

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

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

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

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

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

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