

## **Information Alert - Effective June 1, 2012 all Income Withholding Orders requiring an employer to withhold payments, including those issued by court and private attorneys, must direct payments to the State Disbursement Unit**

### **What is an IWO?**

Commonly known as an income withholding order, the Income Withholding for Support (IWO) is the Office of Management and Budget-approved standard form that must be used by all entities to direct employers to withhold income for child support payments.

### **What is the SDU?**

The State Disbursement Unit (SDU) is a centralized collection and disbursement unit for child support payments from employers, income withholders, and others. An SDU is responsible for:

- Receiving and distributing all payments
- Accurately identifying payments
- Promptly disbursing payments to custodial parents
- Furnishing payment records to any parent or to the court

### **Why were standard forms and payment directions developed?**

Under provisions of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, Congress required the use of a standard withholding process to increase child support collections for all families, promote self-sufficiency for low-income families, and reduce the burden on employers. States were also required to establish and maintain SDUs to receive child support payments from employers and other sources for all IV-D cases and for all non-IV-D cases with support orders initially issued on or after January 1, 1994 payable through income withholding.

### **Are there exceptions to income withholding?**

Yes, § 466(a)(8)(B)(i) of the Social Security Act allows two exceptions as stated below:

“The income of a noncustodial parent shall be subject to withholding, regardless of whether support payments by such parent are in arrears, on the effective date of the order; except that such income shall not be subject to withholding under this clause in any case where (I) one of the parties demonstrates, and the court (or administrative process) finds, that there is good cause not to require immediate income withholding, or (II) a written agreement is reached between both parties which provides for an alternative arrangement.”

### **How is income withholding ordered?**

When entering a child support order, judicial and administrative officials must enter an IWO. Some states use the following language in the child support order: “reference is hereby made to a separate income withholding order, the entry of which is required of this (Court) (Agency) by law and specifically incorporated herein as part of this (Court’s) (Agency’s) order in this case.”

### **Is use of the OMB-approved IWO Required?**

The IWO form has been required since August 22, 1996 for orders issued or modified on or after January 1, 1994. **After May 31, 2012, IWOs not on the OMB-approved form will be returned to the sender by employers.**

**All IWOs that order an employer to withhold payments, including those issued by court and private attorneys, must direct payments to the SDU.** Effective June 1, 2012, employers/income withholders will return the IWO to the sender if payment is not directed to the SDU.

All entities or individuals authorized under state law to issue income withholding orders to employers must use the OMB-approved IWO form and direct payments to the SDU.

The revised IWO form with accompanying instructions and a revised process flow was published on May 16, 2011. (See Action Transmittal 11-05.) A fillable version of the form is available at <http://www.acf.hhs.gov/programs/cse/forms/OMB-0970-0154.pdf>.

### **National Center for State Courts (NCSC)**

The NCSC has recognized the issue and considers it to be a high priority. It is proactively communicating with chief justices, court administrators, and other leadership it serves to bring focus to the issue and to the actions that need to be taken to prevent problems that may occur after May 31, 2012.

For more information, contact Kay Farley at [kfarley@ncsc.dni.us](mailto:kfarley@ncsc.dni.us).

### **Additional resources**

[Section 466 of the Social Security Act](#)

[Action Transmittal 11-05 \(AT-11-05\)](#)

[45 CFR 303.100 - Procedures for income withholding](#)

[Intergovernmental Referral Guide \(IRG\) - State’s IWO procedures](#)

[State Contact and Program Information](#) - State-specific information and contacts for questions

[Employer Services](#) - Private sector and federal agency employer processes for the IWO notice, withholding calculations and examples