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MEMORANDUM

TO: Interested People
FROM: Paula Roberts
DATE: March 26, 2004
RE: SSI and Child Support

A recent policy brief from the Social Security Administration (SSA) contains some interesting data about children who receive both Supplemental Security Income (SSI) and child support. *Child Support Payments and the SSI Program*, Policy Brief No. 2004-02 (February 2004) is available at www.socialsecurity.gov/policy, but I've summarized its points below.

In brief, about 63 percent of children who receive SSI live with only one parent, usually their mother. These children are not required to assign their support rights to the state or use the state's child support enforcement program to pursue their support rights. If support is paid, the custodial parent reports this as income to the SSA and the SSI benefit is adjusted accordingly.

In contrast to the Temporary Assistance for Needy Families (TANF) program, the SSI program contains a mandatory child support disregard: one-third of child support payments received in a month are excluded from countable income in determining the SSI payment. In addition, there is a \$20 general income disregard which can also be taken into account. Thus, if a child has no income except \$300 per month in child support, his or her SSI benefit and total income would be calculated as follows:

Standard SSI benefit in 2004 dollars	\$564
Child Support Payment	\$ 300
Minus the 1/3 disregard	-\$100
Minus the \$20 income exclusion	-\$ 20
Total countable income	\$180
SSI Benefit (\$564 - \$180)	\$384
Total Available Income (300 + 384)	\$684

At present, only 25 percent of those SSI children living with just one parent actually receive child support. Thus, a substantial number of SSI children might benefit from more aggressive pursuit of support on their behalf. Even a small award would benefit the child. For example, a \$100 per month payment would increase the funds available to meet the child's needs by \$53 each month. If the child obtained the average child support payment now available to SSI children (\$199 per month), there would be almost \$90 in additional monthly income.

Moreover, the average child support payment for this population of children is on the rise. In June of 1996, it was \$156 per month; by June of 2003, it was \$199 per month.

Thus, it is worth educating clients whose children receive SSI of the potential benefits of pursuing child support. They may not be aware of the SSI child support disregard and how the payment

can help them increase the resources available to their children. They may also be unaware that child support services are available to them from the local child support agency at little or no cost. Particularly if the non-custodial parent is a wage earner, and thus subject to automatic income withholding, this may be an attractive idea. Income withholding can provide child support payments in a steady, stable stream in many cases.

Interestingly, the policy brief suggests that the federal government consider enacting an even more generous disregard in the future. Based on recent research, the brief argues that a more generous disregard would encourage more custodial parents to seek formal child support and would motivate more non-custodial parents to pay support since the money would benefit their children.¹ The Brief posits four options and estimates the cost of each.

- Option 1. Exclude all child support from countable income. This would increase program costs for current SSI child beneficiaries receiving support by about \$136 million a year. One virtue of this approach is that it would simplify administration since the child support income would not have to be reported. This would also cut down on SSI overpayments, which are a recurring problem for cases with sporadic payment history. However, it does present some equity concerns. Children who receive no child support would be considerably worse off economically than those who receive such support. Moreover, disregarding income supplied by a non-custodial parent and fully counting income available through the custodial parent raises concerns.
- Option 2. Exclude a larger percentage than under current law. If one-half of child support income were counted, the cost would be \$38 million a year. If two-thirds were disregarded, the annual cost would be \$76 million. In either case, the income would have to be reported, so it does not simplify administration. However, either approach lessens the equity concerns described above.
- Option 3. Exclude a flat amount of up to \$300 per month. At current support payment levels, about 85 percent of children with reported support payments would have their support totally excluded from income. The annual cost of this approach would be \$117 million.
- Option 4. Exclude a flat amount of up to \$200 or \$100 per month. Excluding \$200 would benefit 99 percent of current SSI children. It would adversely affect about 1 percent, i.e., those who receive more than \$600 per month in support. Children receiving more than \$783 per month would no longer be SSI eligible. (This group comprises 0.2 percent of current recipients.) The cost would be \$89 million per year. The \$100 option would either benefit or not hurt 85 percent of current SSI children. Children who receive more than \$300 per month in support would be disadvantaged. The estimated annual cost is about \$28 million.

Whether the current law remains in effect or one of the proposed options is considered, the one caveat is that if the non-custodial parent is able to pay a significant amount of child support, the child may become ineligible for SSI. This in turn may affect Medicaid eligibility. If neither the custodial nor the non-custodial parent has access to health care coverage that is comparable to Medicaid, the child may be better off forgoing the child support income and maintaining Medicaid coverage.

¹ The report cites Elaine Sorensen and Ariel Halpern, *Child Support Enforcement: How Well Is It Doing?*, *Discussion Papers: Assessing the New Federalism*, No. 99-11, The Urban Institute (1999) and Daniel Meyer and Maria Cancian, *W-2 Child Support Demonstration and Evaluation Report on Non-Experimental Analysis*, Institute for Research on Poverty (2002), available at www.ssc.wisc.edu/irp/csde/nonexptl-tocs.htm.

Unless the SSI children living in single parent families who do not currently receive child support are significantly different from the children who do, this is not likely to be a widespread concern. For example, less than 3 percent of current SSI children receive between \$501 and \$600 a month in support and less than 1 percent receive more than \$600 a month. Nonetheless, it is important to be aware of the potential Medicaid ramifications of support payments. In some cases it might be possible to argue for an award of less than the guideline amount that will benefit the child but will maintain his/her Medicaid coverage. Remember that guidelines are rebuttable, and a decision maker can vary from them to achieve a just and equitable result so long as the reasons are stated on the record. 42 USC §667(b).