



ACTUAL EARNINGS AND PAYMENT OUTCOMES AMONG OBLIGORS WITH IMPUTED INCOME

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The public child support system is one of the largest federal programs serving families in the U.S. Although it is not means-tested, it assists a large number of low-income custodial parents and their children. Not only does the program serve a much larger percentage of families living in poverty than the total population, but half of all poor children also benefit from it (Grall, 2016; Edin, 2018; Morales, 2017). It is one of the federal government's most effective programs for providing financial stability for poor single-parent families in particular, as full child support payments accounted for over two thirds of average annual income for custodians living below the 2013 federal poverty level (Grall, 2016).

A key premise of the child support program is that children should be financially supported by both of their parents, even if they do not reside with both parents. To secure child support payments for families, a support order must be established for the obligor, or the noncustodial parent. In Maryland, order amounts are based on combined parental income. As a result, the courts must determine each parent's income during the establishment process and document that information on a child support worksheet, which is used to calculate an obligation. According to Maryland case law, when obligors have no income to pay support, they still have a legal duty to support their children (Middleton v. Middleton, 1993; Goldberger v. Goldberger, 1993). At the same time,

obligors with little or no income have a limited ability to pay support while maintaining self-sufficiency. One example of this struggle to balance the family's financial needs with the capacity of the obligor to provide support is the imputation of income, a practice in which the court assigns a different, usually higher, income than an obligor is actually earning.

BRIEF HIGHLIGHTS

Half of obligors with imputed incomes were employed. Of those employed, two thirds (66%) earned \$7,540 or less before establishment, and over half (54%) earned that amount after establishment.

Imputed obligors' actual earnings were 72% less than the incomes listed on their worksheets, while non-imputed obligors' actual and worksheet earnings were roughly the same.

Most obligors made a payment in the year after establishment, but non-imputed obligors paid higher percentages of support (66% vs. 43%) for more of the months it was due (74% vs. 51%).

Although most obligors had arrears balances, imputed obligors owed over \$400 more than non-imputed obligors (\$1,928 vs. \$1,490).

Imputed obligors had lower payment compliance and higher arrears debts than obligors with worksheet incomes below the full-time minimum wage rate.

Imputation is intended to address instances in which parents are voluntarily impoverished, or intentionally earning a lower amount than their potential income (Md. Family Law Code §12-204(b)). In practice, low-income individuals often experience income imputation during the order establishment process because those who are unemployed or have limited work history are routinely found to be voluntarily impoverished (Fleming, 2017; Roberts, 2001). Although courts may impute income to any amount deemed to be an individual's potential income if employed at full capacity, many consider the standard to be the full-time minimum wage rate for individuals who are unemployed or underemployed.

Income imputation results in a financial support order, which is necessary to ensure that children receive support from both parents. But what are the payment outcomes in these situations? This brief uses the sample of orders from Maryland's 2011 to 2014 case-level guidelines review to assess outcomes of imputation on payment compliance. It compares obligors who had their incomes imputed at the full-time minimum wage rate to those who did not. We answer the following research questions:

1. Did obligors' incomes listed on child support guidelines worksheets correspond to their actual earnings, and did accuracy differ by imputation status?
2. What were the payment compliance outcomes of obligors, and did they differ by imputation status?

Additionally, the case characteristics, actual earnings, and payment compliance outcomes of obligors whose incomes were imputed to full-time minimum wage are compared with obligors whose worksheet

incomes were below the full-time minimum wage rate. This was done to explore if refraining from full-time income imputation was associated with better payment compliance outcomes among obligors with low earnings.

The child support program thrives when it balances the needs of both parents while serving, most importantly, the best interest of the child. With controversial strategies such as income imputation, policymakers need evidence in order to choose policies that best meet the needs of children in the short term and the long term. Although imputation at the full-time minimum wage rate results in support order establishment, it may come at the cost of long-term financial stability for both obligors and the families they support.

Data & Sample

This brief utilizes a stratified, random sample of 5,283 orders for current child support from Maryland's 2011 to 2014 child support guidelines review. We excluded 267 orders because the support order amounts (SOA) listed on the order did not match what was charged to the obligor during the following year. The final sample is 5,017 orders. Weights were used to account for under- and over-sampling to obtain a stratified, random sample for each of Maryland's 24 jurisdictions.

Information on parental incomes and SOAs was extracted from court order documents sampled from jurisdictions. Information on this process can be reviewed in the methods section of the 2011 to 2014 guidelines report (Hall, Passarella, & Demyan, 2016). Data on obligor characteristics and payments were extracted from the Child Support

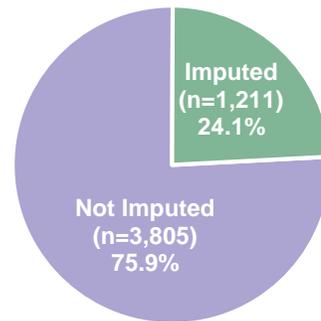
Enforcement System (CSES). Employment data were taken from the Maryland Automated Benefits System (MABS), which includes data from all employers covered by the state’s Unemployment Insurance (UI) law and the Unemployment Compensation for Federal Employees (UCFE) program.

MABS data has a variety of limitations. MABS does not contain data on informal employment, and it has no information on employment outside Maryland. Because out-of-state employment is common in Maryland,¹ we are likely understating employment and may be missing some earnings.

Findings

The use of income imputation is not unique to Maryland, as income is imputed for unemployed parents or for parents with little work experience or education throughout the U.S. (Bogges, 2017; Fleming, 2017; Legler, 2003; Roberts, 2001). In Maryland, a notable percentage of obligors had their incomes imputed to full-time minimum wage for purposes of establishing or modifying a support order amount. As Figure 1 shows, the majority (75.9%) of obligors did not have income imputed in the determination of child support. However, the practice was used to determine obligor income for one quarter (24.1%) of cases. Throughout this report, comparisons are made between these two groups of obligors in order to evaluate payment outcomes by whether obligors had their incomes imputed to full-time minimum wage or not.

Figure 1. Imputed Income among Obligor



Although Maryland Family Law outlines instances in which income imputation is appropriate—when the obligor is determined to be voluntarily impoverished (Md. Family Law Code §12- 204(b))—the reality is that the practice varied widely across the state. Figure 2 displays the percentage of obligors in each of Maryland’s jurisdictions who had income imputed at the full-time minimum wage rate. Those with the three highest imputation rates—Somerset County (61.4%), Caroline County (53.4%), and Baltimore City (49.4%)—imputed income for roughly half or more obligors. On the other hand, Talbot (8.9%), Howard (7.4%), and Washington (5.2%) counties had imputation rates of less than one in 10. However, there was some consistency regarding where imputation of income was the most common, as eight of the nine jurisdictions with rates higher than the statewide average are located in Southern Maryland or the Eastern Shore.

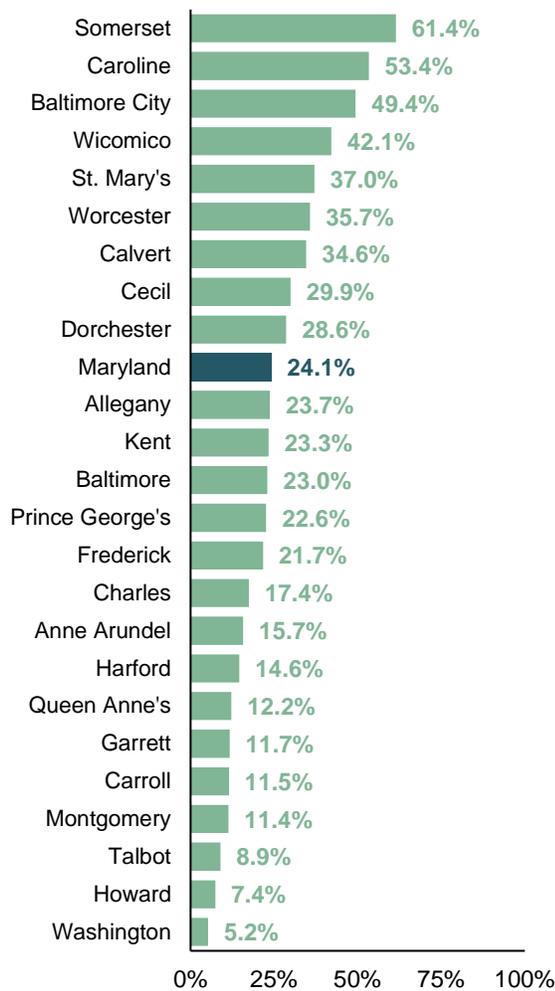
One cause of high rates of income imputation could have been high levels of unemployment. Examining unemployment by jurisdiction from 2011 to 2014 reveals

¹ More than one in six (16.9%) Maryland residents works out of state, which is over four times greater

than the national average (3.7%) (U.S. Census Bureau, 2018).

that seven out of the nine² jurisdictions with higher imputation rates than the statewide average also had unemployment rates higher than the statewide average in all four years. It can be inferred that areas with higher unemployment were more likely to see obligors who were unemployed or lacked a recent work history during the establishment process. Consequently, these areas may have been more likely to impute income to the full-time minimum wage rate.

Figure 2. Imputed Income by Jurisdiction***



Note: *p<.05, **p<.01, ***p<.001

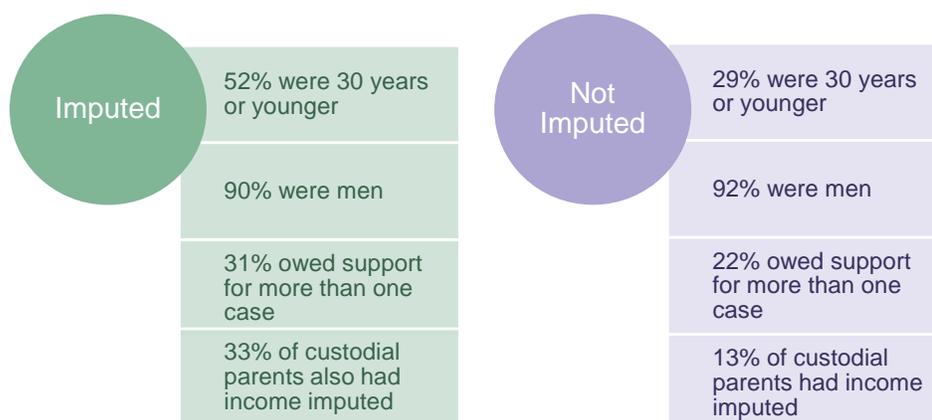
² St. Mary's County and Calvert County had lower unemployment rates than the statewide average from 2011 to 2014.

Obligor & Case Characteristics

Comparing the characteristics of obligors whose incomes were imputed with those of obligors whose incomes were not imputed reveals some key differences between these groups. For instance, Figure 3 shows that over half (52%) of obligors with imputed income were 30 years old or younger, but only three in 10 (29%) obligors without imputed income were that young, indicating that age played an important role in having income imputed. In terms of payment compliance, research shows that young obligor age negatively influences consistent child support payments (Eldred & Takayesu, 2013), so imputation of these young parents' incomes might have reduced the potential for payment even further.

With respect to case characteristics, obligors with imputed income experienced more complex circumstances than obligors without imputed income. Figure 3 demonstrates that obligors with imputed income (31%) were more likely to owe support for more than one child support case than those without imputed income (22%). Additionally, cases in which the custodial parent had imputed income occurred more often among obligors with imputed income (33%) than they did among obligors without imputed income (13%). Complicated case characteristics such as multiple cases and imputation of custodians' incomes could, in combination with the imputation of obligors' incomes, inhibit obligors' ability to pay and diminish self-sufficiency among families.

Figure 3. Characteristics of Obligor by Income Imputation Status



Note: All characteristics are statistically significant at the .001 level except for the percentage who are men, which is statistically significant at the .05 level.

Employment & Earnings

Imputation of income has commonly been used in instances when an obligor was unemployed, working part-time, or did not provide any work history when the support order was established (Huang, Mincy, & Garfinkel, 2005; Boggess, 2017; Roberts, 2001; Legler, 2003). However, almost all (95.6%) obligors with orders established between 2011 and 2014 had some history of employment in Maryland, so it is helpful to determine what, if any, actual earnings obligors had around the time of order establishment. To that end, Figure 4 displays the percentage of obligors who were employed in the year before and the year after the support order’s establishment, along with the median earnings among those who were employed.

Research suggests that obligors with imputed income are less likely to be employed than those without imputed income, and this is reflected in the difference in employment participation shown in Figure 4. In the year before establishment, half (51.8%) of obligors with income imputed to the full-time minimum

wage rate were employed. On the other hand, more than two in three (67.7%) obligors without imputed income were employed in the year before establishment. Employment remained stable over time, as 51% of obligors with imputed income and 68% of obligors without imputed income were employed at some point in the year after establishment.

Not only were obligors with imputed income less likely to be employed, but those who were employed had substantially lower earnings than those without imputed income. Of obligors with imputed income who were employed at some point in the year before establishment, their median annual earnings were just \$4,249. Median earnings among obligors without imputed income who were employed in the year before establishment were considerably higher, at \$24,737.

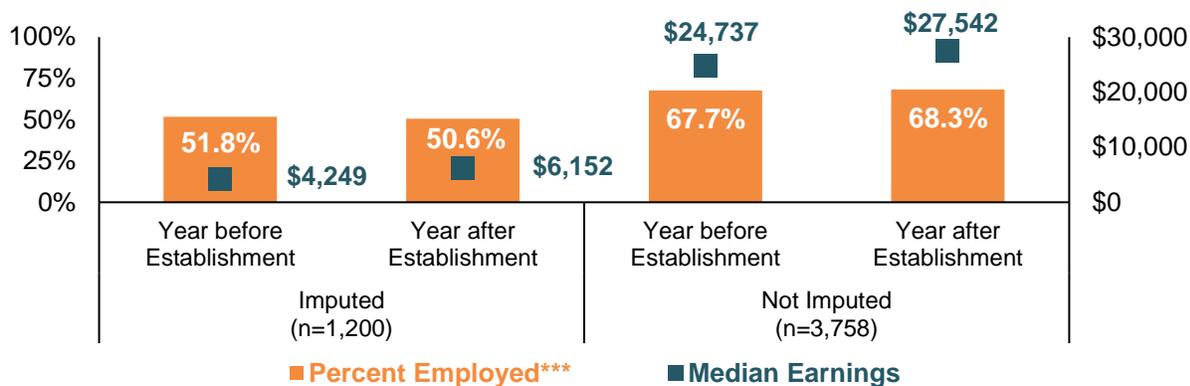
Both groups of obligors experienced increases in annual earnings in the subsequent year, but the earnings of obligors with imputed income remained very low. Earnings rose by almost \$3,000 among obligors without imputed income and rose

by almost \$2,000 among those with imputed income. For obligors with imputed income, these higher earnings represent a 45% increase. Still, these earnings were far below the federal poverty level for an individual at any point between 2011 and 2014, which ranged from \$10,890 to \$11,670 (U.S. Department of Health & Human Services, 2016).

Despite these differences in employment and earnings, half of imputed obligors did have records of earnings in the year before establishment that could have been used to calculate a support amount. However, Maryland courts may impute a parent's *potential* income, or what a parent could earn if employed at his or her full capacity. To determine potential income, courts may examine factors and characteristics such as

the parent's recent work history and occupational qualifications, along with prevailing job opportunities and earnings levels in the community (Md. Family Law Code §12-204(m)). Courts may have believed such low earnings among obligors with imputed income were not consistent with these parents' earning capacity or circumstances, while the full-time minimum wage rate was more applicable. Additionally, both obligors with and without imputed income may have had earnings that were not captured by administrative data. Nonetheless, we can only analyze actual earnings from Maryland jobs covered by Unemployment Insurance, since obligors' earning capacity and earnings from informal or out-of-state employment are beyond the scope of this investigation.

Figure 4. Employment & Earnings



Note: Obligor without a unique identifier are excluded from this analysis (n=59). Median earnings only include obligors who were employed. *p<.05, **p<.01, ***p<.001

Examining the median earnings among employed obligors reveals stark differences between those with and without imputed income, but the differences are magnified when distinguishing obligors by categories of earnings. To determine the highest

category of earnings, we used a living wage calculator³ that found Maryland's annual living wage to be \$27,120 in 2016 (Glasmeier, 2016). For the lowest category of earnings, we used the minimum wage rate from 2011 to 2014 for an individual

³ A living wage calculator utilizes local markets and expenditure data to construct a measure of basic needs.

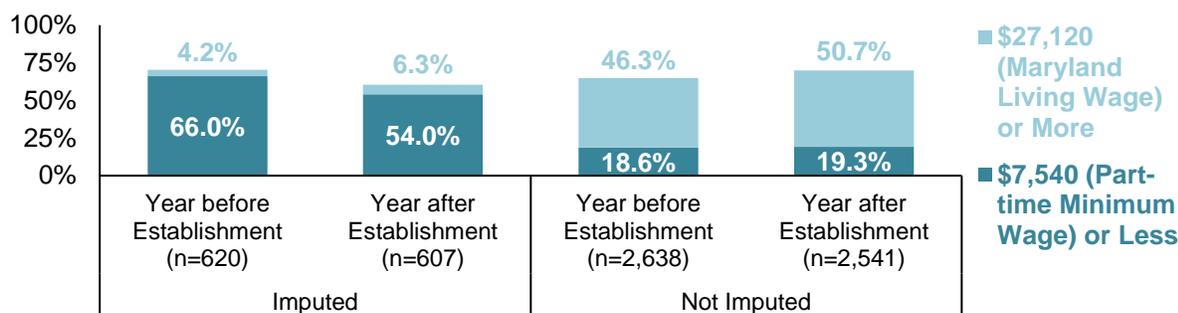
working 20 hours per week (\$7,540). This reflects the reality that involuntary part-time work due to the economy was high from 2011 to 2014 (Canon, Kudlyak, & Reed, 2014).

Figure 5 displays the percentage of employed obligors who had the highest earnings and those who had the lowest earnings in the year before and the year after establishment. It is not surprising that there was a disparity in earnings between obligors with and without income imputed. However, the large percentage of obligors with imputed income who earned the part-time minimum wage rate or less, along with the large percentage of obligors without imputed income who earned Maryland's living wage or more, is notable. Two thirds (66.0%) of employed obligors with imputed income earned the part-time minimum wage rate or less in the year before order establishment. In the subsequent year, a smaller percentage (54.0%) of employed obligors with imputed income had these low earnings, but those obligors still comprised

more than half of the group. There were obligors with imputed income who earned the Maryland living wage in the year before and after establishment, but they accounted for no more than one in 15 such obligors (4.2% and 6.3%, respectively).

Alternately, far more employed obligors without imputed income earned wages in the higher category. Nearly half (46.3%) of these obligors earned the Maryland living wage or more in the year before establishment; half (50.7%) earned that wage or more in the year after establishment. However, nearly one in five obligors without imputed income earned the part-time minimum wage rate or less in the year before establishment (18.6%) and the year after establishment (19.3%). This shows that income imputation, at least at the full-time minimum wage rate, was not used for all low-income obligors, but it is not clear what differentiated obligors with low earnings who had their incomes imputed to full-time minimum wage from other low-earning obligors who did not.

Figure 5. Earnings in the Year before and after Establishment
Among employed obligors ***



Note: Figure 5 does not display percentages of obligors with earnings between the part-time minimum wage rate and the Maryland Living Wage. *p<.05, **p<.01, ***p<.001.

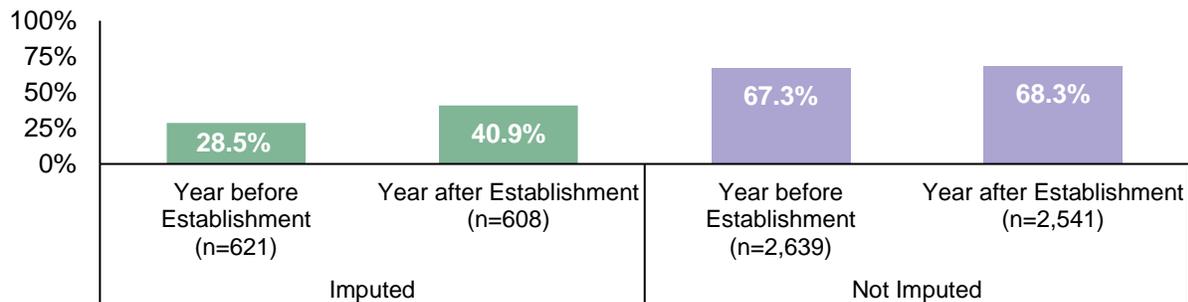
One explanation for the difference in earnings among obligors with and without imputed income may be their employment stability. Figure 6 describes the percentage

of employed obligors who worked during all four quarters of the year before and after establishment.

Low earnings among obligors with imputed income may have been related to inconsistent work. Just over one quarter (28.5%) of employed obligors with imputed income worked in all four quarters in the year prior to order establishment. However, this increased to two in five (40.9%) employed obligors in the year after establishment, demonstrating the ability of some obligors to successfully maintain employment. On the other hand, obligors without imputed income had much higher rates of full-year employment. In both the year before (67.3%) and the year after (68.3%) establishment, two in three employed obligors worked in all four quarters. Their earnings reflect this consistency in employment.

Working less than four quarters in a year has a number of negative effects that can diminish financial stability as well as payment compliance. Not only does inconsistent work among low-wage workers drive earnings down and reduce the likelihood of career advancement (Smith & Halpin, n.d.), it may also increase the probability of an obligor's income being imputed to the full-time minimum wage rate (Legler, 2003). This could be because inconsistent work reduces the ability of obligors to provide documentation of earnings and increases the difficulty of determining a regular income from which the court may derive a support order amount.

Figure 6. Percent with Full-year Employment***
Employed obligors working 4 quarters during the year



Note: *p<.05, **p<.01, ***p<.001.

Actual Income vs. Worksheet Income

The Flexibility, Efficiency, and Modernization in Child Support Enforcement Programs Final Rule added factors such as age, educational attainment, and incarceration history for courts to consider when determining income in cases when a parent's earnings information is limited or unavailable (Guidelines for Setting Child Support Orders, 2016). Despite such efforts by the federal Office of Child Support Enforcement to clarify how income should

be used to establish support orders, courts may still struggle to accurately assess parental income. This could be due to earnings not captured by administrative data or the complexity of each obligor's individual circumstances. Nevertheless, imputing income as closely as possible to actual earnings helps ensure obligors receive *right-sized* support orders they will be able to pay. Accordingly, Table 1 compares the median actual earnings of employed obligors in the year before and the year after establishment (as seen in

Figure 4) to the median earnings recorded by courts on the child support worksheet. We compare both years of actual earnings to the amount listed on the worksheet because the prior year represents the amount that could have been used for order establishment, and the subsequent year examines whether obligors earned what was listed on the worksheet in order to comply with their support order obligations.

For obligors with imputed income, their actual earnings were far less than what was recorded on the worksheet. Since these obligors' incomes were imputed to full-time minimum wage, the amount listed on their worksheets was \$1,257,⁴ resulting in an annual amount of about \$15,000. In the year before establishment, obligors who were employed earned 72% less than that amount. Employed obligors' earnings increased by about \$2,000 in the year after establishment, so the difference declined to 59%, but this is still a substantial gap between actual earnings and worksheet income for obligors with imputed income. For obligors without imputed income, worksheet income was far more accurate. In fact, their actual earnings in the year before establishment (3.8% less than worksheet income) and the year after establishment (1.6% less than worksheet income) were nearly identical to the incomes listed on their worksheets.

Because of previous discussions of low earnings among obligors with imputed income, the large discrepancy between their earnings and the full-time minimum wage rate could have been predicted. However, given what we know about obligors with imputed income in the year before

establishment—that half were unemployed, that over half of those who were employed earned the equivalent of part-time minimum wage or less, and that only two in five worked in all four quarters—it is doubtful that imputing income led to support orders that were *right-sized* to obligors' circumstances and capacity to pay.

A recent analysis of income imputation in Washington State presented similar findings. Researchers found that the imputation of obligors' incomes at the full-time minimum wage rate resulted in many inaccurate income calculations, along with orders that were not consistent with obligors' actual earnings (Plotnick & Kennedy, 2018). However, with recommendations from the Final Rule to impute income based on obligors' actual earnings and circumstances (Guidelines for Setting Child Support Orders, 2016), the frequency of imputation to the full-time minimum wage rate may decline.

Table 1. Actual and Worksheet Incomes
Among employed obligors

	Imputed	Not Imputed
Year before Establishment	(n=620)	(n=2,638)
Actual Earnings	\$4,249	\$24,737
Worksheet Income	\$15,084	\$27,852
Percent Difference	-71.8%	-3.8%
Year after Establishment	(n=607)	(n=2,541)
Actual Earnings	\$6,152	\$27,542
Worksheet Income	\$15,084	\$27,996
Percent Difference	-59.2%	-1.6%

⁴ A range between \$1,255 and \$1,257 was identified as imputed income based on the different

methodologies courts use to calculate monthly earnings.

Support Order Obligations

The child support guidelines determine orders based on combined parental income. If the income recorded on the worksheet is not accurate, an SOA could either be too high for an obligor to pay or so low that the child is not receiving the full amount of support the obligor could provide. To examine the relationship between earnings and support order amounts, Table 2 provides obligors' median monthly SOA as well as their median annual obligation. Then we examine annual obligations as a percentage of obligors' incomes from two sources: (1) income listed on worksheets and (2) actual earnings from Maryland employment.

Because child support amounts are based on incomes listed on worksheets, it is expected that obligors with imputed income would have lower monthly SOAs than those without imputed income (\$238 vs. \$433). The median amount obligors were expected to pay during the year after order establishment follows a similar pattern (\$2,588 vs. \$4,800). These obligations, though, represented very different percentages of income depending on the source: incomes listed on worksheets and actual earnings from employment. The median monthly SOA as a percentage of worksheet income shows that order amounts comprised roughly the same percentage regardless of imputation status—19% for obligors with imputed income and 17% for obligors without imputed income. Previous research suggests that payment compliance is highest when an obligation comprises no more than 25% of an obligor's income (Eldred & Takayesu, 2011; Federal Register, 2016), and the child support guidelines accordingly calculated amounts

that comprised about 20% of obligors' worksheet incomes.

Therefore, if obligors' worksheet incomes accurately reflected their actual earnings, it is likely that child support would have been set at reasonable amounts. This was the case for obligors without imputed income, whose annual support obligation comprised 18% of their actual earnings in the year after establishment. However, obligors with imputed income owed 38% of their actual earnings in child support, because for many of them, their worksheet incomes grossly overestimated their earnings. As Saunders, Passarella, & Born (2014) illustrate, collection rates decline when support orders comprise more than 30% of obligors' incomes. To add, Eldred & Takayesu (2011) show that as obligors' *order to wage* ratios increase, compliance decreases. Hence, imputing incomes on worksheets to amounts that do not resemble actual earnings could result in unreasonable SOAs and may reduce compliance.

Table 2. Current Support & Earnings in the Year after Establishment

	Imputed	Not Imputed
Median Support Order among all obligors	(n=1,211)	(n=3,805)
Monthly SOA	\$238	\$433
Annual Support Due	\$2,588	\$4,800
Order as a Median Percentage of Income among employed obligors	(n=607)	(n=2,541)
Monthly SOA to Worksheet Income	18.8%	17.2%
Annual Support Due to Actual Earnings	38.4%	17.9%

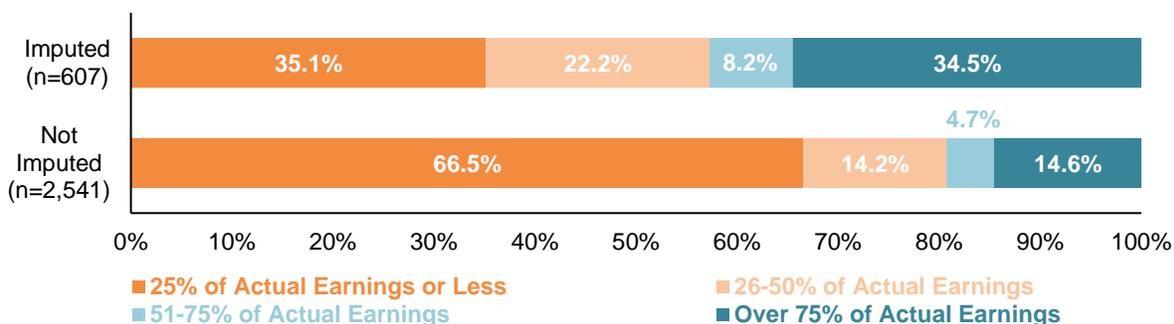
Note: *Annual support due* represents the amount that the SOA listed on the order was charged during the first year after establishment; that is, the SOA could have been charged for less than one year.

Although Table 2 shows the overall disparity imputation creates between both groups' support obligations in relation to earnings, it is important to examine the percentage of obligors who had unreasonable obligations relative to their earnings. Therefore, Figure 7 provides four categories of annual support as a percentage of earnings, ranging from annual support that is 25% or less of an obligor's actual earnings to support that makes up 75% or more of earnings.

The percentage that annual support amounts comprised of actual earnings in the year after order establishment differed significantly between obligors with and without their incomes imputed. Two in three obligors with imputed income owed support that comprised more than 25% of their earnings, including about one third (34.5%)

who owed over 75% of their earnings to current support. On the other hand, two thirds (66.5%) of obligors without imputed income owed 25% or less of their earnings in current support. A much larger percentage of obligors without imputed income received right-sized support orders relative to their earnings. Nevertheless, it is still disconcerting that one in three of these obligors owed more than 25% of their earnings, which is larger than the percentage research suggests is most effective at promoting payment compliance. This indicates that either many obligors without imputed income were given support orders at very high amounts relative to their earnings, or obligors had additional earnings not captured by employment in Maryland.

Figure 7. Annual Support as a Percent of Actual Earnings***
In the year after order establishment



Note: *Over 75% of actual earnings* includes obligors who owed more than 100% of their actual earnings from employment in jobs covered by Unemployment Insurance in Maryland. *p<.05, **p<.01, ***p<.001.

Payment Compliance

This brief has delineated how the use of imputed income can create obligations that appear unreasonable relative to an obligor's income. Now we examine whether obligors were able to comply with these obligations. Table 3 reports five measures of payment compliance in the year after establishment: (1) the collection rate, which is the total amount of support paid as a percentage of

the total amount of support due among all obligors, and (2) the percent of obligors who made at least one payment. The remaining three measures only include obligors who made a payment: (3) the median amount paid, (4) the median percentage paid, and (5) the percentage of months that a support payment was made.

These measures of payment compliance illustrate that obligors whose incomes were

imputed had lower compliance than those whose incomes were not imputed. Regarding the collection rate, only 31% of all support owed by obligors with imputed income was paid, compared to 67% paid among obligors without imputed income. The percentage of obligors who made any payment in the year after establishment was similarly striking. While the majority of obligors in both groups made a payment, over two thirds (68.5%) of obligors with imputed income did so compared to just over nine in 10 (91.1%) obligors without imputed income.

As expected, obligors with imputed income paid a lower amount than those without imputed income (\$975 vs. \$3,239), as their worksheet incomes and support obligations were both much lower than those of obligors without imputed income. Examining the percentage of support that was paid among those with a payment is thus a more accurate basis for comparison. By this measure, obligors with imputed income paid two fifths (43.3%) of their obligations. Obligor without imputed income, on the other hand, paid two thirds (66.3%) of support due.

The percentage of months support was paid indicates economic stability among obligors, and it demonstrates reliable support to custodians. There is, again, wide disparity between obligors with and without imputed income. Of those who made a payment, obligors with imputed income paid support for half (51.4%) of the months it was due, while those without imputed income paid support for nearly three quarters (73.6%) of the months it was due.

While payment compliance differed by income imputation status, the percentage of earnings both groups actually paid was

almost the same. This occurred despite the fact that obligors with imputed income were charged a much higher percentage of their earnings in support than obligors without imputed income. Obligor with imputed income paid just over one tenth (10.4%) of their earnings in support, while obligors without imputed income paid a slightly higher percentage of their earnings at 12%. These figures represent median amounts, suggesting that half of obligors paid this percentage or less and the other half paid this percentage or more. When examining the average percentage of earnings that were paid, both obligors with imputed income (18.1%) and obligors without imputed income (19.1%) paid a percentage more in line with the recommended amount from research—20% of income.

These analyses have examined compliance in the formal child support system, but it is important to remember that obligors could have been making additional contributions to their children outside of their support orders. Similar to how administrative data cannot detect informal or out-of-state employment and earnings among obligors, they are also unable to capture the amount or frequency obligors contribute in-kind, or informal, support. In-kind support consists of direct cash payments or items such as food or clothing, and could be especially sizeable for obligors with imputed income relative to their earnings. Indeed, research suggests that both low-income obligors and custodians prefer informal support arrangements to formal child support orders (Nepomnyaschy & Garfinkel, 2010), and qualitative analysis has shown that in-kind support could consist roughly one quarter of total support provided by low-income noncustodial fathers (Kane, Nelson, & Edin, 2015). With this in mind, it is possible that obligors with and without imputed income

who paid little or no formal child support actually demonstrated a higher level of payment compliance than what is presented in Table 3, albeit through informal means.

Table 3. Payment Compliance
In the year after order establishment

	Imputed (n=1,211)	Not Imputed (n=3,805)
Collection Rate <i>among all obligors</i>		
Percent Paid	30.8%	66.8%
Payments		
Percent with a Payment***	68.5%	91.1%
Median Amount Paid	\$975	\$3,239
Average Percent Paid***	43.3%	66.3%
Average Percent of Months Paid***	51.4%	73.6%
Payment as a Median Percentage of Income <i>among employed obligors</i>		
Annual Payment to Actual Earnings	10.4%	11.9%

Note: *p<.05, **p<.01, ***p<.001.

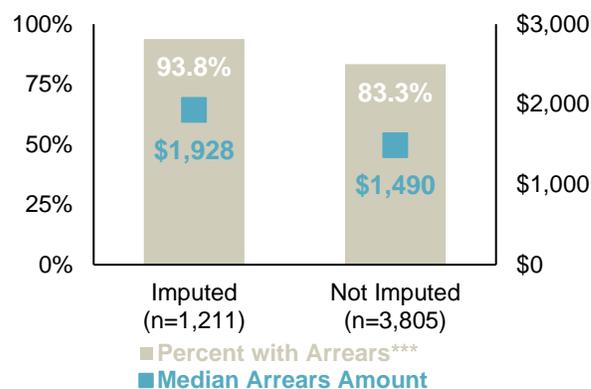
In addition to discussing the payments obligors made, it is necessary to also examine the debts obligors accumulated in the year after establishment. In child support, arrears refers to any support order amounts that are not paid by an obligor. Obligor who owe support may not pay the full amount of support they owe in a given month, or at all. Unpaid support can accumulate to substantial amounts over time, particularly in cases where an SOA overestimates an obligor's ability to pay, and can contribute to further financial instability for low-income obligors. Taking just the support due during the year after order establishment into account, Figure 9

displays the percentage of obligors who owed arrears at the end of that year. It also shows the median amount owed among those with arrears balances.

Arrears balances were common among obligors regardless of their imputation status. Since a large percentage of obligors with imputed income did not make any payments in the year after establishment, and those who did make a payment only paid about 40% of the amount due, it is not surprising that more than nine in 10 (93.8%) owed arrears. Even still, more than eight in 10 (83.3%) obligors without imputed income had arrears balances at the end of the first year after establishment.

Although most obligors had an arrears balance for support in the year after establishment, the difference in the amounts accrued by each group of obligors is telling. Obligor with imputed income owed a median of \$1,928 in arrears, which was over \$400 more than what obligors without imputed income owed (\$1,490). This occurred even though obligors with imputed income had support orders set at much lower amounts.

Figure 9. Arrears Accumulation
In the year after order establishment



Note: Arrears accrued prior to this order or for other cases are not taken into account. Median arrears amount only includes obligors with an arrears balance. *p<.05, **p<.01, ***p<.001.

Low-Income Obligor vs. Obligor with Imputed Income

Income is not always imputed to full-time minimum wage. Given higher rates of part-time work, especially after the Great Recession, some courts intentionally imputed income at part-time rates.⁵ Also, some courts may have used the actual earnings of obligors even if they were below full-time minimum wage. Examining payment compliance for these *low-income* obligors allows us to compare outcomes with those who did have income imputed to the full-time minimum wage rate.

In both the year before and after order establishment, employment rates were similar between low-income obligors (58.3% and 54.8%) and obligors with imputed income (51.8% and 50.6%). However, higher percentages of full-year employment (39.8% vs. 28.5%) in the prior year could have discouraged courts from imputing low-income obligors' incomes to full-time minimum wage. Most likely, regular employment led to low-income obligors' slightly higher median earnings (\$6,725 vs. \$4,249) in that year, as the earnings gap narrowed in the subsequent year along with the gap in full-year employment. Still, low-income obligors had a median SOA that was about one third smaller than that of imputed obligors (\$169 vs. \$244). Consequently, low-income obligors' collection rate (41.4%) and percent with a payment (81.7%) were both more than 10 percentage points higher than those of obligors with imputed income. Although low-income obligors who made a payment paid about \$225 less than obligors with imputed income in support, they paid a higher

percentage of their obligations (51.0% vs. 43.3%).

Most obligors had arrears balances at the end of the year after establishment, but the median amounts differed substantially. At \$1,000, low-income obligors owed half of what obligors with imputed income owed (\$1,928). While higher SOAs may have led to higher amounts paid among imputed obligors, they also led to lower compliance on all other measures and higher arrears debts that will be difficult to eliminate.

Figure 10. Comparison between Imputed Obligor and Low-Income Obligor

	Imputed (n=1,211)	Low-Income (n=524)
Employment & Earnings		
<i>Year before Establishment</i>		
Percent Employed*	51.8%	58.3%
Percent Working 4 Quarters***	28.5%	39.8%
Median Annual Earnings	\$4,249	\$6,725
Employment & Earnings		
<i>Year after Establishment</i>		
Percent Employed	50.6%	54.8%
Percent Working 4 Quarters	40.8%	40.1%
Median Annual Earnings	\$6,152	\$6,500
Support Order Amount		
Median SOA***	\$244	\$169
Median Annual Support***	\$2,689	\$1,896
Payment Compliance		
Collection Rate	30.8%	41.4%
Percent with a Payment***	68.5%	81.7%
Median Amount Paid	\$975	\$752
Average Percent Paid***	43.3%	51.0%
Average Percent of Months Paid***	51.4%	56.9%
Arrears		
Percent with Arrears***	93.8%	88.8%
Median Arrears Amount	\$1,928	\$1,000

*p<.05, **p<.01, ***p<.001.

⁵ 18% of low-income obligors may have had their incomes imputed to a part-time minimum wage rate between 20 and 35 hours per week.

Conclusion

Income imputation, the practice of assigning potential income to parents during the order establishment process, can have a profound effect on the amount of child support ordered, which impacts payment compliance and the arrears debt accrued by obligors. Most often, when a parent is unemployed or has no recent work history, income is imputed to full-time minimum wage. This practice is intended to ensure that both parents support their children.

Commonly, imputation exaggerates obligors' incomes. Most order amounts exceed 25% of their actual earnings, an approximate percentage recommended in research (Saunders et al., 2014; Eldred & Takayasu, 2011). As a result, every measure of payment compliance was lower for obligors with incomes imputed to the full-time minimum wage than for those without imputed income, even though more than two thirds of obligors in both groups made a payment. Collections were only 31% among those with imputed income, compared to 67% among obligors without imputed income. However, the extent to which obligors made in-kind contributions to custodial families is unknown, so obligors may have provided additional support outside of the formal child support program.

The discrepancy in compliance between these two groups is rooted in their ability to pay. Employment stability and earnings were lower among obligors with imputed income, leading to a limited capacity to pay support. However, some obligors with little to no earnings did not have their incomes imputed to full-time minimum wage. When incomes less than that amount were used for low-income obligors, we found that payment compliance was higher for these

obligors, even though their actual earnings were similar to those of obligors with incomes imputed to full-time minimum wage. This indicates that when realistic earnings are used for order establishment—whether they are actual earnings or an imputation to a lower amount—obligors are more likely to pay a higher percentage of their obligation and to pay more regularly.

Regardless of whether obligors had imputed income used for order establishment or not, the majority ended the year after order establishment with a child support debt known as arrears. With a substantially lower collection rate, obligors with imputed income had an arrears balance of nearly \$2,000, which was over \$400 more than obligors without imputed income and almost \$1,000 more than low-income obligors.

High arrears balances can cause a host of negative long-term consequences for both the parent owing support and the family receiving it. They can lead to additional financial struggles, make them subject to enforcement strategies such as license suspension or incarceration, and even erode their relationships with their children (Becerra, Thomas, & Ong, 2008; Turner & Waller, 2017; Heinrich, Burkhardt, & Shager, 2011; Haney, 2018). This may also fuel obligors' distrust in the formal child support system and could lead them to reduce their formal labor force participation or their payment of current support (Miller & Mincy, 2012; Cancian, Heinrich, & Chung, 2009). The imputation of income can cause a cascade effect that is compounded by high arrears, resulting in a reduction in the obligor's ability to be self-sufficient and support his or her children in the long term.

There is widespread agreement that both parents have a responsibility to financially



support their children. However, assessing the level of support obligors can and should provide can be quite contentious. For the majority of families, the child support guidelines adequately determine support order amounts that are *right-sized*. To obtain such orders, using actual income or potential income based on a parent's actual earnings capacity is vital. Otherwise, imputing income at amounts that do not correspond to actual earnings achieves the establishment of a support order but results in poor outcomes: three in 10 of obligors with imputed income did not make a single payment during the year and only 31% of current support was collected for their

families. Additionally, federal guidance via the Final Rule has made clear the need to impute income, when appropriate, to amounts that reflect obligors' actual circumstances and acknowledge broader economic constraints on obligors (Federal Register, 2016).

Policies that encourage courts to set support at reasonable amounts are likely to have positive compliance outcomes in the long term. Such policies may also increase the reach of the child support program by enhancing trust with families and leading to more reliable formal support contributions.

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ACKNOWLEDGEMENTS

The authors would like to thank Jamie Haskel, Michael Monroe, and Michael Funk for their assistance in the collection and processing of data for this research brief as well as the local offices for collecting data. This brief was prepared by the Ruth Young Center for Families and Children with support from its long time research partner, the Maryland Department of Human Services.

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