

	<b>INDIANA DEPARTMENT OF CHILD SERVICES TITLE IV-D POLICY MANUAL</b>	
	<b>Chapter 14: Payment Processing</b>	<b>Effective Date: 08/19/2024</b>
	<b>Section 3: Distribution and Disbursement of Support Payments Collected</b>	<b>Version: 2 Revision Date: 08/14/2024</b>

**BACKGROUND**

After a payment is posted to a child support case in the statewide child support system, the payment is distributed to the appropriate subaccounts within the case. The order of distribution among the subaccounts is based on the distribution rules found in federal law and explained in detail below. After the payment is distributed to the appropriate subaccounts, the funds are disbursed to the appropriate recipient via direct deposit, debit card, or paper check.

**POLICY**

The Child Support Bureau (CSB) follows the federal rules explained in the Procedure section.

The disbursement of any payment of child support is required to be made to either:

1. The resident parent, legal guardian, or caretaker relative having custody of or responsibility for the child or children;
2. A conservator representing the custodial parent and the child or children directly with a legal and fiduciary duty; or
3. An alternate caretaker designated in a record by the custodial parent.<sup>1</sup>

**REFERENCES**

- [IC 31-25-4-17](#): Support related duties of bureau
- [CSB-AT-141](#): Court Order Extensions Distribution and Payoff
- [42 U.S.C. § 657](#): Distribution of collected support
- [42 U.S.C. § 664](#): Collection of past-due support from Federal tax refund
- [45 C.F.R. § 302.38](#): Payments to the family
- [45 C.F.R. § 302.51](#): Distribution of support collections
- [45 C.F.R. § 302.52](#): Distribution of support collected in Title IV-E foster care maintenance cases
- [45 C.F.R. § 302.54](#): Notice of collection of assigned support
- [45 C.F.R. § 303.72](#): Requests for collection of past due support by Federal tax refund offset
- [45 C.F.R. § 303.100](#): Procedures for income withholding

**PROCEDURE**

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<sup>1</sup> 45 C.F.R. § 302.38

1. Distribution of Support Payments Collected on Never Temporary Assistance for Needy Families (TANF) Cases

The statewide child support enforcement system forwards all current child support payments and any arrears owed directly to the custodial party (CP).<sup>2</sup>

2. Distribution of Support Payments Collected for TANF Recipients

The statewide child support system forwards to CSB (payee account 40) all current child support and arrearage payments applied to the State's assigned arrearages on active TANF cases.<sup>3</sup>

TANF recipients may receive payment out of the child support collected on their behalf in the form of an excess disbursement (EXDB) payment. A recipient receives an EXDB payment when the CSB collects child support paid for a month that is greater than the TANF grant for that month and reimbursement for past TANF assistance paid to the obligee has been paid in full.<sup>4</sup>

All child support monies paid on behalf of a particular obligee to CSB (payee account 40) from active TANF cases or arrears owed to the State are applied to any remaining unreimbursed past public assistance (UPPA).<sup>5</sup>

CSB sends a monthly notice of child support collections to former and active TANF recipients when any money is retained by the State on their child support case(s) in that month.<sup>6</sup> This notice lists the amount of child support collected for the month from the obligor on each case and the actual case distribution of the money.<sup>7</sup> The notice is only generated when the obligee has a valid mailing address on the statewide child support system and child support has been collected and retained by the State during that month.<sup>8</sup>

3. Distribution of Support Payments Collected on Former TANF Assistance Cases

The statewide child support enforcement system forwards current support payments and any arrears owed to the obligee.<sup>9</sup> If there is money owed to the State, it will not be forwarded to CSB (payee account 40) until current support and arrears owed to the obligee have been paid in full.<sup>10</sup> Exception: The CSB will apply federal tax refund offset money to State arrears before distributing money to obligee arrears.<sup>11</sup>

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<sup>2</sup> IC 31-25-4-17(d); CSB-AT-141; 42 U.S.C. § 657(a)(4)

<sup>3</sup> IC 31-25-4-17(e); 42 U.S.C. § 657(a)(1)

<sup>4</sup> IC 31-25-4-17(e); 42 U.S.C. § 657(a)(1)(C); 42 U.S.C. § 657(a)(3)

<sup>5</sup> IC 31-25-4-17(e); 42 U.S.C. § 657(a)(1)

<sup>6</sup> 45 C.F.R. § 302.54(a)(1)

<sup>7</sup> 45 C.F.R. § 302.54(a)(2)

<sup>8</sup> 45 C.F.R. § 302.54(a)(1)

<sup>9</sup> IC 31-25-4-17(b); 42 U.S.C. § 657(a)(2)

<sup>10</sup> IC 31-25-4-17(b); 42 U.S.C. § 657(a)(2); 42 U.S.C. § 664(a)(2); 45 C.F.R. § 303.72(h)(1)

<sup>11</sup> IC 31-25-4-17(c); 42 U.S.C. § 664(a)(2); 45 C.F.R. § 303.72(h)(1)

CSB sends a monthly notice of child support collections to former and active TANF recipients when any money is retained by the State on their child support case(s) in that month.<sup>12</sup> This notice lists the amount of child support collected for the month from the obligor on each case and the actual case distribution of the money.<sup>13</sup> The notice is only generated when the obligee has a valid mailing address on the statewide child support system and child support has been collected and retained by the State during that month.<sup>14</sup>

#### 4. Distribution of Support Payments Collected on a Current Title IV-E Case

The statewide child support system forwards current support payments and any arrears owed to the Department of Child Services (DCS), Indiana's IV-E agency.<sup>15</sup> DCS then distributes the funds in accordance with its distribution schedule detailed in Chapter 5: Department of Child Services (DCS) Child Welfare Child Support Cases, Section 5: Distribution of Child Support Collections.

#### 5. Distribution of Support Payments Collected on Former Title IV-E Cases

The statewide child support system forwards any arrears owed to the Department of Child Services (DCS), Indiana's IV-E agency.<sup>16</sup> DCS then distributes the funds in accordance with its distribution schedule detailed in Chapter 5: Department of Child Services (DCS) Child Welfare Child Support Cases, Section 5: Distribution of Child Support Collections.

#### 6. Undistributed Child Support Payments

Due to various reasons (no current mail address, payment entered but no current child support order, no existing subaccount balance, etc.), child support payments may be undistributed. Having undistributed funds on either the case or participant level is money that is not helping kids. Further, federal law requires the Title IV-D program return funds to the obligor that have been improperly withheld.<sup>17</sup> However, CSB may allocate certain undistributed funds as outlined below:

- a. Undistributed funds that may be allocated to other Title IV-D cases of the obligor, following normal distribution rules, including prioritizing current support:
  - i. Income Withholding Payments (Including Lump Sum);<sup>18</sup>
  - ii. Lottery/Casino/Sports Wagering Offsets,<sup>19</sup> and
  - iii. State Tax Refund Offsets.<sup>20</sup>

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<sup>12</sup> 45 C.F.R. § 302.54(a)(1)

<sup>13</sup> 45 C.F.R. § 302.54(a)(2)

<sup>14</sup> 45 C.F.R. § 302.54(a)(1)

<sup>15</sup> 42 U.S.C. § 657(e); 45 C.F.R. § 302.52(b)

<sup>16</sup> 42 U.S.C. § 657(e); 45 C.F.R. § 302.52(b)

<sup>17</sup> 45 C.F.R. § 303.100(a)(8)

<sup>18</sup> 45 C.F.R. § 303.100(a)(5)

<sup>19</sup> IC 4-30-11-11; IC 4-35-2-3.5; IC 4-33-2-5.8

<sup>20</sup> IC 6-8.1-9.5

- b. Federal tax refund offset funds may be allocated to the arrears on other Title IV-D cases of the obligor if the other cases were Title IV-D cases at the time the pre-offset notice was issued.<sup>21</sup>
- c. Voluntary payment funds will only be allocated to other Title IV-D cases of the obligor at the request of the Title IV-D Prosecutor's Office. Prior to requesting that CSB allocate voluntary payment funds to another case of the obligor, the Title IV-D Prosecutor's Office shall obtain the consent of the obligor or obtain a court order to move the funds. The office shall make a note in the statewide child support system concerning the outcome of obtaining such consent or court order.<sup>22</sup>

The Title IV-D Prosecutor's Office may only presume the consent of the obligor if the obligor fails to respond to a letter issued by the office after a reasonable timeframe outlined in the letter. The obligor's failure to respond includes when the letter is returned by the postal service as undeliverable.

- d. If CSB is aware that an obligor has filed for bankruptcy, undistributed funds will only be allocated to other Title IV-D cases of the obligor at the request of the Title IV-D Prosecutor's Office. The Title IV-D Prosecutor's Office is strongly encouraged to carefully review such requests to ensure any allocation of funds does not conflict with the obligor's bankruptcy proceeding.
- e. Other State (OS) payments will not be allocated to any other case absent a payment processing error that requires a correction.

To lower any undistributed amounts, the Title IV-D Prosecutor's Office and Clerk of Court may check the daily report for payments posted at the county or assign staff to work the State posted undistributed reports located in Data Warehouse or sent by CSB's Undistributed Collections Unit (UDC).

## FORMS AND TOOLS

N/A

## FREQUENTLY ASKED QUESTIONS

1. Q. Are the arrears owed to the obligee paid before the arrears owed to the State?
  - A. Arrears owed to the obligee will be paid before the arrears owed to the State unless the case is a current TANF case or the collection is through a federal tax refund offset. All federal tax refund offset collections must be paid towards the State's arrearages first.
2. Q. Can an obligee receive TANF assistance and still receive a payment?

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<sup>21</sup> 45 C.F.R. § 303.72(h)(6)

<sup>22</sup> 45 C.F.R. § 303.2(c)

- A. Yes. If child support payments received in a one (1) month period are sufficient to satisfy the current support obligation and any arrears owed to the State, the remainder of the payments will be distributed to the obligee if there are any arrears due to the obligee on the case.
- 3. Q. If the obligor has multiple cases, how are the payments allocated among the cases upon receipt?
  - A. If the received payment is based on an enforcement action that requires allocation among obligor's multiple cases, and the payment amount is not sufficient to pay the full ordered amount for current support and arrears on each eligible Title IV-D case, the payment will be prorated among all of obligor's eligible Title IV-D cases. If the payment type is one that allocates based on case and not on obligor, then the full payment will be applied to that case.

#### **RELATED INFORMATION**

- 1. Chapter 4: Temporary Assistance for Needy Families (TANF) Cases
- 2. Chapter 5: Department of Child Services (DCS) Child Welfare Child Support Cases
- 3. Chapter 17: Case Closure
- 4. The chart displayed below provides an overview of how the State distributes and disburses child support collections based on case type and type of payment.

Type of Case	Type of Payment	Distribution Order	Disbursement
Never TANF <sup>23</sup>	Non-federal tax refund offset	1. Current Support, then 2. Obligee Arrears	To the obligee
	Federal tax refund offset	1. Obligee Arrears	To the obligee
Current TANF <sup>24</sup>	Non-federal tax refund offset	1. Current Support, then 2. Pre-Assistance Arrears, then 3. Permanently Assigned Arrears, then	To State and federal government
		4. Obligee Arrears	To the obligee
	Federal tax refund offset	1. Pre-Assistance Arrears, then 2. Permanently Assigned Arrears, then	To State and federal government
		3. Obligee Arrears	To the obligee
Former TANF <sup>25</sup>	Non-federal tax refund offset	1. Current Support, then 2. Obligee Arrears, then 3. Pre-Assistance Arrears, then	To the obligee
		4. Permanently Assigned Arrears	To State and federal government
	Federal tax refund offset	1. Pre-Assistance Arrears, then 2. Permanently Assigned Arrears, then	To State and federal government
		3. Obligee Arrears	To the Obligee
Current IV-E Foster Care <sup>26</sup>	Non-federal tax refund offset	1. Current Support up to amount of the monthly foster care maintenance payment, then	To State and federal government
		2. Excess up to the amount of past foster care maintenance paid to be used to serve the best interests of the child, then	To State government
		3. Balance to DCS to be retained for past foster care maintenance payments	To State government
	Federal tax refund offset	1. Arrears up to the amount of past foster care maintenance paid, then	To State and federal government
		2. Balance to DCS to be used to serve the best interests of the child	To State government

<sup>23</sup> IC 31-25-4-17(d); 42 U.S.C. § 657(a)(4); 42 U.S.C. § 664(a)(2)

<sup>24</sup> IC 31-25-4-17(e); 42 U.S.C. § 657(a)(1); 42 U.S.C. § 664(a)(2); 45 C.F.R. § 303.72(h)(1)

<sup>25</sup> IC 31-25-4-17(b); 42 U.S.C. § 657(a)(2); 42 U.S.C. § 664(a)(2); 45 C.F.R. § 302.51(a)(1); 45 C.F.R. § 303.72(h)(1)

<sup>26</sup> 42 U.S.C. § 657(e); 45 C.F.R. § 302.52(b)

Type of Case	Type of Payment	Distribution Order	Disbursement
Former IV-E Foster Care <sup>27</sup>	Non-federal tax refund offset and federal tax refund offset	1. Arrears up to the amount of past foster care maintenance paid, then	To State and federal government
		2. Balance to DCS to be used to serve the best interests of the child	To State government

#### REVISION HISTORY

Version	Date	Description of Revision
Version 1	06/19/2019	Final approved version
Version 1.1	10/18/2021	Updated for consistent formatting and language
Version 2	08/14/2024	Added the allocation of undistributed child support payments to other eligible IV-D cases by CSB staff

<sup>27</sup> 42 U.S.C. § 657(e); 45 C.F.R. § 302.52(b)