

**Supporting Statement For
OMB Clearance**

Income Withholding for Support (IWO)

April 2017

Prepared by:

U.S. Department of Health and Human Services
Administration for Children and Families
Office of Child Support Enforcement
Mary E. Switzer Building
330 C Street, SW, 5th Floor
Washington, DC 20101

TABLE OF CONTENTS

Section	Page
A – JUSTIFICATION.....	3
1. Circumstances Making the Collection of Information Necessary.....	3
2. Purpose and Use of the Information Collection.....	3
3. Use of Improved Information Technology and Burden Reduction.....	4
4. Efforts to Identify Duplication and Use of Similar Information.....	5
5. Impact on Small Businesses or Other Small Entities.....	5
6. Consequences of Collecting the Information Less Frequently.....	5
7. Special Circumstances Relating to Guidelines of 5 CFR 1320.5.....	5
8. Comments in Response to the Federal Register Notice and Efforts to Consult the Outside Agency.....	6
9. Explanation of Any Payments or Gift to Respondents.....	6
10. Assurance of Confidentiality Provided to Respondents.....	6
11. Justification for Sensitive Questions.....	6
12. Estimates of Annualized Burden Hour and Costs.....	6
13. Estimates of Other Annual Cost Burden to Respondents and Record Keepers....	9
14. Annualized Cost to the Federal Government.....	10
15. Explanation for Program Changes or Adjustments.....	10
16. Plans for Tabulation and Publication and Project Time Schedule.....	11
17. Reason(s) Display of OMB Expiration Date is Inappropriate.....	11
18. Exception to Certification of Paperwork Reduction Act Submissions.....	11
B – STATISTICAL METHODS.....	11

SECTION A – JUSTIFICATION

1. Circumstances Making the Collection of Information Necessary

The Income Withholding Order/Notice for Support (IWO) information collection is necessary to fulfill federal child support enforcement program requirements. The IWO is the standard form that must be used to order employers and income withholders to withhold child support payments from an obligor's income. It also provides payment remittance information for employers and other income withholders, as well as information needed to withhold child support correctly.

Child support agencies, courts, private attorneys, custodial parties, and others must send the IWO form to an employer or income provider to withhold child support from an obligor's income. Child support agencies are required to have automated systems containing current order and case information. Child support agencies providing services to custodial and/or noncustodial parties enter the terms of a child support order established by a tribunal into the automated system, which automatically populates the IWO form.

Employers and income withholders also use the form to respond to the IWO with termination or income status information. Employers and other income withholders may choose to receive the IWO form from child support agencies on paper or electronically, and may respond on paper or electronically to notify the sender of termination of employment or change in the income status.

The information collection activities pertaining to the IWO form are authorized by 42 U.S.C. §§666(a)(1), (a)(8) and 666(b)(6), which require the use of the Income Withholding for Support (IWO) form to order income withholding for all child support orders. 45 CFR 303.100(e)(x) provides that the form require employers to notify child support agencies when employees are terminated.

2. Purpose and Use of the Information Collection

The IWO form must be used by child support agencies, courts, tribunals, private attorneys, private collection agencies, and custodial parties to order or send notice to employers and income withholders to withhold payments for child support from a parent's income. It must also be used to modify an existing IWO. The IWO form is populated with all information needed to withhold and remit payments, including the amount and frequency of the withholding. The IWO form provides instruction for the parent's employer or income provider to remit payments to the State Distribution Unit (SDU) and includes instructions that provide guidance about the maximum percentage that may be withheld from the parent's income, per the Consumer Credit Protection Act, and other information needed to withhold payments correctly. If the termination section is completed by an employer or income provider, either manually or electronically, the IWO form notifies the IWO sender that the parent is either no longer employed or has never been employed by that company or organization.

3. Use of Improved Information Technology and Burden Reduction

Child support agencies 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 enforced by the child support agency. If a child support agency establishes a child support order, 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 the child support agency enforces it, the terms of the order and other data elements must be entered into the automated system to issue income withholding orders and to process payments. Child support agencies send copies of the IWO form to all parties in intergovernmental cases and if required by state law. Child support agencies send copies to the employer or income provider by mail or electronically via the Office of Child Support Enforcement's (OCSE's) electronic income withholding order (e-IWO) process. Some child support agencies also have IWOs available on a portal for employers to access.

In 2008, OCSE implemented the e-IWO process, which is a centralized Internet batch portal application that enables 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 child support agencies and sends them to employers and income withholders. The employers or income withholders electronically acknowledge to child support agencies when the IWO was received and have the ability to report terminations and lump sum payments. Benefits of OCSE's e-IWO process include an increase in child support collections; reduced administrative expenditures for child support agencies; 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 child support agencies, 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 hard copy 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 child support agencies, 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, 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 had difficulty understanding and validating nonstandard income withholding forms, which caused 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 or 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 violates federal law. Less frequent collections 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 mandated for use by child support agencies with the exception of tribal child support agencies; fifty-one states and territories 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. Child support agencies, employers, and income withholders realize a reduction in administrative expenditures, as well. For example, in fiscal year 2016, approximately 75 percent of child support payments were collected via income withholding making it the most effective and important enforcement tool.

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 the Outside Agency

A notice of the information collection was published in the *Federal Register* at 81 FR 192 on October 4, 2016, 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, employers, and federal agencies in their role as employers and income withholders. Based on the comments received, the IWO form and instructions were updated for consistency and clarity. Child support agencies and employer comments on cost and burden hours were considered in determining which proposed changes should be implemented.

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 child support agencies. OCSE is also required to assist other state and federal agencies for authorized purposes. Sensitive information, if any, is justified because 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 of Annualized Burden Hour and Costs

The IWO form information collection activities pertain to entities that do not have access to the form via a child support system: employers responding to IWOs and custodial parties who are not receiving child support agency services 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 child support agencies and courts to populate IWOs is contained in OMB #0970-0417, which addresses information collection for child support systems. The burden for child support agencies that issue IWOs represents programming changes to their automated systems to accommodate changes to the e-IWO record layouts.

Table 12.1 Estimated Annual Burden Hours

Instrument	Number of Respondents	Number of Responses per Respondent	Average Burden Hours per Response	Total Burden Hours
Income withholding order/notice (Courts, private attorneys, custodial parties or their representatives)	3,699,791	1.00	5 minutes ¹	308,316

¹ For hourly calculation 5/60

Income withholding orders/termination of employment/income status (Employers and other income withholders)	1,228,320	9.34	2 minutes ²	382,417
Electronic income withholding orders/termination of employment/income status (Employers and other income withholders)	12,427	123.76	3 seconds ³	1,282
Programming for electronic income withholding order/notice (Child support agencies)	17 ⁴	1	240 ⁵	4,080

Estimated Total Annual Burden Hours: 696,095

There are 3,999,774⁶ orders not enforced by a child support agency on the Federal Case Registry (FCR). IWOs are sent to approximately 92.5 percent of the cases in the FCR with orders in a given year, which is the current estimated rate for cases enforced by child support agencies. As a result, the number of IWOs issued to employers or income withholders by, or on behalf of custodial parties, is estimated to be 3,699,791. 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 308,316 hours.

There are an estimated 1,240,747 employers in the United States with 10 or more employees. Out of this total estimate, 1,228,320 employers receive and process a hard copy IWO form, and 12,427 use e-IWO. Employers must use the information on the IWOs by inputting it into a payroll system and sending payments to the SDU. Approximately 51.3 percent of IWOs do not result in any collections from the employer. OCSE estimates that approximately 5 percent of these IWOs never reach employers (due to bad addresses, etc.). 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 as a result of the noncustodial party never being employed or is no longer employed, which is approximately 6.4 million notices. Of the over six million IWOs that generate collections annually, approximately 79 percent of them stop paying during the year due to the end of

² For hourly calculation 2/60

³ For hourly calculation 3/3600

⁴ All 51 child support agencies will be required to make programming changes for an average of 17 child support agencies over the next 3 years.

⁵ The estimated time to complete the programming changes is 40 hours a week for six weeks.

⁶ From the OCSE Federal Case Registry, data available in the FY 2015 Annual Report to Congress Office of Child Support Enforcement: Appendix: Table 97

https://www.acf.hhs.gov/sites/default/files/programs/css/fy2015_part_11.pdf

a noncustodial party’s employment. This results in employers sending notices on approximately five million IWOs.

12.2 Respondents’ Cost for Hour Burden

According to the U.S. Bureau of Labor Statistics (BLS), the average wage for a legal assistant is \$22.34 an hour and a collections agent is \$17.60 an hour. If an attorney’s office or private collection agency (PCA) is issuing the IWO on behalf of a custodial party, the average cost is \$19.97 an hour⁷. The cost burden, based on BLS wage information, is approximately \$6,157,070.

Method used to estimate total annual costs for custodial parties who are not receiving child support agency services:

$$308,316 \text{ hours} \times \$19.97 \text{ hourly rate} = \$6,157,070 \text{ annually}$$

$$\$6,157,070 / 3,699,791 \text{ respondents} = \$1.66 \text{ average annualized cost}$$

The average annual cost per employer to manually notify the IWO sender that a noncustodial party has never been or is no longer employed is \$6.31.

According to the BLS, the hourly wage for a payroll clerk is \$20.26. It takes approximately 2 minutes to complete the response and return it to the sender for a total annual cost of \$7,747,768, which represents the cost for the time it takes payroll clerks to respond to IWO forms. 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:

$$382,417 \text{ hours} \times \$20.26 \text{ hourly rate} = \$7,747,768 \text{ annually}$$

$$\$7,747,768 \text{ costs} / 1,228,320 \text{ respondents} = \$6.31 \text{ average annualized cost}$$

Based on the BLS wage information, the estimated labor rate is \$40.56 for a computer programmer; therefore, the cost burden for state agencies to program for the e-IWO record layout changes is approximately \$165,485. This equates to \$9,734⁸ per respondent.

Table 12.2 Respondents’ Cost for Hour Burden

Respondents	Average Annualized Cost per Respondent	Burden Total
Custodial Party not using Child Support Agencies	\$1.66	\$6,157,071

⁷ Average hourly rate equals $(\$22.34 + \$17.60)/2$

⁸ $\$496,454/4080$

Employers	\$6.31	\$7,747,768
Child support agencies	\$9,734	\$165,485

Total Cost **\$14, 070,324 ⁹**

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

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 \$11,472,509 as the total annual mailing costs for IWO responses.

It is assumed that the cost to custodial parties who are not receiving child support agency services to mail each individual IWO would be \$1, which includes the cost of postage, paper, and envelopes resulting in \$3,699,791 as the total mailing costs.

The total annual cost burden to the entities involved in this IWO process is \$29,242,624.

14. Annualized Cost to the Federal Government

There are no significant costs to the federal government associated with text changes to the paper IWO; however, the cost to the federal government for e-IWO is estimated to be \$1,326,486. This includes the system enhancements 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

The burden hour table in item 12 was adjusted to clarify the list of collection instrument titles and the respective groups of respondents. Specifically, “Non-IV-D/CPS” is now “Income withholding order/notice (Courts, private attorneys, custodial parties or their representatives)”; “Employers” is now “Income withholding orders/termination of employment/income status (Employers and other income withholders)”; and, “e-IWO” is now “Electronic income withholding orders/termination of employment/income status (Employers and other income withholders)”. Programming by child support agencies for changes to the e-IWO record layout was also added.

Adjustments were made to the respondent burden hour from the previous approval request to reflect the increase in respondents using the IWO form and an increase in the number of responses sent by respondents. Additionally, there is an increased number of respondents now using e-IWO since the previous approval request. Currently used by 51 states and territories and 1,376 employers and income withholders comprising over 12,427 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

⁹ Total burden cost is rounded up

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.

Changes made to the IWO form and instructions include the following:

- Add an optional field for the employee/obligor’s date of birth
- Clarify that a One-Time Order/Notice for Lump Sum Payment is sent after notification of an upcoming lump sum payment by an employer or other source
- Reword the Consumer Credit Protection Act limit to clarify that one specific percentage must be entered by the sender in the correct data field
- Rewrite text regarding tribal withholding limits and add links to addresses and contacts for tribes
- Change FIPS Code to Locator Code
- Add a link to the OCSE Child Support Portal allowing employer reporting and contact updates
- Add emphasis to fields that are optional and not required
- Add statement on encryption requirements
- Other minor text changes

OCSE also synchronized the e-IWO record layout and the IWO form to ensure both formats contain the same data fields that are required and optional, where applicable.

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. Exception 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.