

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 16

(Senator Sydnor)

Judicial Proceedings

Judiciary

Child Support - Earnings Withholdings Limits

This bill prohibits the amount of an earnings/wage withholding order from exceeding 25% of an obligor's disposable earnings for the combined support order and arrearage if the obligor's individual income for the current year does not exceed 250% of the federal poverty guidelines for a family of one, unless the obligor was determined to be voluntarily impoverished at the time of the most recent court order. The bill also limits the amount that an employer, on receipt of an earnings withholding order or notice, may deduct from an obligor's earnings. Specifically, the amount deducted by an employer may not exceed 35% of the obligor's disposable earnings if the obligor's disposable earnings for the current year do not exceed 250% of the federal poverty guidelines for a family of one, unless the obligor was determined to be voluntarily impoverished at the time of the most recent court order. The bill also authorizes an employee to contest the amount of a withholding order based on the limits specified in § 10-129 of the Family Law Article (pertaining to deductions by an employer). **The bill takes effect October 1, 2028.**

Fiscal Summary

State Effect: State expenditures for the Department of Human Services (DHS) increase by \$3.1 million in FY 2029 for one-time programming costs (supported by 66% federal funds/34% general funds). State expenditures *may* further increase for additional personnel, as discussed below. Federal fund matching revenues increase accordingly. The bill is not anticipated to materially affect the workload of the Judiciary or the Office of Administrative Hearings (OAH).

Local Effect: The bill is not anticipated to materially affect circuit court operations or finances.

Small Business Effect: Potential meaningful.

Analysis

Current Law:

Earnings Withholding Limitations – § 10-122 of the Family Law Article

Statute includes numerous requirements regarding the use of earnings withholding orders, which are orders issued to an employer to require the deduction of certain support payments (e.g., child support, spousal support) from the earnings of an obligor.

Generally, the amount of an earnings withholding must (1) be enough to pay the support and any arrearage included in the payments required by the support order and (2) include any arrearage accrued since the support order. When arrearages are part of an earnings withholding order or earnings withholding notice, the total arrearage withheld must be in one lump-sum payment or apportioned over a period of time. The amount of the arrearage withheld must be determined by the court or, in a case in which the Child Support Administration (CSA) is providing services, by CSA. The amount of arrears apportioned to each payment must be at least \$1 but not more than 25% of the current support payment.

If there is more than one earnings withholding order or earnings withholding notice against a single obligor, CSA must allocate amounts available for withholding, giving priority to current support, up to the limits imposed by the federal Consumer Credit Protection Act (CCPA).

Deductions From Obligor's Earnings – § 10-129 of the Family Law Article

On receipt of a copy of an earnings withholding order or earnings withholding notice, an employer must, beginning with the next pay period after receipt of the earnings withholding order or notice (1) deduct the amount of the withholding from the obligor's earnings on a regular basis and (2) send the deducted net amount directly to the State disbursement unit within seven days, as specified. An employer may deduct and retain from the obligor's wages an additional \$2 for each deduction made under the earnings withholding order or notice. An employer may not use the withholding as a basis for reprisal against the obligor, dismissal of the obligor from employment, or refusal to hire or promote the obligor.

Subject to limitations, the recipient or the support enforcement agency may bring a civil action against an employer who willfully violates the above provisions. An employer is liable for damages in an amount equal to the amount of any withholding that the employer failed to deduct from the obligor's earnings or failed to send within the time limits set forth above. The employer's liability must be in addition to any amounts paid directly or indirectly by the obligor.

Contents and Effect of Orders

An earnings withholding order or notice sent to the obligor's employer must be a separate document (not including any other orders or pleadings), and must include, among other information, the amount to be withheld from the obligor's earnings, including explanation of the application of CCPA. The employer is then required to withhold the stated amount on a regular and continuing basis beginning at the start of the next pay period after receipt of the order/notice.

An earnings withholding order or notice is binding on each present and future employer of the obligor on whom a copy of the earnings withholding order or notice is served. Subject to federal law, an earnings withholding order or notice has priority over any other lien or legal process. The copy of the earnings withholding order or notice served on the employer of the obligor must contain a statement that upon willful violation of the order or notice, the employer is subject to civil penalties.

Earnings Withholding Orders Upon Request of Obligor or in Contempt Proceedings – § 10-138 of the Family Law Article

Upon request of the obligor, the court must immediately authorize service of an earnings withholding order. A court may at any time issue an earnings withholding order in a contempt (or other) proceeding if (1) the recipient or the support enforcement agency has filed a petition that includes a request for an earnings withholding order and (2) the obligor is in arrears in support payments of more than 30 days.

A hearing must be held if the obligor appears and contests the issuance of the order. The amount of the order must be enough to pay the support as originally entered by the court and may include a part of the arrearage.

Administrative Contests of Withholdings

Statute outlines the process for an employee to contest a withholding, request an investigation, and initiate an appeal of the CSA's decision (to be heard by OAH).

In general, the only issues that may be contested, initially or in an appeal, are (1) the identity of the employee; (2) whether there is an underlying court order requiring the employee to provide health insurance coverage for the employee's child; (3) that the amount of the withholding exceeds the limits of CCPA; and (4) that the child for whom health insurance coverage is sought is emancipated.

"Earnings" includes (1) any form of periodic payment to an individual, including an annuity, a pension, Social Security payments, worker's compensation payments, and

unemployment insurance benefits and (2) any commissions or fees paid in connection with the obligor's employment.

State Fiscal Effect: The bill makes several changes to procedures involving earnings/wage withholdings and appears to create two separate standards for the authorized amounts to be withheld (*i.e.*, under one method – not exceeding 25% of disposable earnings and under another method – not exceeding 35% of disposable earnings, as further specified). DHS estimates that State expenditures increase by \$5.3 million in fiscal 2029, which accounts for the bill's delayed effective date and one-time programming costs, and by at least \$2.3 million annually thereafter. The estimate from DHS also assumes the need to hire 29 child support specialists to meet the requirements of the bill, as further discussed below. Federal matching funds are assumed to be available to support a portion (66%) of the expenditures.

According to DHS, on receipt of a support order or learning of an obligor's new employment, CSA sends the obligor (and the obligor's employer) an administrative earnings withholding notice for the support obligation amount specified in the most recent support order. This process is currently automated, occurring (as required under federal rules) within two business days of the aforementioned triggers. DHS advises that under the bill, additional information must be included to instruct employers as to (1) if (or how to determine whether) an obligor has been judicially determined to be voluntarily impoverished; (2) the need to determine if the obligor's disposable income is at or below 250% of the federal poverty guidelines for a family of one; and (3) if appropriate, the employer's requirement to cap wages withheld at the specified amount. Similarly, if CSA receives a modified support order requiring wage garnishment following a contempt (or other) proceeding under § 10-138 of the Family Law Article, CSA currently sends obligors and employers an earnings withholding notice. DHS advises that under the bill, similar information to that described above needs to accompany the notice.

While the bill appears to shift some of the administrative burden to employers, DHS emphasizes numerous difficulties associated with the determination of whether an obligor is voluntarily impoverished (and thus excluded from withholding-amount limitations that would otherwise apply to certain low-income obligors). For instance, DHS notes that (1) child support court orders and guideline calculations often lack explicit statements of judicial determinations regarding voluntary impoverishment and (2) there is no automated means of verifying the information, resulting in the need for CSA staff to request and review court documentation for the child support case. Even if CSA does not proactively provide the information to employers, DHS expects many employers to directly seek the information from CSA (versus the courts).

The Department of Legislative Services (DLS) notes, however, that CSA is already required to determine whether certain low-income obligors were judicially determined to

be voluntarily impoverished before it can take specified child support enforcement actions related to driver's license suspensions (pursuant to Chapter 578 of 2025). Although the need for readily available evidence of such determinations is applicable to a higher number of obligors under the bill, the related challenges cited by DHS already exist in some cases, and the full complement of staffing resources indicated by DHS is likely not exclusively attributable to the bill. DLS acknowledges, however, that additional resources were not provided for implementation of Chapter 578, and the bill may further contribute to the existing difficulties reported by DHS. While this estimate assumes that some personnel expenditures may be incurred under the bill, DLS is not able to verify the need for the specific staff as indicated by DHS at this time.

Further, the bill is not effective until October 1, 2028. Given the issues already identified when evidence of a voluntary impoverishment determination is needed under current law, it is likely that procedures could be developed prior to implementation (*e.g.*, coordination with the Judiciary and updated standard forms) such that when a determination is made, it is readily apparent in relevant orders/notices so that additional investigation is not required.

It is also noted that as a condition of receiving certain federal funding, states must meet various standards under the federal Title IV-D program, which provides significant funding for states to conduct child support services. DHS notes that these standards include a requirement for states to issue income withholding orders within two business days. Further, as a condition of receiving federal Temporary Assistance for Needy Families funding, states must certify that they are operating a child support enforcement program under an approved state plan. DHS cautions that any delays in issuing orders may result in CSA failing to meet the federal standards, with potential risks to federal funding.

Finally, DHS receives performance incentive payments related to certain federal performance goals, including the total amount of child support collections. For context, DHS advises that it received \$7.5 million in federal incentive payments in federal fiscal 2023. By limiting the amounts that may be garnished from certain obligors, there is likely to be an overall reduction in child support collections, potentially impacting achievement of federal performance goals and corresponding incentive payments. As any impact exclusively attributable to the bill cannot be reliably estimated, it is not reflected in this analysis.

Small Business Effect: Employers likely experience increased workloads associated with earnings withholding orders under the bill.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 142 (Delegate Taylor) - Judiciary.

Information Source(s): Judiciary (Administrative Office of the Courts); Department of Human Services; Office of Administrative Hearings; Department of Legislative Services

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Analysis by: Amanda L. Douglas

Direct Inquiries to:
(410) 946-5510
(301) 970-5510