



Institute for
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UNIVERSITY OF WISCONSIN-MADISON

Alternative Approaches to Income Imputation in Setting Child Support Orders

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Research | Training | Policy | Practice

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The findings and conclusions in this presentation are those of the author(s) and should not be construed to represent those of the sponsoring institutions or of any official USDA or U.S. Government determination or policy.

Background (1)

- Noncustodial parent income is needed to determine the financial contribution to the child
- Income is typically imputed
 - When the courts do not have sufficient information about NCP income
 - When income is believed to be less than the parent's earnings capacity
 - At full-time (35 to 40 hours/week) at the federal minimum wage (\$7.25 per hour)= ~\$1,110 per month

Background (2)

- Imputing income facilitates the process of setting an order
- BUT imputed income might not reflect actual income, which could lead to
 - Higher order burdens
 - Lower payments and compliance
 - Higher debt
- New federal regulations (December 2016) require that if a state's guidelines allow for income imputation, the order must take into consideration factors related to the noncustodial parent's ability to pay

Background (3)

- Objectives:
 - Increase the variation in imputed income amounts
 - Impute income at levels lower than the current standard (in some cases)
- Goals:
 - Increase consistency of child support payment
 - Reduce levels of child support debt
 - Reduce enforcement costs

Current Study

Considers **alternative approaches** to imputing income that could be considered consistent with the 2016 rule.

Approach #1: Hours Worked

- Hourly wage = federal minimum wage (\$7.25)
- Hours worked = Survey estimates of usual hours worked per week and usual weeks worked per year for workers in Wisconsin
- Hours worked per week varies across labor markets and across occupations and industrial sectors.

Approach #2: Annual Earnings

- Survey estimates of annual earnings for workers in Wisconsin
- Median annual earnings for workers in Wisconsin = \$31,566 (in 2019 dollars)
- Could result in imputing incomes well above the thresholds for a low-income adjustment in Wisconsin

Approach #3: Earnings of NCPs with imputed-income orders

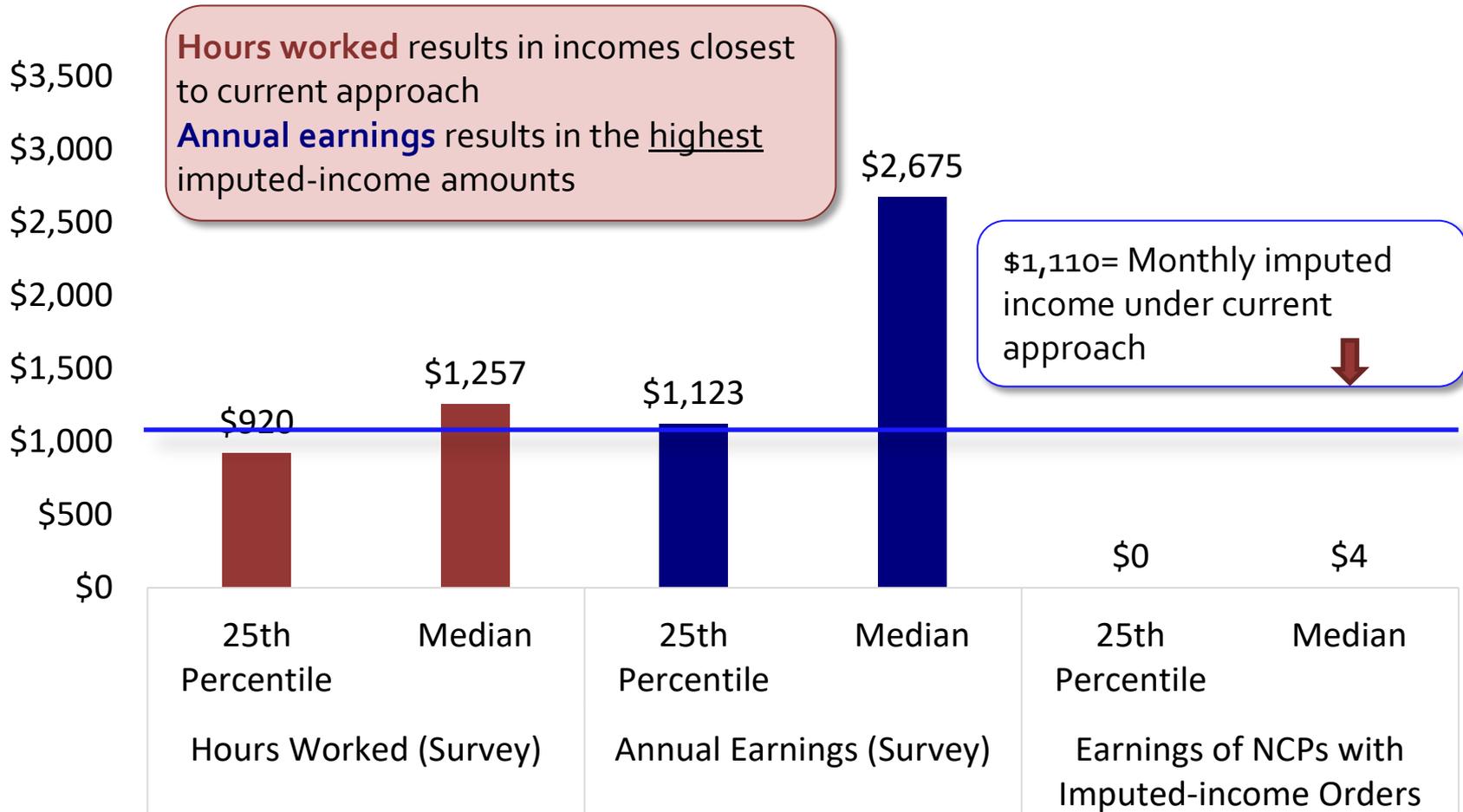
- Wisconsin Court Record Data (CRD) matched to Unemployment Insurance (UI) wage records
- Earnings of noncustodial parents on prior cases with imputed-income orders in Wisconsin in the year after the order was established
- In the year after their order was established
 - Half of noncustodial parents with imputed income orders earned \$50 or less
 - 90% earned \$17,301 or less

Methods

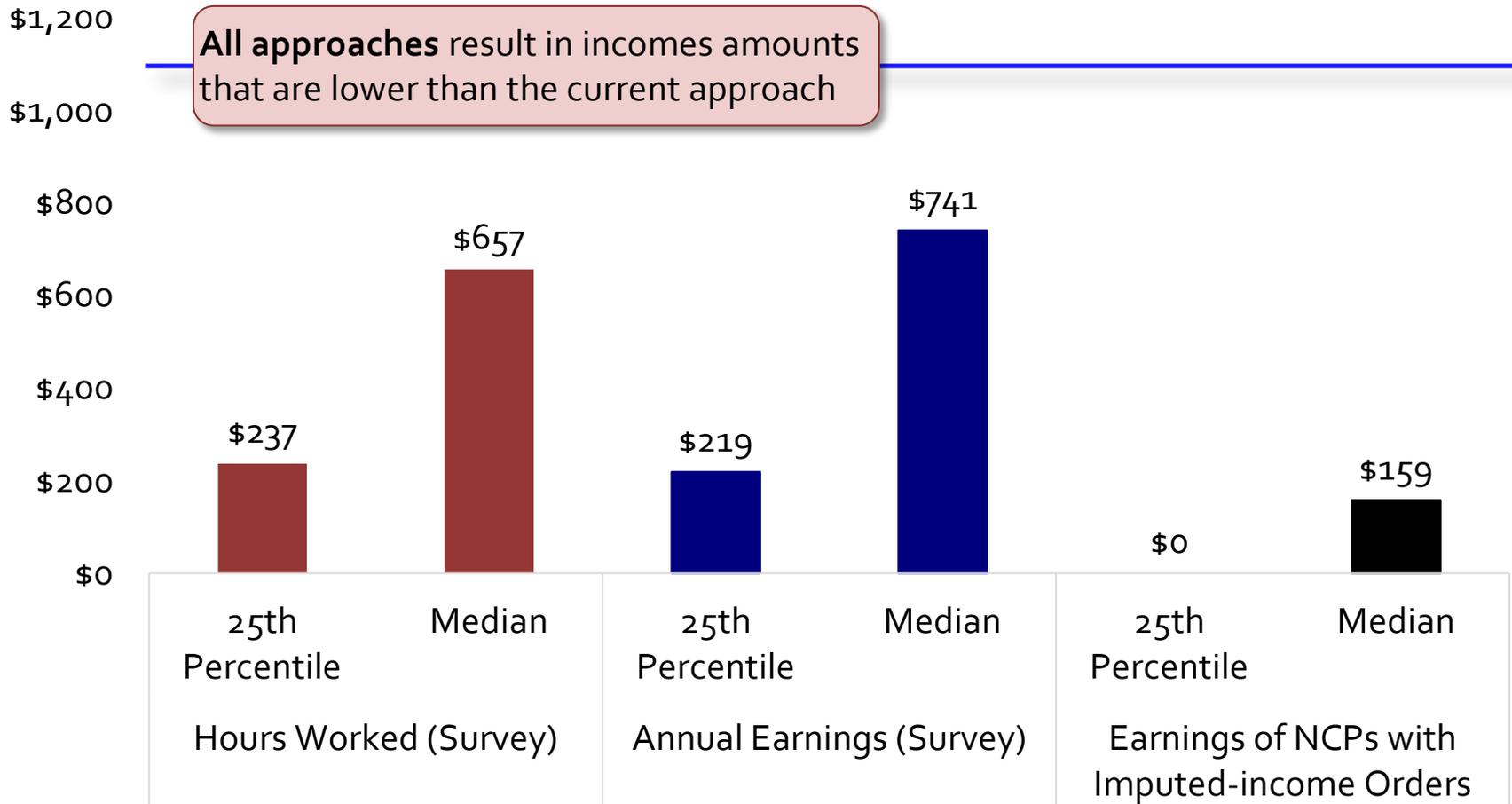
- Examine monthly imputed-income amounts for each approach at the:
 - 25th percentile (lower end of the distributions)
 - Median (50th percentile)
 - Mean
- Report results by occupation, level of education, and locality; select results by sex and race
- Calculate percentage of monthly income due and monthly order amount based on current Wisconsin child support guidelines

Results

Income Amounts by Approach - Overall

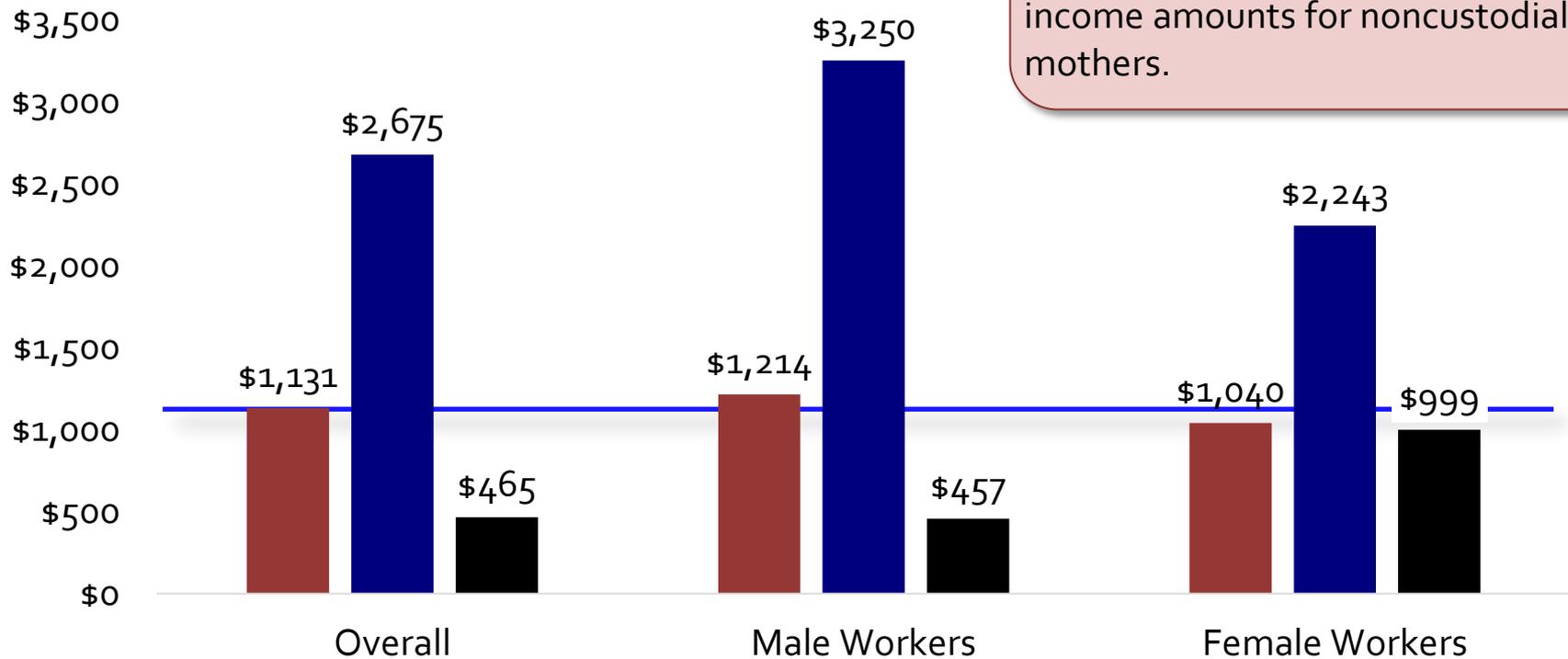


Income Amounts by Approach – Food Service Workers with Less than H.S. Diploma



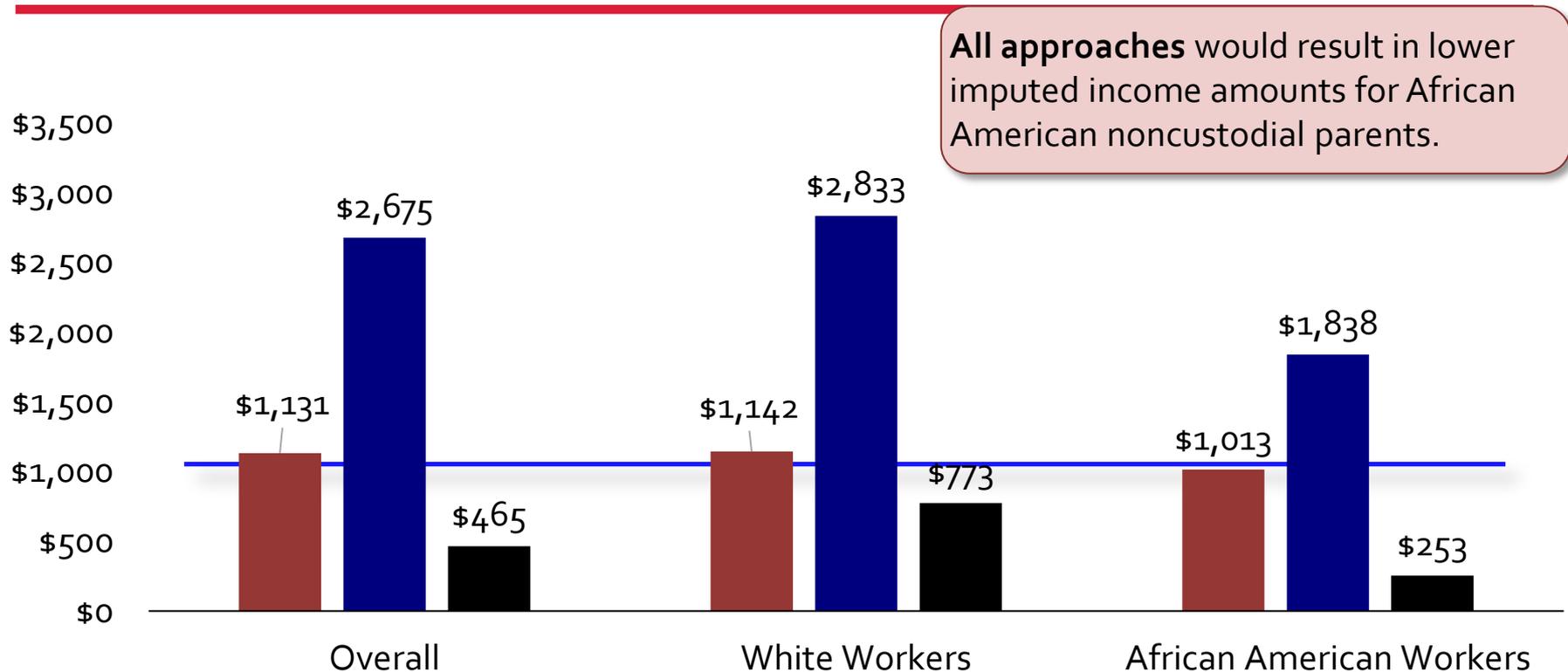
Income Amounts by Approach – by Sex

Using variation in **hours worked per week** and **annual earnings** would result in lower imputed income amounts for noncustodial mothers.



- Mean Hours Worked (Survey)
- Median Annual Earnings (Survey)
- Mean Earnings of NCPs with Imputed-income Orders

Income Amounts by Approach – by Race



- Mean Hours Worked (Survey)
- Median Annual Earnings (Survey)
- Mean Earnings of NCPs with Imputed-income Orders

Summary

Objective: Variation in imputed incomes

- **Hours worked** and **annual earnings**
 - Account for multiple factors
 - Can result in incomes above or below the current approach
- **Earnings of noncustodial parents on prior cases with imputed-income orders**
 - Cannot account for as many factors
 - Court Records Data less current than survey data
 - No earnings records for NCPs who worked outside of Wisconsin or who were self-employed

Summary

Objective: Imputed incomes that are lower than the current standard

- Hours worked (approach 1) and annual earnings (approach 2) can result in incomes well above the “actual” earnings of noncustodial parents on prior cases with imputed-income orders.
- **Earnings of noncustodial parents on prior cases with imputed-income orders** suggest setting very low/no orders
 - Could increase the number of \$0 orders
 - Less potential for any formal child support contribution if the order is \$0

Thank You!

Questions?

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