

DEPARTMENT OF HUMAN RESOURCES INCOME MAINTENANCE ADMINISTRATION 311 W. Saratoga Street Baltimore, Maryland 21201	<b>IMA ACTION TRANSMITTAL</b>
<b>ISSUANCE DATE:</b> September 25, 1995	<b>EFFECTIVE DATE:</b> October 1, 1995  <b>CONTROL NUMBER:</b> IMA OPA #96-09

**TO:** DIRECTORS, LOCAL DEPARTMENTS OF SOCIAL SERVICES  
DEPUTY/ASSISTANT DIRECTORS FOR INCOME MAINTENANCE  
INCOME MAINTENANCE SUPERVISORS

**FROM:** *Katherine L. Cook*  
KATHERINE L. COOK, ACTING EXECUTIVE DIRECTOR, IMA

**RE:** CHILD SUPPORT DEDUCTION

**PROGRAMS AFFECTED:** FOOD STAMP PROGRAM

**ORIGINATING OFFICE:** OFFICE OF POLICY ADMINISTRATION

**SUMMARY**

This provides policy to implement the child support deduction.

**BACKGROUND**

The 1993 Mickey Leland Childhood Hunger Relief Act established a child support deduction. The deduction increases the benefits of food stamp households that pay legally obligated child support to a nonhousehold member.

The policy must be implemented by October 1, 1995. We have not yet received final regulations from the Food and Consumer Service. This transmittal was written from proposed regulations. You will be informed promptly of any changes when we receive the final regulations.

**NEW POLICY**

Child support payments paid by a household member to or for a nonhousehold member is an allowable deduction from income. To be entitled to the deduction the household member must:

- have a legal obligation to pay the support, and
- the actual payments must be verified.

Also included are:

- Child support payments made to a third party, such as a landlord or utility company, in accordance with a court order.
- Legally obligated payments made to obtain health insurance are also included as part of the child support deduction.

- Amounts paid for either court ordered or voluntary arrearages are allowed for households that have at least a 3-month record of making child support payments.

**Not included:**

- Alimony payments made to or for a nonhousehold member cannot be included in the child support deduction.
- Payments made for a property settlement are not allowable.
- Amounts paid over the obligated amount, except for allowable arrearages. (see above)

**ACTION REQUIRED**

**Verification at Application**

1. To receive the deduction, the household must provide the following mandatory verification:
  - The legal obligation to pay the child support, and
  - The amount of the obligation, and
  - The amount of child support actually paid.
2. Acceptable verification of the legal obligation includes any document that verifies the legal obligation, such as:
  - a court order, or
  - administrative order, or
  - legally enforceable separation agreement.
3. Acceptable verification of the household's payment includes any document verifying the actual payment including, but not limited to:
  - canceled checks
  - wage withholding statements
  - verification of withholding from unemployment compensation
  - statements from the custodial parent regarding direct payments or third party payments.
  - CSEA records
4. Documents used to verify the legal obligation to pay child support cannot be accepted as verification of the actual monthly payment.
5. If child support payments are made to Child Support Enforcement Agency (CSEA or IV-D), use the information provided through this agency as verification. Use the automated system when available. When the local department is able to obtain child support information from the system or directly from CSEA, do not require the client to obtain verification.

6. If information provided by the household is different than that provided by IVD, give the household an opportunity to resolve the discrepancy.
7. When a household fails or refuses to provide the necessary verification of the legal obligation or of the actual child support payments, calculate eligibility and benefit level without the deduction.

#### Verification at recertification

1. Households are required to verify the amount of legally obligated support actually paid.
2. When payments are paid through IV-D, match the records for recipients receiving the deduction against IV-D files at least once prior to the recertification using, at least, the three most recent months. Use this information to assist in determining the allowable deduction in the new certification period.

#### Reporting Changes

1. Households are required to report within 10 days:
  - Changes in the legal obligation to pay child support. This includes the termination of the obligation when a child reaches an age at which the support is no longer legally obligated.
  - A household with less than a 3-month record of child support payments is also required to report changes greater than \$50 from the amount used.
  - Other changes are not required to be reported.

#### Calculating the Deduction

1. For households with a history of 3 or more months of paying child support:
  - Average at least 3 months of child support.
  - Take into account any anticipated changes in the legal obligation.
  - Use the average as the household's child support deduction.
2. For households with no child support payment record or less than 3-month record:
  - Estimate the anticipated payments using available verification. Do not include payments toward arrearages.
  - Use the estimate as the child support deduction.

### AIMS

Enter the child support deduction amount on the AIMS 3 using deduction code "53". The system will subtract the deduction from income.

### CARES

When an individual paying child support is known to CARES, complete inquiries to determine the support obligated amount (SOA) and amount paid as follows:

1. From the Assistant Unit\Client Submenu (AMEN) select either A, or U if the client ID is known.
2. From the CDB Participation History Screen select each child support case shown for the person claiming the child support deduction and PF 15 for PAY1. This screen gives information about the support order and the amount.
3. From the PAY1 screen select each court order and PF 14 for PAY2. The PAY2 screen shows actual payments for each court order. Payments for the most recent three months are needed to calculate the amount of the deduction.

Do not require further proof of the SOA and payments when the information is available on CARES.

### Workaround

CARES programming to allow this deduction has not yet been completed. The following workaround must be used until the system is changed.

- **Households with children**  
Enter the amount of the child support payment on the **CARE** screen of the youngest child. Identify the payment as **SUP** in the ID field. If the payment exceeds \$175, enter the excess amount as **SUP** on the line below.
- **Adult Only Households With Unearned Income**  
Subtract the child support payment from the unearned income of the person making the payment. Enter the result on the **UINC** screen as food stamp only income.
- **Adult only With Earned Income**  
Enter the amount of the allowable child support payment on the **CARE** screen of the adult making the payment. Identify the payment as **SUP** in the ID field and proceed as in households with children.

In all cases it is necessary to enter narrative to document the case record thoroughly.

### QUALITY CONTROL

When the policy is correctly followed, errors will not be charged if the amount of child support that a household pays increases or

decreases, as long as the household's allotment is adjusted at the next recertification.

QC will review the accuracy of the deduction at the most recent certification action prior to the sample month. Any unreported change in actual child support payments or obligation, after the certification action, will not be used in the error determination.

A variance will be charged if QC finds that the proper deduction was not applied at the most recent certification action, or if a change reported after the certification action was not acted on, or acted on incorrectly.

Important: Document the case record to support the accuracy of amount of the child support deduction to prevent QC errors.

Variances will be excluded from the error determination until January 28, 1996 (120 days after implementation).

#### **ACTION DUE**

This change is effective October 1, 1995, for new applications. Adjust the cases of participating households at the next recertification, at household request, or at interim change whichever comes first. Benefits must be restored back to October 1, 1995.

#### **INQUIRIES**

Please direct questions to Kay Finegan at (410) 767-7939.

DHR Executive Staff  
IMA Management Staff  
Arnold Dixon



REF: 7 CFR

Section Title

DEDUCTIONS

Section  
212

Page  
7

**EXCEPTIONS:** Utility expenses must be verified if the household claims actual expenses instead of the utility standard. Utility expenses for an unoccupied home must be verified. The utility standard cannot be used.

Acceptable verification includes, but is not limited to:

- o Mortgage or rental contracts or a statement from the mortgage company, bank or landlord.
- o Copy of tax, insurance, assessment bills or a collateral contact with the appropriate government or insurance office.
- o Current bills or a written statement from the provider for heat/utility expenses.
- o Collateral contact with the heat/utility provider.

**NOTE:** The worker is not required to assist households to obtain verification of shelter costs for an unoccupied home in another county or state.

212.12

o Child Support Deduction

A deduction is allowed for legally obligated child support payments actually paid by a household member to or for a nonhousehold member. The deduction includes:

1. An average of at least 3 months of child support payments for households with a history of 3 or more months of paying child support, or an estimate of the anticipated payments for households with no child support payments or less than 3-month record.
2. Payments to a third party on behalf of the nonhousehold member in accordance with a support order.
3. Payments to obtain health insurance, if legally obligated.
4. Amounts for arrearages for households that have at least a 3-month record of child support payments.



REF: 7 CFR	Section Title	Section 212	Page 8
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DEDUCTIONS

12.13

o Action While Awaiting Verification

Any questionable expense must not be allowed until verification is provided. If the expense cannot be verified within 30 days of the date of application, the worker must determine eligibility and the allotment level without providing a deduction for the unverified expense. This includes medical expenses which may be covered by a reimbursement if the amount of the reimbursement cannot be verified.

**EXCEPTION:** The utility standard must be allowed for household entitled to use it, if they wish to claim actual expenses but cannot provide verification within 30 days.

When a household fails or refuses to provide verification of the legal obligation or of the actual child support payments, calculate eligibility and benefit level without the deduction.

If an eligible household subsequently provides verification the information must be treated as a reported change. The household would not be entitled to restoration of lost benefits.



EF: 7CFR	Section Title	Section	Page
	DETERMINING MONTHLY INCOME AND EXPENSES	213	7

GENERAL  
 INFORMATION:  
 (Con'd)

213.4 o Determining  
 Deductions

The household may elect to have one-time only expenses, such as utility installation charges, averaged over the entire certification period in which they are billed.

EXCEPTION: Households wishing to average one-time-only medical expenses reported during the certification period, must have the expenses averaged over the remaining months of their certification period.

- Averaging begins the month of the change is effective. This includes medical bills reported in the last month of certification period, i.e. these bills will be averaged over the new certification period as long as there is no break in certifications. For example, if a household certified in April for six months reports a new, one-time medical bill early in July and wants to average this expense it would be averaged over August and September.

C. ANTICIPATING EXPENSES - Household expenses must be based on expenses the household expects to be billed for during the certification period. Anticipation of the expense must be based on the most recent month's bills, unless the household is reasonably certain a change will occur. When the household chooses to use actual utility expenses rather than the utility standard, it must provide a current bill, statement by the provider or collateral contact on which to base the anticipation of utility expenses. Once this has been provided, the worker must ask the household whether it expects this amount to change during the certification period. If the household expects changes, one of the following methods must be used to anticipate changes during the certification period:

- . Use last year's bills from the same period and update by overall price increases.
- . If only the most recent bill is available, use utility company estimates for the type of dwelling and utilities used.





REF: 7 CFR	Section Title DETERMINING MONTHLY INCOME AND EXPENSES	Section 213	Page 8
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GENERAL  
 INFORMATION:  
 (Con'd)

- 213.4 o Determining Deductions . Another reasonable method, agreed upon by the worker and household.

NOTE: Do not average past expenses, such as bills for the last several months, as a method of anticipating utility costs for the certification period when seasonal changes in the rate of utility usage will occur.

For example, July through September expenses cannot be used to anticipate heating expenses for an October through March certification period since they would not accurately reflect those expenses for winter months.

Document, in the shelter expenses section of the Application Worksheet, the basis for the anticipated utility expenses (i.e., household estimate, last year's bills with rate increase update, utility company estimate, etc.)

13.4A Calculating the child support deduction -

For households with a history of 3 or more months of paying child support:

- Average at least three months of child support.
- Take into account any anticipated changes in the legal obligation.
- Use the average as the household's child support deduction.

For households with no child support payment record or less than a 3-month record:

- Estimate the anticipated payments using available verification. Do not include payments toward arrearages.
- Use the estimate as the child support deduction.



F: 7CFR Section Title

Section

Page

DETERMINING MONTHLY INCOME EXPENSES

213

9

GENERAL  
 INFORMATION  
 (Con'd)

213.5 o Rounding

In calculating net monthly income, the amounts must be rounded down to whole dollar amounts by dropping all cents. Rounding will occur before and after each calculation, except for the computation of shelter costs. For example, any cents in gross weekly earnings must be dropped before addition of the fluctuating pays and application of the weekly conversion factor. Any hourly or daily amounts will retain cents until after weekly amount is determined.

53.62  
 52.79 fluctuating weekly earnings  
 41.27  
 49.38  
 195.00 divided by 4 = 46.25 X 4.3 = 197.88 mo.

Any cents resulting from the multiplication must then be dropped before computation of the 18 percent earned income deduction.

200  
 X.18  
 1600  
 200  
 36.00 earned income deduction

The cents must be dropped from this deduction prior to being subtracted from earned income:

197.00 earned income  
 -36.00 earned income deduction  
 161.00

However, because these procedures could result in a significant decrease in shelter expenses used in determining excess shelter cost, the individual costs must be computed using exact dollars and cents:

60.00 rent  
 9.08 telephone  
 20.00 utilities  
 89.08 total shelter costs

The cents will be dropped from the total shelter costs before determining the shelter deduction.



REF: 7 CFR	Section Title	Section	Page
	REPORTING CHANGES	420	1

420.1

HOUSEHOLD RESPONSIBILITY TO REPORT CHANGES

Certified households are required to report the following changes in circumstances:

- A. Changes in the source of income or in the amount of gross monthly income of more than \$25, except changes in the public assistance grant. Since the local department has prior knowledge of all changes in the PA grant, action shall be taken on the agency information.
- B. All changes in household composition, such as the addition or loss of a household member.
- C. Changes in residence and the resulting change in shelter costs; and
- D. The acquisition of a licensed vehicle not fully excludable under 201.3.
- E. When cash on hand, stocks, bonds, and money in a bank account or savings institution reach or exceed a total of \$2,000 or \$3,000 for an elderly household.
- F. Changes in the legal obligation to pay child support. Households with a less than 3-month record of child support payments are required to report changes greater than \$50 from the amount used at the most recent certification action.

Households shall report changes within 10 days of the date the changes become known to the household.

Changes shall be considered to be reported by the household on the date the report is received by the local department or if mailed, the date the household's report is postmarked.

Local departments shall not impose any reporting requirements on households except as provided in 420.1.

420.2

REPORT FORM

The local department shall provide households with a form for reporting the changes required in 420.1 and shall pay the postage for the household to mail in the report. The reporting form shall at a minimum, include the following:

- A. A space for the household to report whether the change shall continue beyond the report month.



REF: 7 CFR  
 273.10

Section Title  
 REPORTING CHANGES

Section  
 420

- B. The civil and criminal penalties for violations of the Act in understandable terms and in prominent and bold-face lettering; and
- C. A reminder to the household of its right to claim actual utility costs if its costs exceed the standard.

420.2 The reporting form may also include the amount of gross income itemized by household member, used to certify the household, and the source and frequency of the income.

Changes reported over the telephone or in person by the household shall be acted on in the same manner as those reported on the change report form.

A change report form shall be provided to newly certified households at the time of certification, at recertification if household needs a new form, and a new form shall be sent to the household whenever a change is reported by a change report from from the client.

420.3 LOCAL DEPARTMENT ACTION ON CHANGES

The local department shall take prompt action on all changes to determine if the change affects the household's eligibility or allotment. Even if there is no change in the allotment, the local department shall document the reported change in the case-file, provide another change report form to the household, and notify the household of the receipt of the change report. If the reported change affects the household's eligibility or level of benefits, the adjustment shall also be reported to the household. The local department shall also advise the household of additional verification requirements, if any, and state that failure to provide verification shall result in increased benefits reverting to the original allotment. The local department shall document the date a change is reported, which shall be the date the local department receives a report form or is advised of the change over the telephone or by a personal visit. Restoration of lost benefits shall be provided to any household if the local department fails to take action on a change which increases benefits within the time limits specified in 420.4.

420.4 INCREASE IN BENEFITS

For changes which result in an increase in a household's benefits, other than changes described in the following section, the eligibility worker shall make the change effective not later than the first allotment issued 10 days after the date the change was reported to the local department.

For example, a \$30 decrease in income reported on the 15th day of May would increase the household's June allotment. If the same decrease was reported on May 28, and the household's normal issuance cycle was on June 1, the household's allotment would have to be increased by July.