

**Supporting Statement For  
OMB Clearance**

**Income Withholding for Support (IWO)**

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## **SECTION A – JUSTIFICATION**

### **1. Circumstances Making the Information Collection Necessary**

The information collection activities associated with the Income Withholding Order for Support (IWO) form are necessary to fulfill federal child support enforcement requirements. The standardized IWO form, which may be produced manually or electronically, is a critically important enforcement tool used to collect child support payments via employers and other income withholders. The information collection is authorized by 42 U.S.C. § 666(a)(8)(B)(iii) and (b)(6)(A)(ii) which requires the use of a standard format for withholding. 45 CFR 303.100(e)(x) provides that the form require employers to notify state child support agencies when employees are terminated.

### **2. Purpose and Use of the Information Collection**

#### **2.1 How will the information be used**

The information collected via the IWO will be used to carry out child support income withholding. If completed by a custodial party respondent, the IWO form is populated with all information needed to withhold and remit payments, including the amount and frequency of the withholding. In this instance, the IWO form provides instruction for the obligor's employer or income withholder to remit payments to their State Distribution Unit (SDU) and includes instructions that provide guidance about the maximum percentage that may be withheld from the obligor's income, per the Consumer Credit Protection Act. If the termination section is completed by an employer or income withholder, either manually or electronically, the IWO form notifies the sender of the IWO that the obligor is either no longer employed or has never been employed by that organization.

#### **2.2 By whom will the information be used**

The IWO form must be used by state child support agencies, courts, tribunals, tribes, private attorneys, private collection agencies, and custodial parties to order or send notice to employers and income withholders to withhold income for child support from an obligor's income. It must also be used to modify or terminate an existing IWO.

### **3. Use of Improved Technology and Burden Reduction**

States are required to have a federally-approved automated data processing and information retrieval system with the capability to generate and download income withholding information to assist child support enforcement efforts (OMB #0970-0417). As a result, the information needed to populate an IWO is already in the required automated system for cases being enforced by the state child support agency. If child support orders are established by a state child support agency, the entire process to populate an IWO form and initiate the withholding is automated, thereby eliminating any burden. If a court or other tribunal issues a child support order and that order is to be enforced by the state agency, then the state child support agency enters the terms of the order and other needed data elements into the automated system to issue income withholding orders and to process payments. Copies of the IWO form are provided to all parties in all intergovernmental cases and if required by state law. Copies are transmitted to the employer or income withholder by the state either by mail or electronically via OCSE's electronic income withholding order (e-IWO) portal.

In 2008, OCSE implemented electronic IWOs or e-IWO, which is a centralized internet portal application that enables state child support agencies and employers, income withholders, or payroll processors to easily and securely exchange income withholding orders. The portal picks up e-IWOs from state child support agencies and sends them to employers and income withholders. The employers or income withholders electronically acknowledge to state child support agencies whether the IWO was received and have the ability to report terminations and lump sum payments. Benefits of OCSE's e-IWO portal include an increase in child support collections; reduced administrative expenditures for states; reduced processing costs for employers and income withholders; improved communication between child support agencies, employers, and income withholders; and exchange of information in a consistent and uniform format.

In addition to improvements realized by e-IWO, OCSE also developed a fillable portable document format (.pdf) version of the IWO available on OCSE's website. This provides states, tribes, courts, attorneys, private collection agencies, and other entities an efficient method for filling out the IWO. Limited numbers of these forms may also be printed locally in hardcopy for use in emergencies when automated systems are not available or in situations in which computer-generated forms are not available.

The IWO form encourages employers to remit their payments electronically to the SDUs, saving time and money for both employers and income withholders and states, thereby relieving employers and income withholders of the burden of creating paper checks for individual custodial parties.

### **4. Efforts to Identify Duplication and Use of Similar Information**

Prior to implementation of the IWO, state child support agencies and other entities that issued income withholding orders or notices used a variety of different forms and formats to require employers to initiate income withholding. Employers or income withholders have difficulty understanding and validating non-standard income withholding forms, which causes delays and errors in withholding. The IWO replaces all of the various forms with a single standardized format, which prevents duplication.

**5. Impact on Small Businesses and Other Small Entities**

The impact on small businesses and other small entities is minimal. The IWO form is easy to understand and short in length. All of the necessary information to withhold and remit child support payments is contained on the IWO form and in the IWO instructions.

**6. Consequences of Collecting the Information Less Frequently**

Income withholding and the IWO form are federal requirements; therefore, collecting the IWO information less frequently or not at all will violate federal law. Less frequent collections will also negatively impact OCSE's mission to ensure that children and families receive the support to which they are entitled.

The e-IWO process is not mandated for use by state child support enforcement agencies; however, thirty-one states have successfully implemented e-IWO. As a result, child support collections have increased because employers and income withholders are able to remit child support payments more quickly when receiving an electronic version of the IWO rather than waiting for a printed form through the mail. States, employers and income withholders realized a reduction in administrative expenditures, as well. For example, in fiscal year 2012, approximately 72 percent of child support payments were collected via income withholding making it the largest and most important enforcement tool. With each state's implementation of e-IWO, savings in administrative expenditures and increases in collections continue.

**7. Special Circumstances Relating to Guidelines of 5 CFR 1320.5**

Respondents are required to issue and implement IWOs more frequently than quarterly to fulfill statutory requirements and to ensure timely withholding and processing of support payments.

**8. Comments in Response to the Federal Register Notice and Efforts to Consult Outside the Agency**

A notice of the information collection was published in the *Federal Register* at 78 FR 43208 on July 19, 2013, which allowed a 60-day comment period for the public to submit in

writing any comments about this information collection.

OCSE received written comments from child support agencies, representatives of the judiciary, private attorneys/paralegals, employers, and federal agencies in their role as employers. Based on the comments received, the IWO form and instructions were updated for consistency and clarity. No comments were received on cost and burden hours.

**9. Explanation of Any Payments or Gifts to Respondents**

No payments or gifts were made to respondents.

**10. Assurance of Confidentiality Provided to Respondents**

No assurance of confidentiality in the revision of the IWO was provided to any respondent; however, the information contained within the IWO, including the e-IWO record layout, is subject to the federal confidentiality requirements described at 45 CFR 303.21.

**11. Justification for Sensitive Questions**

OCSE is required by law to operate the Federal Parent Locator Service and maintain certain automated directories for the primary purpose of assisting state child support agencies. OCSE is also required to assist other state and federal agencies for authorized purposes. Sensitive information, if any, is justified because state child support agencies are required to obtain information pertaining to the establishment of parentage and the establishment, modification, and enforcement of support obligations. The collection of Social Security numbers is necessary to electronically match information to assist child support agencies or other authorized users.

For IWO purposes, Social Security numbers are required to ensure income withholdings are properly issued and correctly processed.

**12. Estimates for Annualized Burden Hour and Costs**

12.1 Estimated Annual Burden Hours

Type of Respondent	Number of Respondents	Number of Responses Per Respondent	Annual Number of Responses	Average Burden Hours Per Response	Total Burden Hours
<b>Non-IV-D CPs</b>	2,436,312 <sup>1</sup>	1 <sup>2</sup>	2,436,312	5 minutes <sup>3</sup>	203,026
<b>Employers</b>	1,283,228 <sup>4</sup>	7.38 <sup>5</sup>	9,470,223 <sup>6</sup>	2 minutes <sup>7</sup>	315,674 <sup>8</sup>
<b>e-IWO Employers</b>	5,500	131	720,500 <sup>9</sup>	3 seconds	600 <sup>10</sup>

Estimated Total Annual Burden Hours: **519,300**

This clearance is for use of IWOs by entities that do not have child support system access to the form: employers responding to IWOs and custodial parties who are not receiving IV-D services (also called “non-IV-D CPs”) and either issue the IWOs to the employers themselves or have attorneys or private collection agencies issue them on their behalf. The collection of information required by state child support agencies and courts to populate IWOs is contained in OMB # 0970-0417 which addresses information collection for child support systems. Therefore, there is no additional hour burden placed upon state child support agencies issuing IWOs for this information collection.

Since there are 3,399,091 non-IV-D orders or orders not enforced by a state child support agency on the Federal Case Registry, it is assumed that the number of IWOs issued to employers or income withholders by custodial parties or on behalf of custodial parties is 2,436,312. This is based on the assumption that IWOs are sent to approximately 71.7

<sup>1</sup> To estimate the number of IWOs sent for non-IV-D cases, the percent of IV-D cases with orders for which an IWO was sent in FY2012 was applied to the non-IV-D universe.

<sup>2</sup> The CP is bearing the burden of the IWO as he/she is actually issuing the notice or paying a private entity to issue the notice on his/her behalf.

<sup>3</sup> It is assumed that it takes a legal assistant, collection agent or CP approximately 5 minutes to complete an IWO and send it to an employer/income withholder.

<sup>4</sup> Based on the number of US employers with 10 or more employees, as reported by the US Census.

<sup>5</sup> The annual number of responses is divided by the number of respondents to calculate the number of responses per respondent.

<sup>6</sup> Based on the estimated number of IWOs which reach an employer in a given year where the NCP was either never employed there or no longer works there, plus the number of IWOs which do result in collections, but the NCPs employment ends less than a year after the payments start.

<sup>7</sup> It is assumed that it takes a payroll clerk approximately 2 minutes to complete each IWO response form.

<sup>8</sup> To calculate the total burden hours, the annual number of responses is multiplied by the average burden hours (2/60) (9,470,223).

<sup>9</sup> According to OCSE statistics on the e-IWO application.

<sup>10</sup> Total burden hours are 720,500 multiplied by 3/3600.

percent <sup>11</sup>of the cases with orders during a given year, which is the currently estimated rate for IV-D cases (cases enforced by state child support agencies). The labor associated with IWOs completed by or on behalf of custodial parties by attorneys and private collection agencies to populate information required in an IWO is approximately 5 minutes per notice for a total burden of 203,026 hours.

There are 1,288,728 employers that are respondents which is based on the number of US employers with 10 or more employees. Of those, 1,283,228 employers manually fill out the IWO form, and 5,500 use e-IWO. Employers receive all of the information required to process IWOs from the sender who collects the information necessary to complete the IWO. Employers are required to complete the “Notification of Employment Termination or Income Status” section on the form and return it to the sender when IWOs are not implemented because the noncustodial party was never employed there or is no longer employed there. Fifty one point three percent of IWOs do not result in any collections from the employer. It is assumed that approximately 5 percent of these never reach the employer (due to bad addresses, etc.), but for the rest, the employer would be required to send a notification of employment termination or income status (approximately 5.3 million notices) to the sender. Employers are also required to notify the sender when a noncustodial party’s employment ends after an IWO was implemented and payments were deducted to collect child support. Of the over 5 million IWOs that generate collections annually, approximately 79 percent of them stop paying during the year due to the end of a noncustodial party’s employment. This results in employers sending notices on approximately 4 million IWOs.

## 12.2 Respondents’ Cost for Hour Burden

According to the Bureau of Labor Statistics, the average wage for a legal assistant is \$24.15 an hour and a collections agent is \$16.24 an hour. If an attorney’s office or PCA is issuing the IWO on behalf of a custodial party, the average cost is \$31.30 an hour<sup>12</sup>, after applying the assumption that the private companies will earn a profit. The profit margin was calculated as a 55% increase from the average hourly wage for a legal assistant. This calculation was based on information from the Department of Labor. The cost burden is about \$6,354,714.

Method used to estimate total annual costs for custodial parties who are not receiving IV-D services:

203,026 hours X \$31.30 hourly rate = \$6,354,713.80 annually

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<sup>11</sup> Rounded to 71.7 percent, actual figure is 71.6754 percent.

<sup>12</sup> Average hourly rate equals  $(\$24.15 + \$16.24)/2$  multiplied by 155%.

$\$6,354,713.80 / 2,436,312$  respondents =  $\$2.6083$  average annualized cost

The average annual cost per employer for notifying the IWO sender that a noncustodial parent has never been or is no longer employed is \$4.50. According to the Bureau of Labor and Statistics, the hourly wage for a payroll clerk is \$18.31. It takes approximately 2 minutes to complete the response and return it to the sender for a total annual cost of \$5,779,991 which represents payroll clerk salaries. There is no average annualized cost for employers using e-IWO. It takes only 3 seconds for the system to complete a response and does not require labor from payroll clerks.

Method used to estimate total annual costs for employers responding to IWOs:

$315,674$  hours X  $\$18.31$  hourly rate =  $\$5,779,990.94$  annually

$\$5,779,990.94$  costs /  $1,283,228$  respondents =  $\$4.5043$  average annualized cost

<b>Reporting Requirement</b>	<b>Burden Total</b>	<b>Average Annualized Cost per Respondent</b>
<b>Non-IV-D CPs</b>	\$6,354,714	\$2.60
<b>Employers</b>	\$5,779,991	\$4.50
<b>Total</b>	\$12,134,705	

### 13. Estimates for Other Annual Cost Burden Estimate to Respondents and Record Keepers

The proposed changes to the IWO form require a one-time cost to program the state and tribal child support enforcement agency automated systems. A sample of states<sup>13</sup> estimated that the total estimated costs for the 114 states, territories and tribes to effect the proposed changes is \$321,839, or \$ 2,823 per agency. There are no operations and maintenance costs.

It is assumed that the cost to the employer to mail each individual IWO response would be \$1 which includes the cost of postage, paper and envelopes resulting in \$9,470,223 as the total annual mailing costs for IWO responses. The total annual cost to employers for IWO responses is \$15,250,214.

It is assumed that the cost to the Non-IV-D CPs to mail each individual IWO would be \$1 which includes the cost of postage, paper and envelopes resulting in \$2,436,312 as the total

<sup>13</sup> States sampled were Missouri and Iowa

mailing costs. The total annual cost burden to non-IV-D custodial parties who must secure private means for issuing IWOs is \$8,791,026.

The total annual cost burden to the parties involved in this IWO process is \$24,041,240.

**14. Annualized Cost to the Federal Government**

There are no significant costs to the federal government associated with the IWO. The cost to the federal government for e-IWO is estimated to be \$717,507. This includes the system development and technical assistance contracting costs, telecommunications, security, data quality, and software and hardware costs incurred by OCSE in association with the e-IWO.

**15. Explanation for Program Changes or Adjustments**

Adjustments were made to the respondent burden hour from the previous approval request to reflect the increase in respondents using the IWO form. Additionally, there are numerous respondents now using e-IWO since the previous approval request. These respondents and the respective burden hour for using the e-IWO are now part of this information collection. Currently used by 31 states and 550 employers and income withholders comprising over 5,500 Federal Employer Identification Numbers, the e-IWO initiative decreases costs and increases child support collections.

As the number of transmissions sent via e-IWO increases, child support agencies and employers will experience even more cost savings. This is based on the requirement that employers complete the “Notification of Termination/Income Status” section of the IWO. Custodial parties or their representatives are required to manually issue IWOs to employers/income withholders since they do not have access to automated systems. The impact to employers and custodial parties or their attorneys or PCAs has been included and the annual burden estimates are captured in number 12.

Minor text changes to the IWO form were made as a result of suggestions and comments received during the 60-day comment period. Any updates to state and tribal child support enforcement agencies’ automated systems will be minimal and are detailed in #13.

**16. Plans for Tabulation and Publication and Project Time Schedule**

There is no planned analysis or publication of the data collected.

**17. Reason(s) Display of OMB Expiration Date is Inappropriate**

Not applicable; the OMB expiration date will be displayed.

**18. Exceptions Certification of Paperwork Reduction Act Submissions**

There are no exceptions to the certification statement.

## **SECTION B – STATISTICAL METHODS**

The information collection requirements outlined in this report do not employ the use of statistical methods.