

# **Evaluating recent child support interventions in DC and NY**

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## **Summarizing:**

- Evaluation of the \$150 Child Support Pass-Through and Disregard Policy in the District of Columbia  
<http://www.urban.org/publications/412779.html>
- The New York Noncustodial Parent EITC: Its Impact on Child Support Payments and Employment  
<http://www.urban.org/publications/412610.html>

**(both papers written with Kye Lippold and Elaine Sorensen)**

Goals of policy interventions include:

- increase rate of child support payment,
- increase resources of custodial parents, and
- increase work among noncustodial parents.

Two interventions in two papers:

- pass-through in DC, and
- tax credit in NY for noncustodial parent paying in full.

### **Problems with causal inference**

If payment rates increase when we change incentives, is that because noncustodial parents are changing behavior in response to incentives? Or other things are changing at the same time? For example, do we observe different groups of noncustodial parents who are simply more likely to pay, or they are earning more?

We always struggle with controlling for these confounding factors, and there is often a trade-off between internal and external validity.

**Evaluation of the \$150 Child Support Pass-Through and Disregard Policy in the District of Columbia**

The federal government, which regulates state child support enforcement programs, allows states to distribute child support payments to TANF families (pass-through) and not count those payments when calculating their TANF benefits (disregard policy).

Theory for pass-through: because some child support collected goes to a parent who may spend on children, the noncustodial parent has more incentive to pay—with more incentive to pay, effective tax rate on work can also be lower. With disregard, custodial parent resources increase with pass-through.

The District of Columbia enacted a \$150 per month pass-through and disregard policy in October 2005, which went into effect in April 2006. TANF families in the District of Columbia have financial circumstances very similar to TANF families across the country.

In FY 2006, nearly 40,000 people received TANF in D.C, two-thirds of whom were children. During an average month, TANF families received \$327 in cash benefits. All of these families received Medicaid and 83 percent received food stamps. The average monthly food stamp benefit was \$262 (food stamp benefits are reduced when a pass-through is received).

We examine administrative data from District of Columbia's Child Support Services Division (CSSD) databases of Form 157 and Form 34A for FY 2008: 66,372 cases with 27 percent of custodial parents served by CSSD receiving any TANF in FY 2008.

In FY 2008, 2,151 custodial parents on TANF received a pass-through payment averaging \$644 per year. These custodial parents were on TANF for an average of 9 months during the year and for an average of roughly four of those months they received a pass-through payment.

Our difference-in-difference regression results suggest that TANF cases with a current support order paid 5.6 percent more child support and were 1.8 percentage points more likely to pay any child support as a result of the pass-through policy.

Both of these effects increased over time. By the third year, TANF cases with a current support order paid 10.8 percent more child support and were 3.2 percentage points more likely to pay any child support.

Although the administrative data cannot demonstrate a causal link, several of our findings point to the role of the pass-through, rather than other factors, in encouraging these behavioral changes.

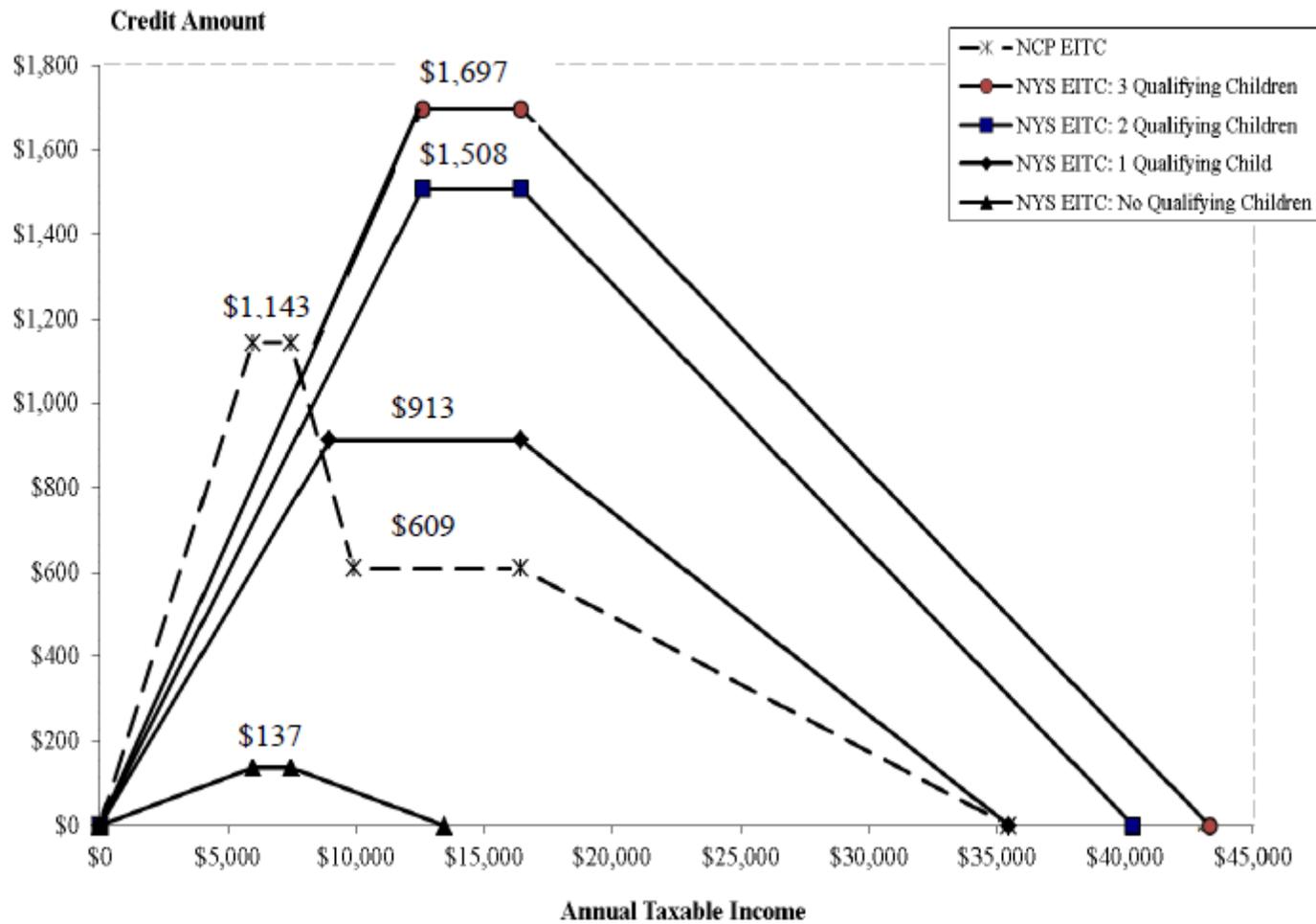
- Cases with orders at or below the maximum pass-through amount proved more likely than cases with higher orders to make payments after the pass-through policy was implemented; these cases are more strongly incentivized due to all of their support being passed through to the TANF family (the implicit tax on payments is lower).
- Cases that entered TANF after the pass-through implementation showed stronger payment increases than other TANF cases (from difference-in-difference-in-difference regressions).

### **The New York Noncustodial Parent EITC: Its Impact on Child Support Payments and Employment**

In 2006, New York established the noncustodial parent EITC, which is also a refundable tax credit. It is available to individuals who meet 12 eligibility criteria during the tax year—including, most importantly, that they paid the full current support due for the year. The credit amount is the higher of

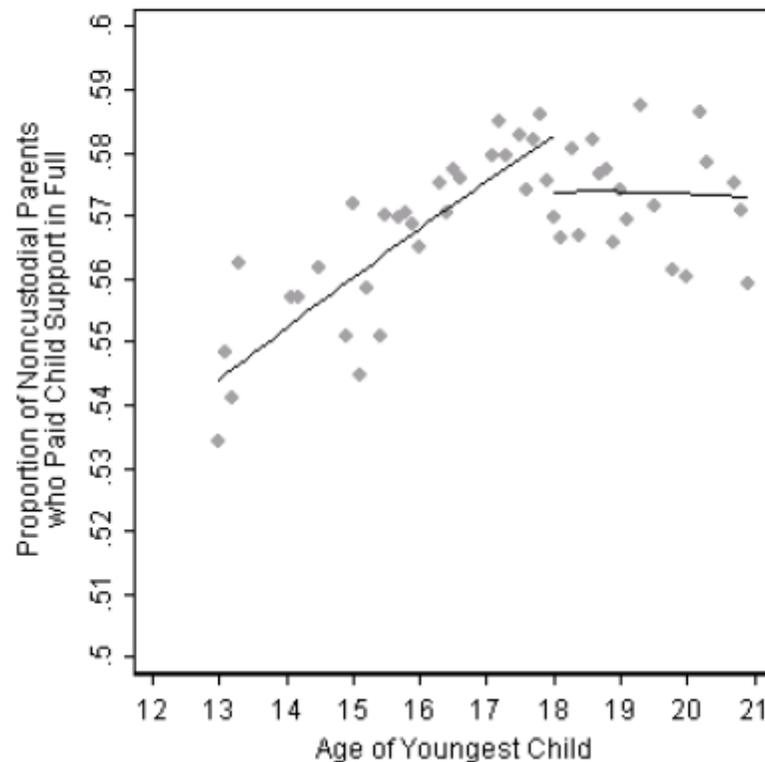
- 20 percent of the federal EITC that would be allowed if the noncustodial child met the definition of a qualifying child, computed as if the taxpayer had one qualifying child and without the benefit of the joint return phase-out amount; or
- 2.5 times the federal EITC that would be allowed if the taxpayer had no qualifying children.

# NY credits for single filers in 2009



We employ a regression discontinuity design, which has internal validity comparable to a randomized controlled trial and low external validity. We can be confident that the estimated impact is causal, but we can generalize only to those noncustodial parents whose youngest child is 18 years old.

**Proportion of Noncustodial Parents Who Paid Their Child Support in Full by Age of Youngest Child, All Orders, 2007–09**



The Noncustodial Parent EITC increased the percent of noncustodial parents paying their child support in full by one percentage point, in the vicinity of the age-18 cutoff.

Extrapolating to all affected parents implies that the NCP EITC added 2,300 parents paying child support in full.

When we limit our analysis to noncustodial parents with low child support orders (below \$3,000 a year), we find that among these parents, the NCP EITC significantly increased child support compliance and the likelihood of working. Specifically, the NCP EITC increased the share paying in full by 2 percentage points and increased the share working by 1.6 percentage points. We cannot limit based on income because income is endogenous!

## **Conclusions**

Both policies examined had substantial impacts as measured.

Evidence is fairly strong: pass-through and disregard evidence has strong external validity and plausibly good internal validity, whereas tax credit evidence has strong internal validity and plausibly good external validity.