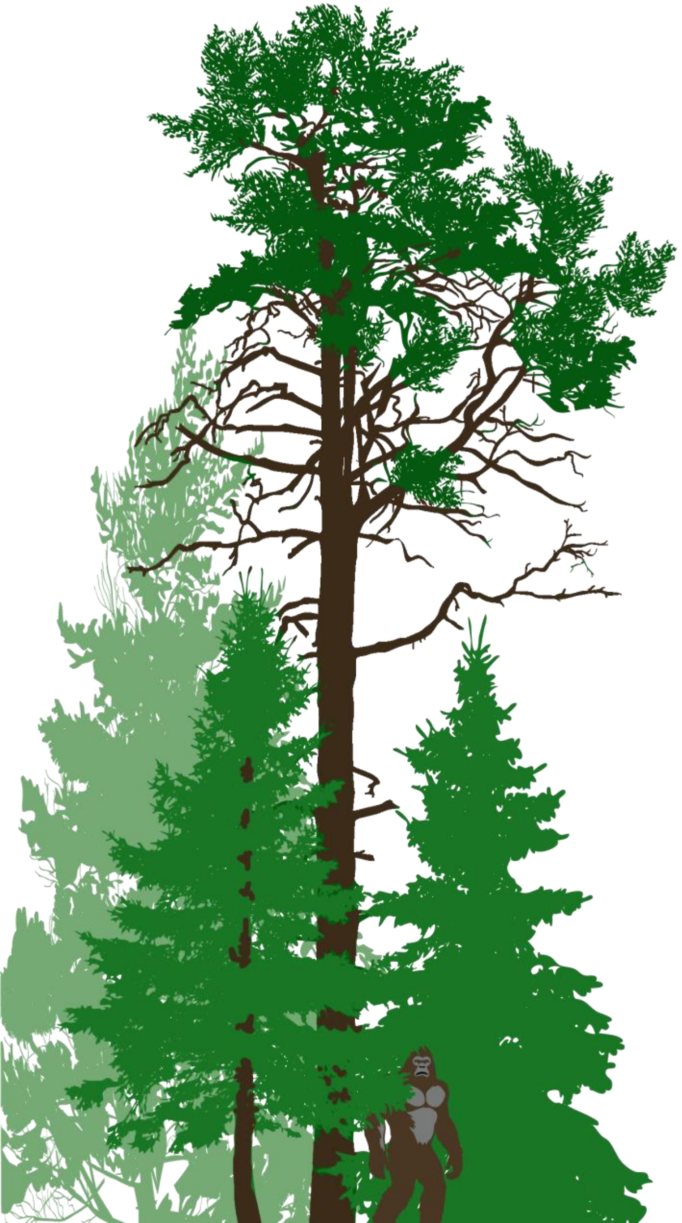
Setting one threshold, in addition to clear requirements for the state and the employer, would create a streamlined process that will result in more child support collections

Improved Enforcement

SSN on Motor Vehicle Registrations

- Suspension or denial of motor vehicle registrations or the renewal of motor vehicle registrations has proven to be a successful enforcement tool in some states to compel delinquent obligors to make child support payments.
- Renewal of a vehicle registration is a recurring requirement (often annually) for parents who owe child support, it is a collection tool that can be used effectively on a recurring basis, but there can be issues

Improved Enforcement



SSN on Motor Vehicle Registrations

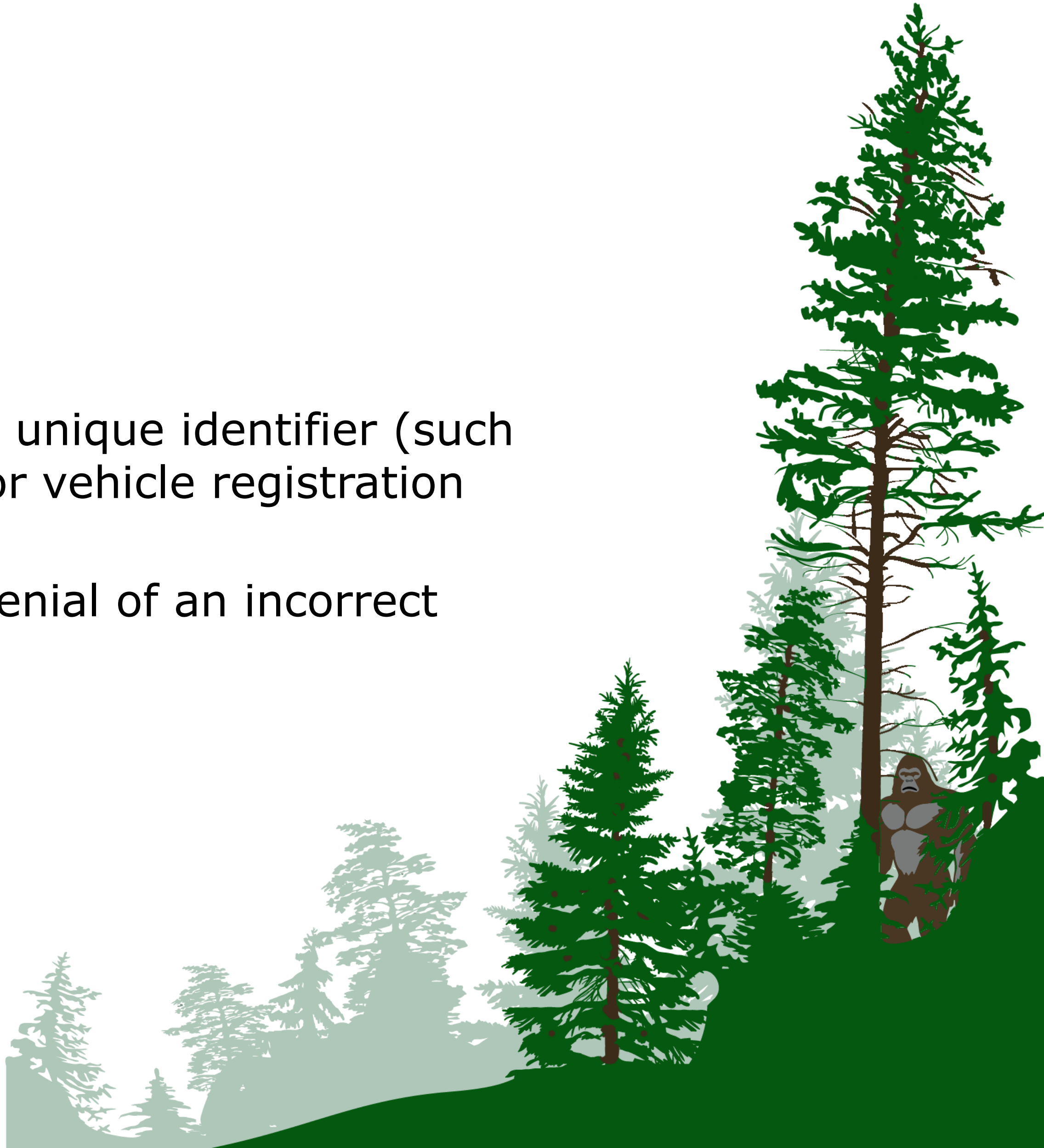
- Issue
  - Matching motor vehicle registrations to delinquent parents in their caseload due to the lack of unique identification information collected upon the application for the registration
    - Forces states to match on less individualized information such as name, address, and DOB
    - This can often result in incorrect matching against persons with similar names (i.e., Jr, vs Sr.) living in the same household or with individuals with identical names and DOBs

This is not an issue without a solution though

Improved Enforcement

SSN on Motor Vehicle Registrations

- Solution
  - Require states to obtain a SSN or some other unique identifier (such as a driver's license number) during the motor vehicle registration process
    - Would help eliminate the suspension or denial of an incorrect individual's motor vehicle registration



Improved Enforcement

Lien Registries

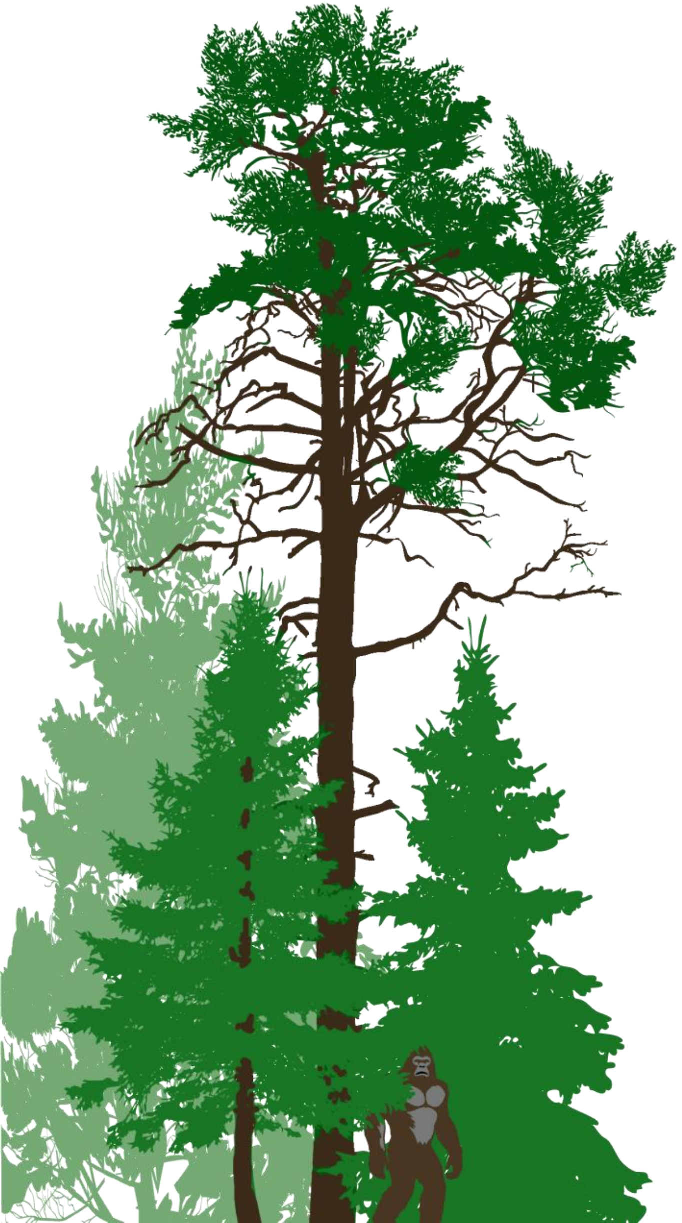
- Current federal law requires that liens arise by operation of law, but each state needs to define how liens may be perfected and lead to seizure of the property subject to a lien
- Lien registries can be effective, as shown in several states, but the binding nature of the lien is generally limited to the territorial jurisdiction of the state
  - As applied to personal property such as motor vehicles, a statutory child support lien can often be defeated simply by selling the property in a neighboring state that does not have a lien registry.
- To eliminate this issue all states should be mandated to create a lien registry.
- This mandate could take the form of a searchable on-line listing of delinquent payers
  - Could be applied not only to real and personal property but also insurance claims, probates, and gambling winnings

Improved Enforcement

IWO for VA disability

- The VA's final rule (AP67), effective February 9, 2026, eliminated the apportionment process for new applicants
    - While this correctly defers support determinations to state courts, it eliminates the most effective and direct mechanism some families have for obtaining necessary financial support
- Currently, VA disability compensation occupies a unique and inconsistent position in federal law
    - Under 42 U.S.C. § 659, most federal benefits, including Social Security Disability Insurance (SSDI), can be attached via an Income Withholding Order (IWO)
    - Even though VA disability is intended to provide for the veteran and their dependents, it remains the only major non-means-tested disability benefit that is shielded from standard withholding

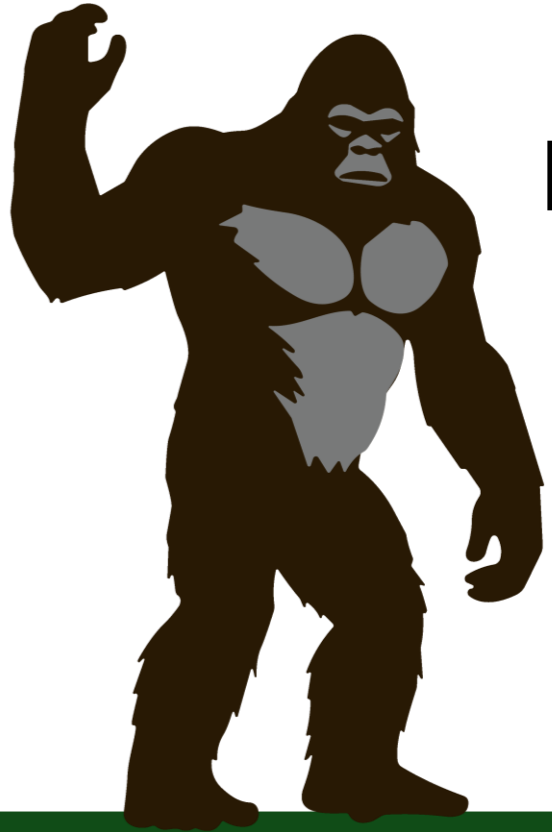
Improved Enforcement



IWO for VA disability

- 42 U.S.C. § 659 should be amended to allow VA disability compensation to be subject to the same income withholding requirements as other federal benefits and private-sector wages

We understand the VA's duty to the veteran and the concern that income withholding could place undue financial strain on veterans; however, this concern can and should be addressed through thoughtful policy design and safeguards, such as withholding limits, to ensure veterans retain sufficient income for their own needs.



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Medical Support Improvements

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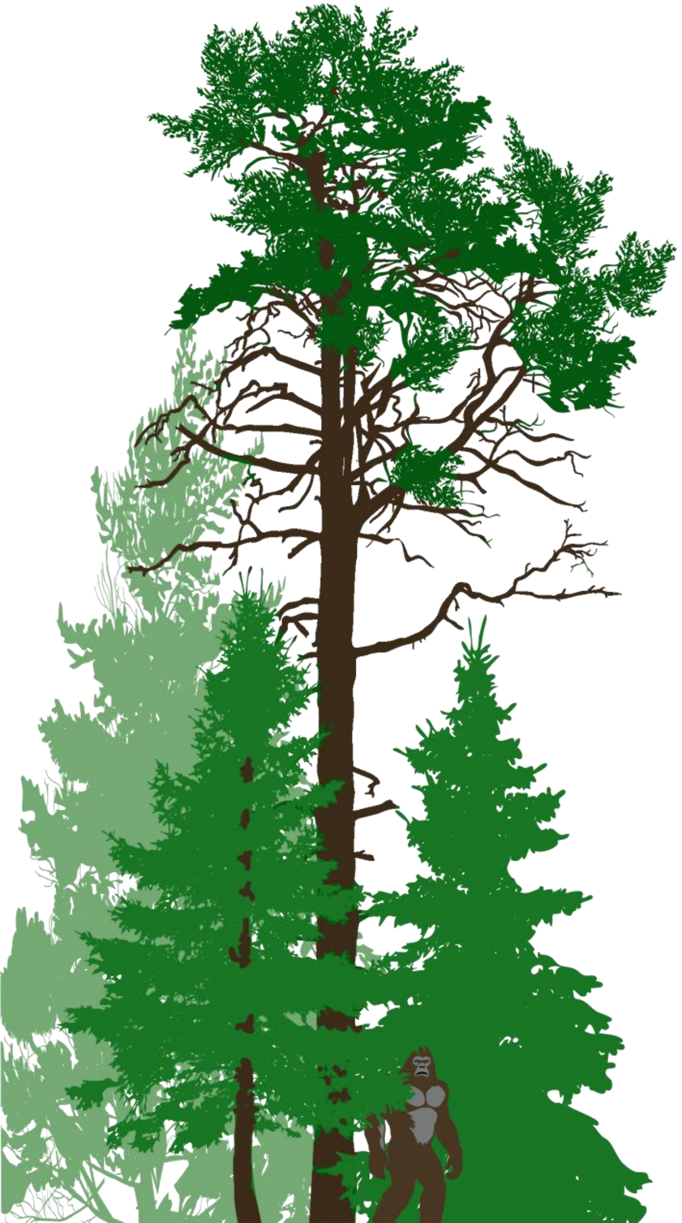
Medical Support Improvements



Healthcare Exchange

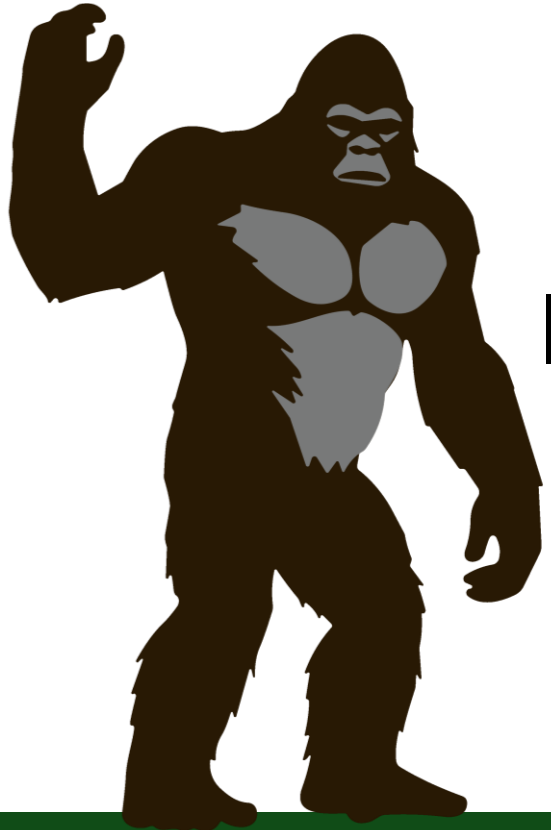
- The Child Support Program is charged with establishing and enforcing medical support for children who are part of the IV-D program
- To support this function, the federal healthcare exchange should be improved to capture key pieces of information about parents of minor children who are not in the child's household

Medical Support Improvements

Employer Reporting of Health Coverage with New Hire Reporting

- The Child Support Program is required to establish and enforce medical support obligations to ensure children receive appropriate medical care
- Employers should be required to indicate if they offer insurance to their employees when submitting new hire reports
    - Insurance companies should also be required to report insurance information for the child

This will provide the IV-D program with necessary information for enforcement and cut down on processing time and additional mailing costs



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Additional Items

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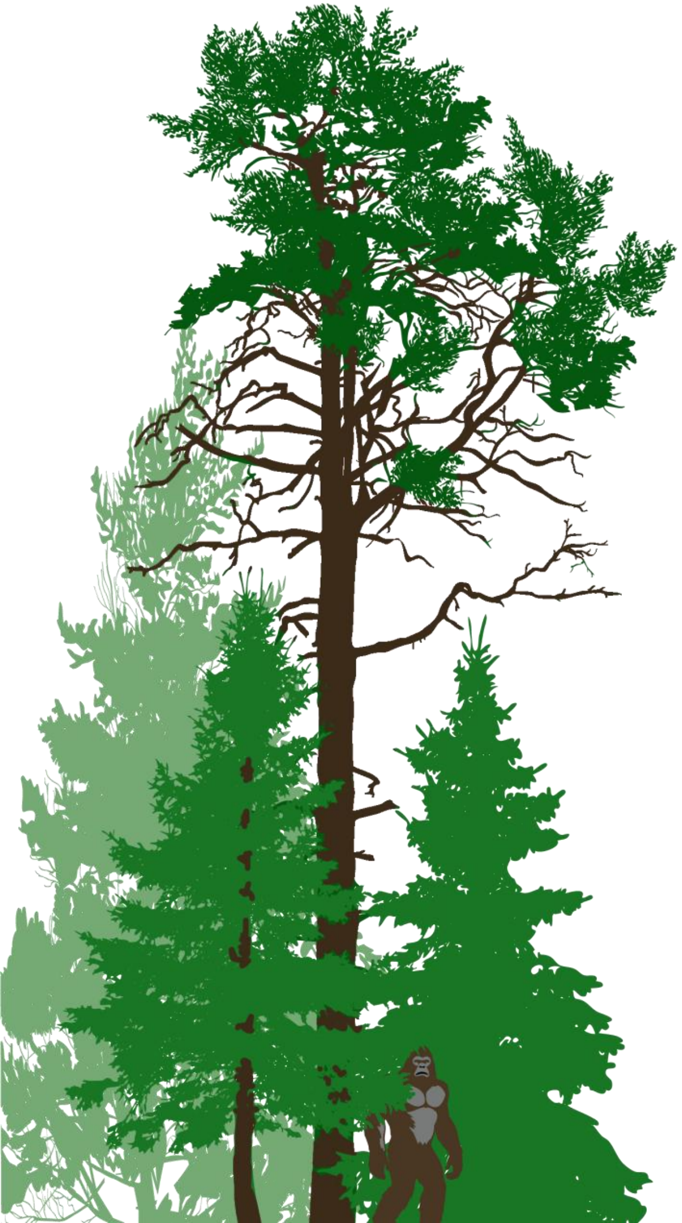
Additional Items



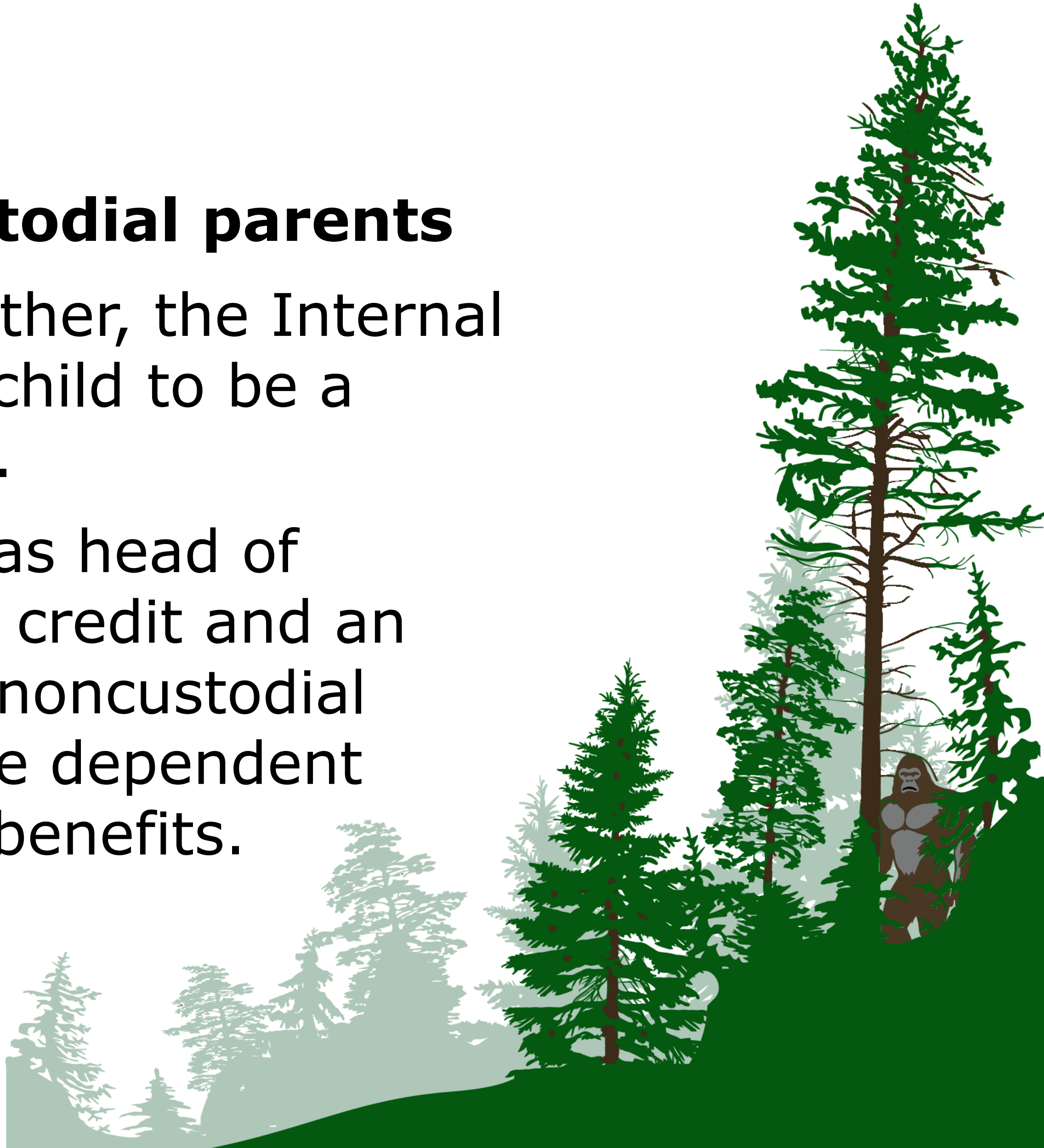
IRS audit cadence

- 26 U.S.C. § 6103(p)(4) of the Internal Revenue Code, should be changed from the three-year cycle for internal inspections of local child support offices/agencies to a five-year cycle for agencies receiving FTI
    - State programs have proven they appropriately safeguard FTI, therefore, the risk level is very low and supports a five-year cycle. With that being said, the IRS would always have the option to conduct an off-cycle inspection if any concerns arise

Additional Items

Federal income tax parity for noncustodial parents

- When a child’s parents do not live together, the Internal Revenue Code currently considers the child to be a dependent of only the custodial parent.
- This allows the custodial parent to file as head of household and claim both the child tax credit and an expanded earned income tax credit. A noncustodial parent with an obligation to support the dependent child is denied the same favorable tax benefits.



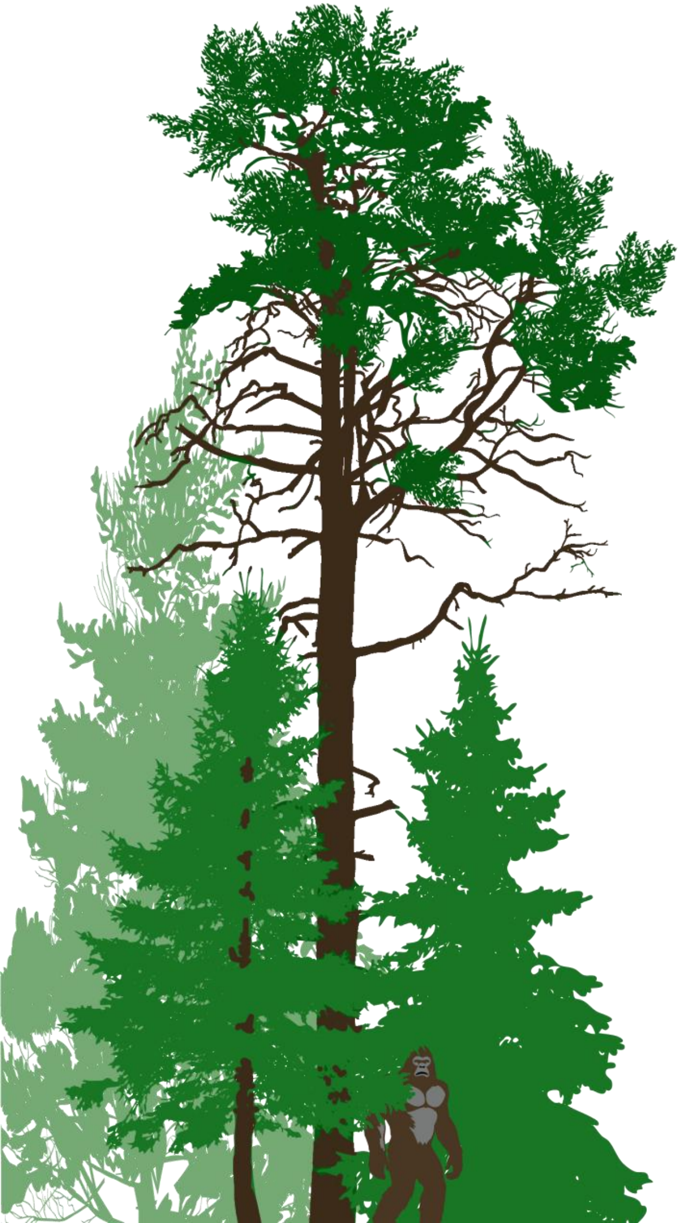
Additional Items

Federal Income Tax Parity for Noncustodial Parents

- Many parents who owe child support are low-income and struggle to remain self-sufficient while paying child support
- A child is owed a duty of support by both parents

Providing similar tax benefits to noncustodial parents would provide important parity that will improve capacity to provide financial support for the child and recognize that the child is dependent on both parents for support

Additional Items



Opt-out Instead of Opt-in

- Shifting program access requirements from opt-in to opt-out has the potential to ensure access to services early, before the need arises for higher-level interventions, and head off arrears accumulation
- Avoids the perception that a parent who applies for services is somehow distrustful of the other parent’s willingness to pay or taking a provocative act “against” the other parent