Amend the CARES Act So More Parents Receive Stimulus Checks

April 15, 2020

The recently developed federal stimulus package known as the CARES Act put in place an unprecedented amount of financial support for many workers who filed taxes in the United States. One component of the benefit is a $1,200 payment that goes to many adult federal tax filers. However, some groups have been excluded from this stimulus effort and others will have to jump through extra hoops to receive their benefit. For example, lawmakers completely excluded immigrant workers without Social Security numbers -- and their families -- from receiving the benefit, and they also put administrative hurdles in the way of those who did not file taxes in recent years. Another group of people that will be denied full stimulus payments are parents, specifically parents who owe the government for child support.

The CARES Act prevents the reduction of tax refunds for people with nearly all kinds of debt to the government, like those who have delinquent taxes, or who are behind on other payments to federal or state governments, including student loan payments. Amidst all these exceptions, lawmakers singled out one group so that their governmental debt will continue to be withdrawn, resulting in a partial check or even no check at all. These individuals are parents who owe money to the government for child support. Consequently, people who have other types of debt with federal or state agencies are still eligible to receive the full $1,200, but parents who are behind on child support payments to the government are not.

Why would someone owe child support to the government and not to the other parent?

When custodial parents struggle to provide for themselves and their families, they can apply for Temporary Assistance for Needy Families (TANF) (Wisconsin’s version is called Wisconsin Works or W-2) to get some needed financial assistance. Federal law requires that a custodial parent who seeks support through TANF also sign her/his rights to any child support that is collected over to the state. This is often referred to as “the assignment.” Without assigning those rights to the state, the custodial parent cannot receive the support needed to provide for her/himself and the kids. In these cases, the federal government considers its collection of child support as reimbursement for the TANF program. Once the custodial parent is enrolled in TANF/W-2, then child support is owed to the state and not the custodial parent.

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Why would lawmakers restrict these parents from receiving full recovery checks?

In addition to "the assignment" described above, there are other policy structures in place that encourage lawmakers to deny stimulus money to these parents. State child support agencies operate in an incentive funding structure which rewards: paternity establishment, establishment of child support orders, collection on current child support due, collection on past due child support, and cost effectiveness. Applying that to the stimulus checks means that when a deduction for child support owed to the state is taken out of the parent's check, not only does the state keep that money, but the state's child support agency can count it in the incentive structure as collection on past due child support. Lawmakers are making decisions within systems that encourage limiting these parents' abilities to experience economic security and to participate in economic recovery efforts.

Which families are impacted by this exclusion from the CARES recovery checks?

Little disaggregated data is available about the parents who are court-ordered to pay child support who also have family members connected to TANF and other safety net programs. A landmark study does offer some insights about the individual circumstances of parents with child support debt (arrears) and the policy conditions that exacerbate their debt. This study explains that in the nine states studied, 65% of child support obligors had annual incomes below $20,000. Similar to the custodial parents applying for TANF, these noncustodial parents also struggle to get by. In all likelihood, these are parents to many of the same children as TANF/W-2 recipients.

That study also explains why the lowest income parents carry the biggest debt. In the 1980s and 90s, the federal government made numerous policy changes that empowered states to charge interest on child support arrears and helped ensure that only child support obligors with financial means would be able to reduce their child support obligations, when unemployed, hospitalized or incarcerated. Consequently, as arrearages continue to accrue, the lowest income parents carry the biggest debt, much of which is interest.

Because of TANF eligibility and reporting requirements, more is known about the custodial parent portion of these families. TANF eligibility also requires that the household meet both income and asset tests and because the program is administered through a block grant, the requirements vary by state. In Wisconsin, as of February 2020, the monthly income for a household of 3 cannot exceed $2,082 per month and the household assets cannot be more than $2500. These are families that do not have assets to rely on during hard times and were likely living paycheck to paycheck even before the coronavirus pandemic.

Nationwide, the largest percentage of mothers receiving TANF identify as white women. At the same time, Black, Latina and Native American women are disproportionately represented in this group. In all likelihood, this means that the fathers of their children are also disproportionately men of color.
Many factors can hinder the timely and full payment of child support. While some of those factors are specific to individuals, for parents with little money, many of these factors are a result of societal conditions (i.e., hiring discrimination against Black Americans persists over decades) and child support related policies and practices themselves. Here are two examples related to child support. First, there is a justice gap between people with low-incomes and people with high incomes in the United States. Parents with very low incomes typically navigate the process of establishing or modifying child support orders without legal representation and many are Black fathers. Yet, the state’s interests are represented in the courtroom through a child support attorney. Legal representation for each parent would help ensure that child support orders are based on a noncustodial parent’s actual income and ability to pay, and consequently remove a structural barrier to full and timely child support payments. Secondly, when federal law requires parents applying for TANF to assign their rights to child support over to the state, that creates a disincentive for parents to pay child support. Many of these parents would rather give money directly to the other parent, or use it to buy diapers or clothing or school supplies. These are a few examples of how existing policies and practices increase the likelihood that low-income parents who are court-ordered to pay child support will have debt to the state.

Act now in support of children and families

Many policies and practices are in place which ensure that very low-income families who are disproportionately families of color will continue to struggle financially. A few are discussed above. While those federal and state policies need to be critically examined with a commitment to not perpetuating generational poverty and to dismantling the structures that ensure racial-wealth disparities, lawmakers can take action today to ensure that the CARES Act does not become part of the problem. Lawmakers should amend the CARES Act to stop punishing parents with child support debt and allow them to receive full federal stimulus checks.

Susan Stanton