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October 23, 2013

**Testimony on Assembly Bill 461/Committee on Children and Families
Relating to: refund setoff for state debt collections.**

Good afternoon Chairman Krug and Committee members,

Thank you for the opportunity to speak before you today.

There are many financial demands when single children on your own. Child support payments are usually a lifesaver for single parents. When payments aren't paid, it creates uncertainty and unnecessary difficulty for families.

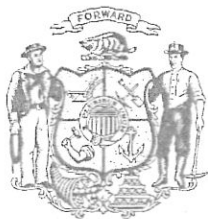
A constituent brought the need for this bill to my attention earlier this year when she was visiting the Capitol with her children. She shared some of her struggles raising two kids on her own. I was surprised to hear her tell me that the tax refund from her child's father was being used to pay for other state debts that he owed, while she struggled to provide for her kids because of the missed child support payments.

Rep. Krug and I introduced this bill to support single parents like my constituent. Our legislation will make sure that moms and dads receive delinquent child support payments before the government receives its money.

Currently, when someone is indebted to the state and receives a tax refund, the Department of Revenue gets first draw. Delinquent child support obligations are not the top priority. This bill would place the repayment of delinquent child and spousal support obligations on the top of the list of debts to be repaid with a tax refund. It will have a minor fiscal impact.

The state shouldn't take priority over a child's needs. If someone owes debts to the state and receives a tax refund, missed child or spousal support payments should be paid first.

Single parents have enough struggles as it is. Missed child support payments shouldn't be one of them.



LEAH VUKMIR

STATE SENATOR

October 23rd, 2013

Chairman and Committee members, I would like to express my sincere gratitude to you for giving Assembly Bill 461 a Public Hearing today. I am proud to author this legislation with Assistant Majority Leader Steineke and Representative Krug as this Bill seeks to re-set Wisconsin's priorities in certain instances involving children, specifically relating to delinquent child support payments.

The stories are unfortunately all too familiar (regardless of geography) a single parent trying desperately to provide for his or her children with little or no support forthcoming from the absent parent. More often than not, it becomes clear that those unpaid support obligations went to fund a drug or gambling habit instead of helping to provide for a child's needs. Further complicating the situation, when that single parent attempts to receive assistance in obtaining the support payments owed and the help does not materialize, the net effect is the child support system continues to disappoint.

When the system appears to be lacking, it is time for the Legislature to explore measures to provide necessary support, and that is the aim of this legislation. I for one want to do everything that we as legislators can do to help these families. By re-prioritizing the repayment obligations, Assembly Bill 461 ensures that child support obligations will be prioritized, placing delinquent child support ahead of the state. As a result of AB 461 instead of the State, the Department of Revenue being FIRST in line for repayment from a delinquent parent, the children and family in need will move to the top of the list, as it should be.

Assembly Bill 461 gives us the opportunity to place a child's needs ahead of the state's interest in this regard. As we in the legislature continue to work toward developing more solutions to troubling issues, such as repayment of delinquent child support, I urge every committee member to take this necessary step and support AB 461.

Thank you Chairman and Committee members for your consideration.



Scott Walker
Governor

Richard G. Chandler
Secretary of Revenue

October 23, 2013

Testimony on Assembly Bill 461

Thank you for the opportunity to provide comments on Assembly Bill 461, which would require offsetting Wisconsin child support, family support, and maintenance debts certified by the Department of Children and Families (DCF) before collecting any other debt.

The Department of Revenue (DOR) administers the Tax Refund Intercept Program (TRIP). In FY 2013, more than 1,042 state and local government agencies participated in TRIP, and almost \$85 million was collected. DOR intercepted \$16,261,000 in refunds for child support debts submitted by DCF in FY 2013. DCF has a balance of 102,580 debts totaling \$1,584,000,000 certified with the department for collection via TRIP.

It is important to note that TRIP is one of various mechanisms DCF may use to collect child support payments.

In the 2013-15 state budget (2013 Act 20), the Governor proposed and the legislature approved a change to the hierarchy of payments to specify that debts certified by DCF under 49.855 (1) will be applied immediately following debts owed to DOR. Previous to 2013 Act 20, debts certified by DCF under 49.855(1) were among the grouping of state agency debts that were processed in the order in which the state agency certifies the debt to DOR. The change made in Act 20, which becomes effective on January 1, 2014, prioritizes debts certified by DCF under 49.855(1) and will result in more debts being collected for child support. DOR estimates \$3.7 million in additional refund payments will be directed to DCF and state agencies and local governments will see a similar reduction in refund payments.

It appears the intention of AB 461 is to prioritize child support payments first (before tax debt administered by DOR) in the order of debt set-off under TRIP. To do this, the bill moves debt "*certified by DCF under s. 49.855(1)*" first.

Sec 49.855(1), Wis. Stats does not segregate child support from other types of payments like alimony, guardian ad litem fees, receipt and disbursement fees, and genetic test costs. Under AB 461, all these offsets would be processed before state tax debt administered by DOR.

As a result, DOR anticipates a loss of approximately \$5.3 million in delinquent tax collections per year.

Under our current system, if a debt is owed to DOR, then a refund will not be generated, and payment will apply directly to the DOR tax debt. This is part of the core programming of our integrated tax system and other state revenue departments that use the core program. The state will incur substantial programming costs to complete a front end re-write of the tax processing program to intercept overpayments for child support debt before DOR debts are paid.

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While there are states that prioritize child support in the hierarchy of set-off, we are not aware of any states that place child support, alimony, guardian ad litem fees and genetic test costs ahead of state revenue department tax debts.

The effective date of AB 461 is January 1, 2014. DOR has been working on the programming changes necessary to effectuate the change in hierarchy that was adopted in 2013 Act 20. The effective date of January 1, 2014 in AB 461 is not feasible. DOR estimates that approximately nine months would be needed to make the programming changes necessary. DOR will also have a technical memo mentioning this, and several other concerns about the bill as drafted.

Thank you for providing this opportunity to discuss AB 461. I am happy to answer any questions from the committee.

Jennifer Western
Asst. Dep. Sec.



OFFICE OF THE COUNTY EXECUTIVE

Milwaukee County

CHRIS ABELE • COUNTY EXECUTIVE

Testimony of Eric Peterson, on behalf of Milwaukee County Executive Chris Abele
Assembly Bill 461 – Child Support Refund Offset Prioritization
Assembly Committee on Children & Families
Wednesday, October 23, 2013

Honorable Chairman Krug and members,

Thank you for taking testimony today on Assembly Bill 461 relating to prioritizing child support in income tax refund offsets. I am pleased to speak on behalf of the Milwaukee County Executive, Chris Abele, and express his support for the bill. Thank you Representatives Steineke and Krug for bringing the bill forward and to the members of the Legislature who have cosponsored this measure.

AB 461 is an excellent example of the moral priority we should have as a society for the care of children. In Milwaukee County, we have improved child support orders and collection with fewer resources. Imagine what we can do to improve the lives of children, when our state partner agrees to put children first before the taxes it is owed.

Child Support is of the utmost importance to the administration of Milwaukee County. Recently, our child support agency was named agency of the year by the Wisconsin Child Support Enforcement Association for the first time ever. As Milwaukee County celebrates that milestone, the Executive is pleased to support a proposal that will prioritize children.

On behalf of the County Executive, I urge your support of this bill throughout the committee process and forward to its consideration in both houses.

Thank you.