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# Understanding Child Support Payment Distribution

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PSA 30 (06/03)  
This publication is produced with IV-D funds.

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The federal government has rules that states must follow when sending out child support. These rules may effect how you receive support.

## Definitions

In this brochure:

- *Arrears* is support that was due and has not been paid.
- *Payee* is a person who receives child support.
- *Payer* is a person who pays child support.
- *Current support* is money a court orders one person pay another person to help pay the living expenses of a spouse or a child. Current support is a monthly charge of child support that must be paid before the last day of the month. These expenses can include the payment of health insurance premiums, medical expenses, child care expenses, and educational expenses.
- *Public assistance* means benefits received under the programs called Temporary Assistance for Needy Families (TANF) or Family Independence Program (FIP), formerly AFDC.

## Distribution Rules

Effective December 1, 2002, child support orders must provide for child support in monthly amounts. Any court order entered before December 1, 2002 was converted to a monthly amount by the friend of the court. Child support orders that provide for monthly charges do not change how child support is collected or distributed.

Income withholdings will not change. Support will be deducted when the payer is paid. The amount deducted is forwarded to the Michigan State Disbursement Unit (MISDU). Within two business days the MISDU will send a support check.

*Current support must be paid first.* A full month of current support must be paid before arrears or fees are paid. A payee's check may be different each time support is paid and some checks may be in odd amounts. A payee may not receive a check even though a payment was sent in. There may be weeks when no check is sent, even though a payment was made. If \$50 is charged the first day of the month and the payer sends \$16 per week, it will be sent to pay current child support. Even if the income withholding provides that the payer pays \$10 for current support, \$5 for arrears, and \$1 for fees, and sends \$16 to the MISDU each week. The same will occur for the second payment and third payment (this is because  $\$16 + \$16 + \$16 = \$48$ ). Of the fourth payment, \$2 will go to current support ( $\$48 + \$2 = \$50$ ). The remaining \$14 will be applied to arrears owed to the payee. If no arrears are owed to the payee, the payment will be applied to arrears owed to the state, if any.

**Only** when all current support and arrears are paid will any amount be sent to pay fees or other amounts due.

*Families must be paid first.* Federal rules require that the first money received must go to pay support owed to payees. This means that when a payee stops receiving public assistance, that person receives current support and also any arrears owed to the parent before any arrears owed to the state are paid.

There is one major exception to this rule – money collected by a federal tax offset must pay all state arrears before any money is used to pay other support arrears.

When a payee has never received public assistance, or when no support remains assigned to the state, the distribution rules have little impact on that person. If there are arrears, the full amount of the check goes to that person until the arrears are eliminated. Once the arrears are eliminated, fees and other amounts due are paid from the last check each month.

*Payers with more than one case.* When a payer has more than one case, all monies received will be sent to the payees for current child support. If not enough money is received to pay current child support, then monies deducted from the payer's income for arrears or fees on one case must be applied to other cases to pay current support. This will continue until current child support is paid for the entire month on all cases. For example, the MISDU receives two payments for two cases for child support from one payer. On one case, all the current child support has been paid for the month. However, on the other case, current child support is still owing. Before monies are applied to arrears or fees on the case where all current support has been paid, monies sent for arrears and fees on both cases will be applied to the case where current child support is still owing.

The distribution rules differently impact persons who receive public assistance benefits. An explanation follows.

#### Assignment Rules

Before October 1, 1998, payees applying for public assistance permanently assigned the right to all support due before or during the time they were receiving public assistance. For example, if a payee was receiving \$40 per week, and there was an arrearage of \$500 owed to that payee, together the \$40 per week and the \$500 would belong to the state.

After October 1, 1998, the payee assigns current support for the period public assistance is received, and only temporarily assigns support which was due before the time that payee applied for assistance. Because the assignment is temporary, any amounts paid for arrears are paid to the state only while that payee remains on assistance. After a payee no longer receives public assistance, the remaining amount of arrears becomes money owed to that person, with one exception.

That exception is when the support payment is collected by attaching a payer's federal tax refund (commonly called a tax offset). Any money collected by a federal tax offset is first paid to reimburse the state for public assistance benefits paid, and reduces the amount of temporarily assigned arrears which are owed to the child support payee.

An example may make this easier to understand. If \$300 of arrears is owed before a payee applies for public assistance, that payee must temporarily assign that amount to the state when applying for assistance. Assume the payee received public assistance for only one month. The payer was to pay \$40.00 of child support for that month. However, the payer paid \$240 during that month. The child support payee received \$400 of public assistance. In this situation, the state receives the \$240 (this is the amount paid by the child support payer sent into the state). The amount paid, \$240.00 is less than the amount of current support and arrears assigned (\$300 + \$40), and less than the grant- \$400.00. It is also less than the amount of public assistance benefits received. If after one month the payee stops receiving public assistance, the remaining \$100 of arrears temporarily assigned would again be owed to that person, with one special condition, the arrears owed to the payee will be \$100.00. This is true because: \$300 was originally owed, \$40 was due for current monthly child support, and \$240 was paid ( $\$340 - \$240 = \$100$ ). There is one exception: If \$100 is collected by a federal tax offset the money would be paid to the state and the money owed to the payee would be eliminated.