

Understanding Child Support Payment Distribution

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When child support is paid through a state agency, the federal government has special rules governing how the state agency sends out money paid as support. These rules may affect how you receive support, even though you have never received public assistance. This brochure will give you an overview of how those rules will affect you.

Definitions

Certain words or phrases have unique meanings as used in this brochure:

- *Current support* is money a court orders one person to pay to another person to help pay the living expenses of a spouse or the expenses of raising a child. Current child support can include the payment of health insurance premiums, medical expenses, child care expenses, and educational expenses.
- *Arrears* is support that was due and has not been paid.
- An *assignment* is an agreement that the state can have a person's support money. A person makes an assignment in order to receive public assistance benefits.
- *Public assistance* refers to benefits received under the programs called Temporary Assistance for Needy Families (TANF) or Financial Independence Program (FIP), formerly AFDC.

Distribution Rules

When support is paid through a child support agency, federal rules control how, when, and to whom the agency sends the money. Some of these rules are:

The child support agency must treat support as a monthly charge. Most court orders state the amount of support that should be paid each week. Federal rules require this amount to be converted to a monthly amount. This is done by determining the number of times support is charged in a month. The amount due will not be the same every month. Support is charged on a particular day of the week (such as Mondays in Monroe County). Some months will have 5 of those days and some months will have only 4 of those days. If \$10 of support is supposed to be paid each week, \$40 will be due some months and \$50 will be due other months.

Current support must be paid first. Because a full month of current support must be paid first, the amount of the check you receive may be different each time support is paid and some checks may be in odd amount. There may even be weeks when no check is sent. If the payer pays \$10 for current support, \$5 for arrears, and \$1 to the agency for fees, that payer will send \$16 to the agency and, for the first payment, the full \$16 will be sent to pay current support. The same will occur for the second payment. However, if there are only four charge dates and \$40 of current support is due for the month, only \$8 will be sent to pay arrears. **Only** if all current support and arrears are paid will any amount be sent to pay fees or other amounts due. The chart at the end of this brochure explains this in more detail.

It is important to remember that the changes only affect when support is paid. A person will still receive the same amount of support.

Families must be paid first. Federal rules now require that the first money received must be used to pay support owed to families. This means that when a person stops receiving public assistance, that person receives current support and also any arrears owed to him or her before any arrears owed to the state are paid.

There is one major exception to this rule – money collected by a federal tax offset is used to pay all state arrears before any money is used to pay other support arrears.

When a person receiving support has never received public assistance, or when no support remains assigned to the state, these distribution rules have little impact on that person. If there are arrears, the full amount of the check goes to that person until the arrears are eliminated. Once the arrears are eliminated, fees and other amounts due are paid from the last check each month.

The distribution rules differently impact persons who receive public assistance benefits. An explanation follows.

Assignment Rules

To apply for public assistance benefits, a person assigns all rights to current and past-due support to the State of Michigan. A person is never required to assign more support than the amount of public assistance received. Beginning October 1, 1998, the Federal government changed rules regarding how persons applying for public assistance must assign their right to child support.

Before October 1, 1998, a person applying for public assistance permanently assigned his or her right to all support due before or during the time that person was on assistance. After October 1, 1998, the person still permanently assigns support for the period he or she is on public assistance, but only temporarily assigns support which was due before the time that person applied for assistance. Because the assignment is temporary, any amounts paid for arrears are paid to the state only while that person remains on assistance. After a person no longer receives public assistance, the remaining amount of arrears the person temporarily assigned once again becomes money owed to that person, with one exception. That exception is when the support payment is collected by attaching a payer's federal tax refund (commonly called a tax offset). Any money collected by a tax offset is first paid to reimburse the state for public assistance benefits paid, and reduces the amount of temporarily assigned arrears which are owed to the prior recipient of public assistance.

An example may make this easier to understand. If \$300 of arrears occurs before a person applies for public assistance, that person must temporarily assign that amount to the state when applying. Assume that the person received assistance for only one month, \$40 of current support was due during that month, \$240 was paid during that month, and that the person received \$400 of public assistance. In this situation, the state receives the \$240 paid during the month because that amount is less than the amount of current support and arrears assigned ($\$300 + \40), and also less than the amount of public assistance benefit received. When the person stopped receiving public assistance, the remaining \$100 of arrears temporarily assigned would again be owed to that person, with one special condition. If that \$100 is collected by a federal tax offset, the money would be paid to the state and the amount of money owed to that person would then be eliminated. However, if that \$100 was collected by any other means, it would be paid to the person who temporarily assigned it.

This table explains how support would be distributed for a court order that says "Each week pay \$10 for current support, \$5 for arrears that are now in the amount of \$20 and \$1 for arrears (or fees) not due to the payee that are currently in the amount of \$10."

Date	Charge	Money paid	Payee's Check	Current paid/balance due	Arrears paid/balance due	Other paid/balance due	Explanation
1-Jan	\$50	\$16	\$16	\$16 / \$34	\$0 / \$20	\$0 / \$10	The current support charged is \$50 because there would be 5 charges in this month. This is true even though only \$10 is due the first week. Because \$50 is considered due, all \$16 is sent to the payee. The arrears balance did not go down because all money was sent out as current support even though some of the money paid was sent in to pay other charges. (In the next month the charge would be \$40 as there would only be 4 charge days.
8-Jan	\$0	\$16	\$16	\$16 / \$18	\$0 / \$20	\$0 / \$10	All \$16 went to the payee because the full \$50 for the month has not been paid. The arrears balance did not go down because all money was sent out as current support even though some of the money paid was sent in to pay other charges. Current support (which is \$10 per week) did not show as being charged because it was charged as a monthly amount. The balance due for current support is now down to \$18.
15-Jan	\$0	\$16	\$16	\$16 / \$2	\$0 / \$20	\$0 / \$10	All \$16 went to the payee because the full \$50 for the month has not been paid. The arrears balance did not go down because all money was sent out as current support even though some of the money paid was sent in to pay other charges. Current support (\$10 per week) did not show as being charges because it was charged as a monthly amount. The balance due for current support is now down to \$2.
22-Jan	\$0	\$16	\$16	\$2 / \$0	\$14 / \$6	\$0 / \$10	All \$16 went to the payee. This time, only \$2 went to current support as that amount was all that was left of the full \$50 due for the month. The remaining \$14 of the payment was paid to the payee for arrears. If the arrears were not owed to the payee because they had been assigned to the state, the \$14 would have been sent to the state.
29-Jan	\$0	\$16	\$6	\$0 / \$0	\$6 / \$0	\$10 / \$0	Only \$6 went to the payee, which eliminated the remaining arrears. Because the full month's current support had been sent previously (\$50), the rest of the payment went to pay fees and other expenses which were not owed to the payee. Current support (\$10 per week) did not show as a charge because it was charged as a monthly amount.

