



*Performance. Service. Integrity.*

# 101 “Pure” Income Shares Child Support Guidelines

Jane C. Venohr, Economist, Ph.D.  
Policy Studies Inc.  
1899 Wynkoop St, Suite 300  
Denver, CO 80202  
303.291.5116  
[jvenohr@policy-studies.com](mailto:jvenohr@policy-studies.com)

# What Is “Pure” Income Shares and How Does Iowa’s Approach Differ?

	Pure Income Shares	Iowa Income Shares
Each parent’s duty to support is his/her <i>pro rata</i> share of income	✓	✓
Shared obligation is tied to the cost of raising children	✓	✓
Calculation requires chart(s) and worksheet	✓	✓
Number of Charts	1	5
Chart shows parents’ <u>combined</u> child support obligation	✓	
Precipitous drops in support when income increases		✓
Adjustments for “special” factors (e.g., low-income, additional dependents, health insurance, court-ordered visitation)	✓	Not as well

“Pure” Income Shares is the prototype Income Shares model developed through the 1983-87 National Child Support Guidelines Project



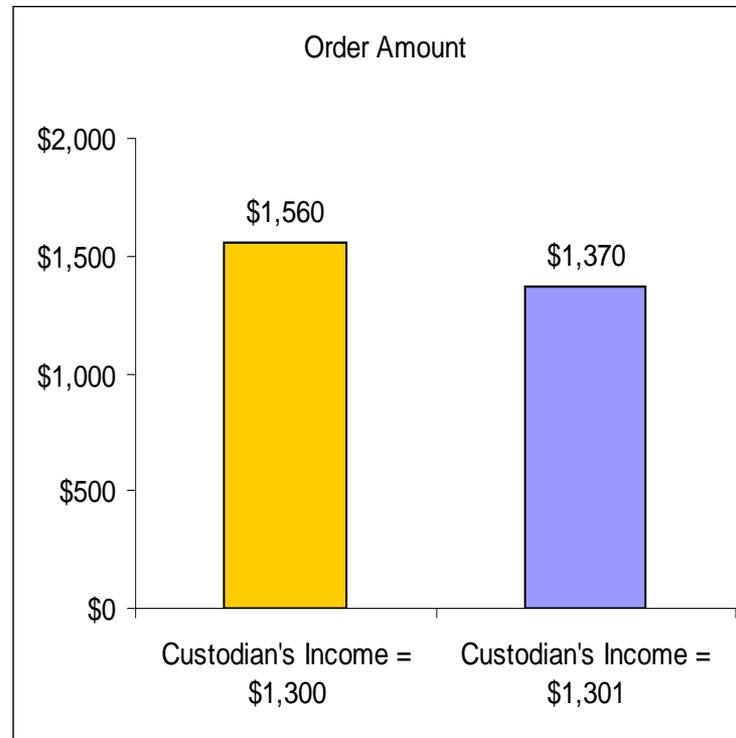
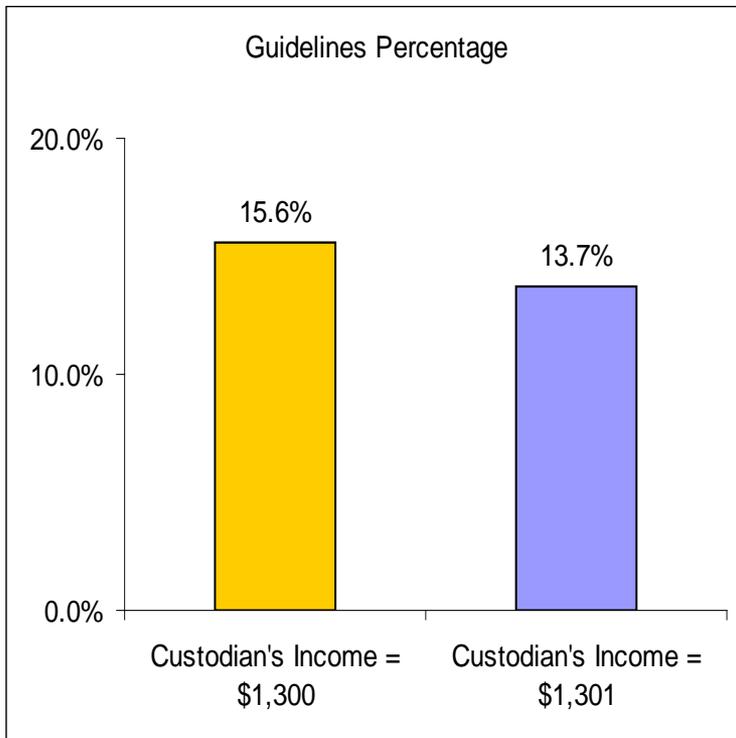
# Example of Cliff Effect in Iowa Guidelines

One Child

NCP Income = \$10,000/mo

CP Income Increases from \$1,300 to \$1,301/mo

⇒ Order Amount decreases from \$1,560 to \$1,370/mo



# Advantages and Disadvantages of “Pure” and Iowa Income Shares

## ❖ ADVANTAGES

- ✂ **PURE:** more flexible and equitable in the treatment of special factors, no cliff effects
- ✂ **IOWA–** easier to calculate manually

## ❖ DISADVANTAGES

- ✂ **PURE:** more manual calculation
- ✂ **IOWA-** limits formulas that can be used to adjust for special factors, cliff effects

# What is Income Shares? (Background)

- ❖ **Developed in response to federal requirements that states must adopt:**
  - ✗ advisory guidelines by 1987 [P.L. No. 98-378]
  - ✗ presumptive guidelines that can be rebutted based on state-determined criteria by 1989 [P.L. No. 100-485]
  
- ❖ **Congress requested federal Office of Child Support Enforcement (OCSE) to convene an advisory panel to develop recommendations for states**
  - ✗ Panel comprised diverse stakeholders
  - ✗ Project staff developed Income Shares in response to Panel's 8 principles

# What Is Pure Income Shares? (Precept)

The Income Shares model seeks to allocate to the child the proportion of parental income estimated to have been spent on the child if the household were intact.

EXAMPLE: TWO CHILDREN	Mother	Father	Combined
1. Annual Income	\$2,000	+ \$3,000	= \$5,000
2. % of Combined Income	40%	+ 60%	= 100%
3. Expenditures on Children in Intact Family			\$1,000
4. Each Parent's Share (Line 2 x Line 3)	\$400	+ \$600	= \$1,000

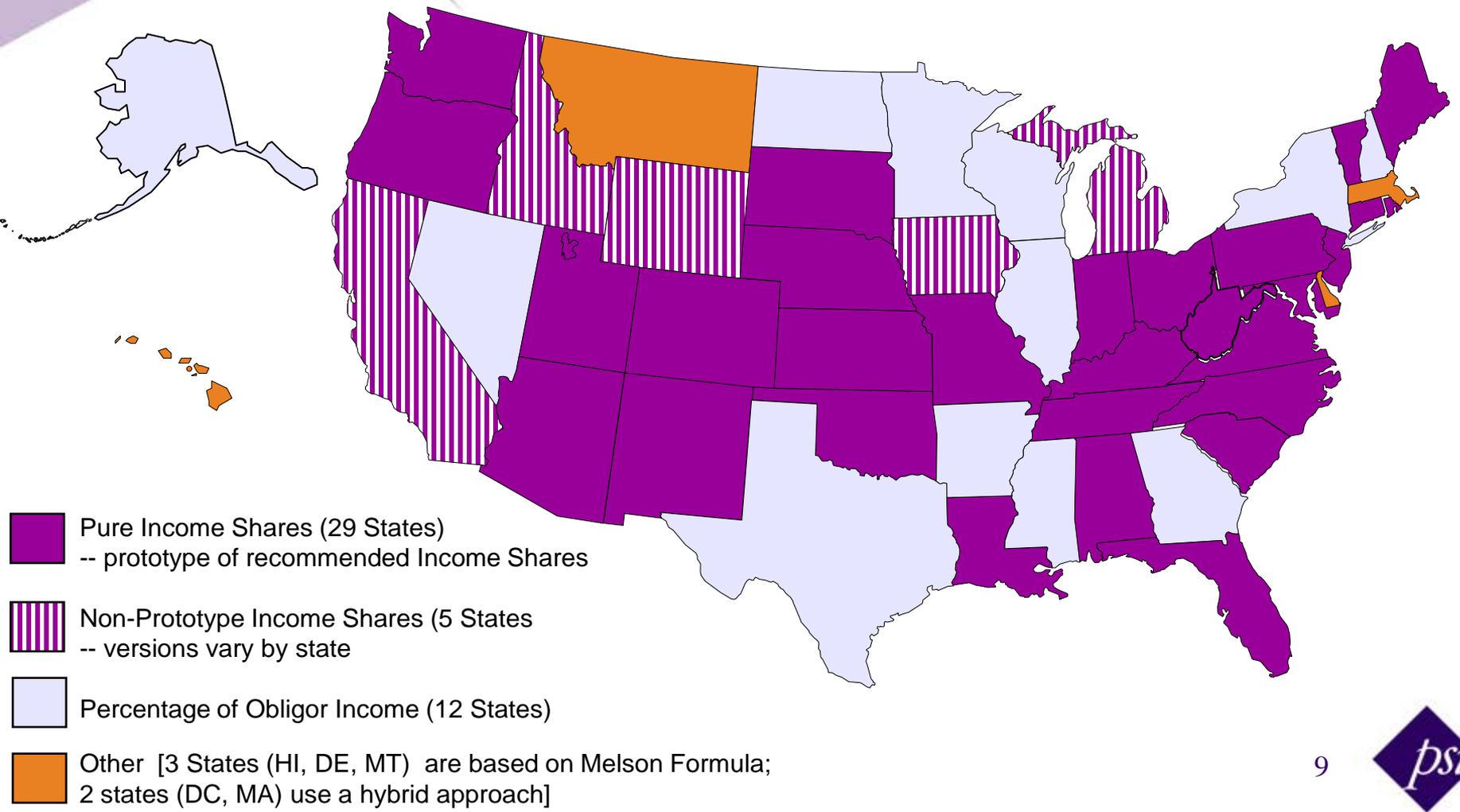
# What Is Pure Income Shares? (Principles: 1 of 2)

1. Both parents share legal financial responsibility to children. Economic responsibility should be prorated.
2. Consider subsistence needs of parents (self support reserve), yet establish precedent to pay
3. Child shall share in the lifestyle that the parent(s) can afford
4. Each child has a right to share in that parent's income subject to various factors

# What Is Pure Income Shares? (Principles: 2 of 2)

5. Each child is entitled to support amounts w/o respect to the parents' marital status
6. The gender of the custodial parent should make no difference in the guidelines determination
7. Guidelines should not create extraneous negative effects on the major life decisions of either parents
8. Guidelines should encourage the involvement of both parents and consider financial support in shared physical custody situations

# Guidelines Models



# Pure Income Shares Calculation

1. Add parents' incomes; calculate relative proportions  
*Example:* Father's Income = \$1,500 (60% of total)  
Mother's Income = \$1,000 (40% of total)
2. Determine Basic Child Support Obligation (from chart)
3. Add additional child-rearing costs
  - Work-related child care
  - Child's portion of health insurance premium
  - Child's medical expenses
4. Determine total child support obligation (basic obligation plus add-ons)
5. Pro-rate obligation in proportion to each parent's income

Low-income adjustment can be applied in Step 1 or 6

Shared-parenting time adjustment is usually applied in Step 1 or 6

# Example of Income Shares Chart (can be based on gross or net income)

Combined Gross Income	1 Child	2 Children	3 Children	4 Children	5 Children	6 Children
1000.00	227	322	375	418	460	500
1050.00	237	336	390	435	479	521
1100.00	247	349	406	453	498	542
1150.00	257	363	422	471	518	563
1200.00	266	377	438	488	537	584
1250.00	276	391	454	506	557	606
1300.00	286	404	470	524	576	627
1350.00	296	418	485	541	595	648
1400.00	305	431	500	558	614	667
1450.00	314	444	515	574	632	687
1500.00	323	456	530	591	650	707
1550.00	332	469	545	607	668	727
1600.00	342	482	559	624	686	746
1650.00	351	495	574	640	704	766
1700.00	360	508	589	657	722	786
1750.00	369	521	604	673	740	806
1800.00	378	533	618	690	759	825
1850.00	387	546	633	706	777	845
1900.00	396	559	648	723	795	865
1950.00	405	572	663	739	813	885
2000.00	415	585	678	756	831	904
2050.00	423	597	691	771	848	923
2100.00	432	608	704	785	864	940
2150.00	440	619	717	799	879	957
2200.00	448	630	730	814	895	974
2250.00	456	642	743	828	911	991
2300.00	465	653	755	842	926	1008
2350.00	473	664	768	856	942	1025
2400.00	481	675	781	871	958	1042
2450.00	490	687	794	885	973	1059
2500.00	498	698	806	899	989	1076

- One chart for 1-6 children
- Chart is based on parents' combined income
- Chart contains the parents' total obligation to the child(ren)



# Excerpt of Pure Income Shares Worksheet: NCP pays child's health insurance premium

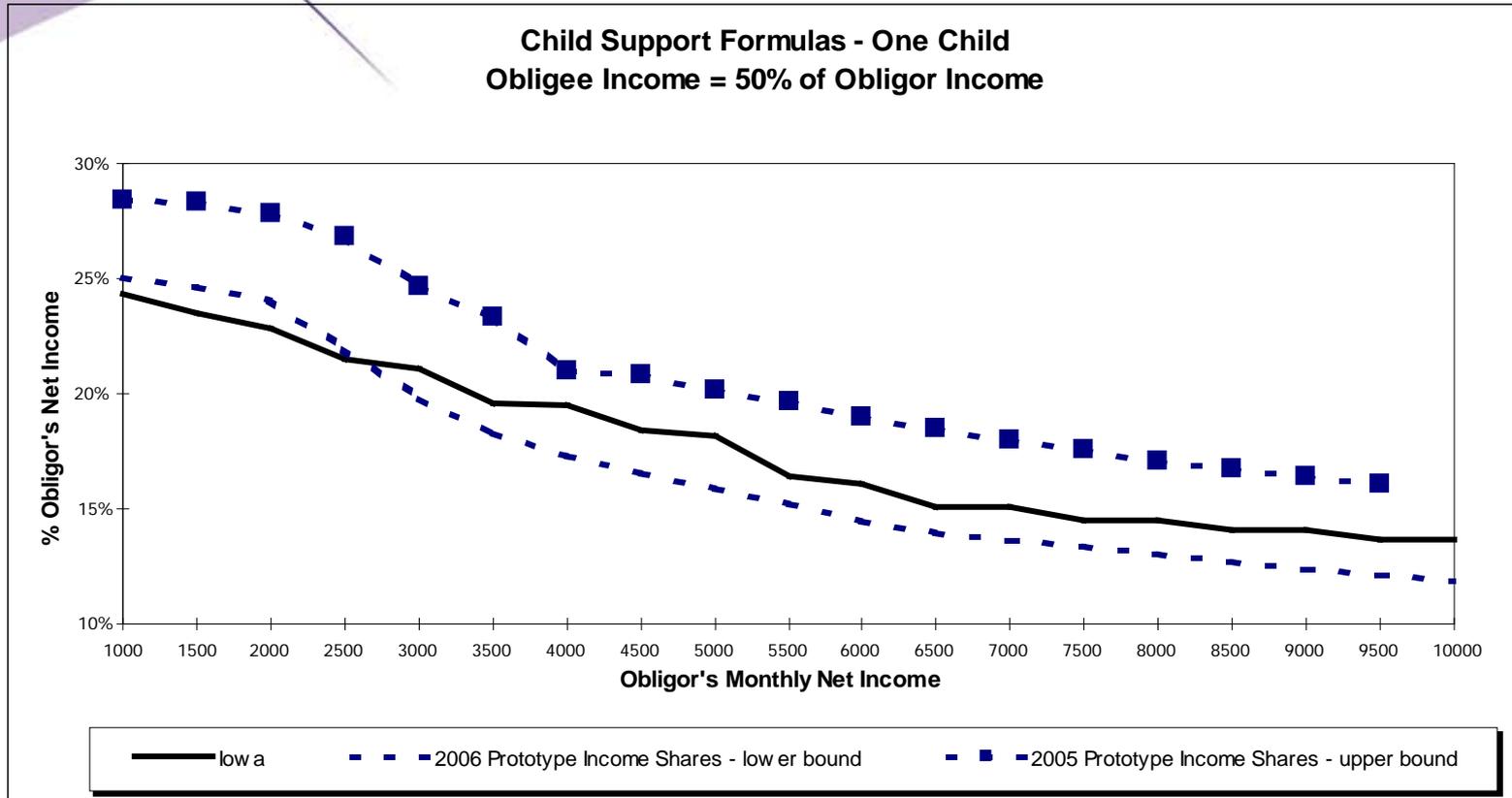
<b>CHILD SUPPORT WORKSHEET: SOLE CUSTODY</b> Number of Children = 1, mother is custodial parent			
	<b>Mother</b>	<b>Father</b>	<b>Combined</b>
<b>1. Monthly Income</b>	<b>\$1,000</b>	<b>\$1,500</b>	<b>\$2,500</b>
<b>2. Proportional Share of Income</b>	<b>40%</b>	<b>60%</b>	<b>100%</b>
<b>3. Basic Child Support Obligation (from chart)</b>			<b>\$498</b>
<b>4. Work-Related Child Care Costs</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>5. Child's Share of Health Insurance Premium</b>	<b>\$0</b>	<b>\$100</b>	<b>\$100</b>
<b>6. Total Additional Expenses (Add Lines 4 and 5)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$100</b>
<b>7. Total Child Expenses (Add Lines 3 and 6)</b>			<b>\$598</b>
<b>8. Each Parent's Obligation (multiple Line 7 by Line 2 for each parent)</b>	<b>\$239</b>	<b>\$359</b>	
<b>9. Adjusted Child Support Order (Subtract noncustodial parent's line 6 from noncustodial parent's line 8)</b>		<b>\$259</b>	



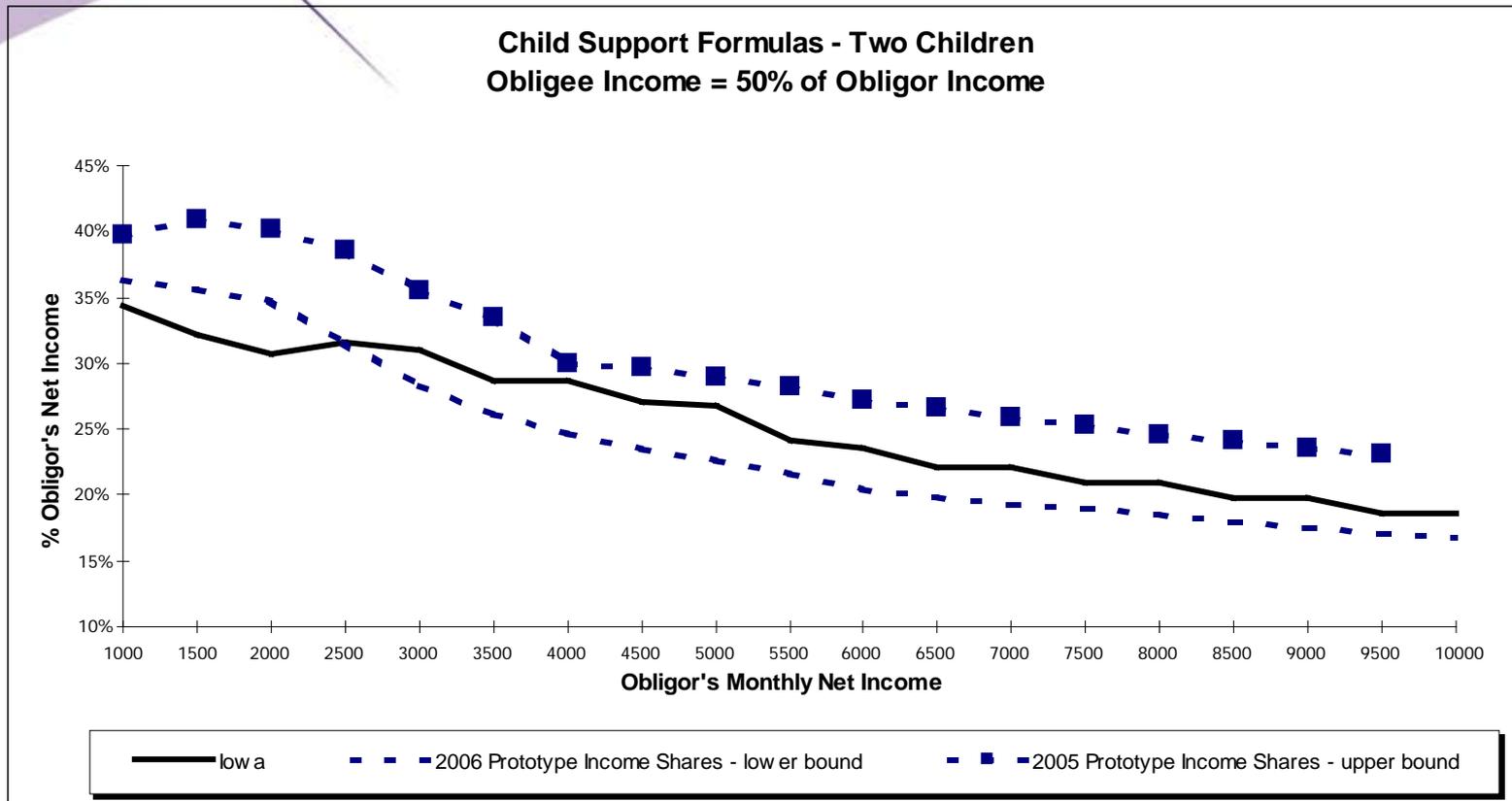
# Excerpt of Pure Income Shares Worksheet: CP pays child's premium

<b>CHILD SUPPORT WORKSHEET: SOLE CUSTODY</b> Number of Children = 1, mother is custodial parent			
	<b>Mother</b>	<b>Father</b>	<b>Combined</b>
<b>1. Monthly Income</b>	<b>\$1,000</b>	<b>\$1,500</b>	<b>\$2,500</b>
<b>2. Proportional Share of Income</b>	<b>40%</b>	<b>60%</b>	<b>100%</b>
<b>3. Basic Child Support Obligation (from chart)</b>			<b>\$498</b>
<b>4. Work-Related Child Care Costs</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>5. Child's Share of Health Insurance Premium</b>	<b>\$100</b>	<b>\$0</b>	<b>\$100</b>
<b>6. Total Additional Expenses (Add Lines 4 and 5)</b>	<b>\$100</b>	<b>\$0</b>	<b>\$100</b>
<b>7. Total Child Expenses (Add Lines 3 and 6)</b>			<b>\$598</b>
<b>8. Each Parent's Obligation (multiple Line 7 by Line 2 for each parent)</b>	<b>\$239</b>	<b>\$359</b>	
<b>9. Adjusted Child Support Order (Subtract noncustodial parent's line 6 from noncustodial parent's line 8)</b>		<b>\$359</b>	

# Comparison of Iowa to Pure Income Shares: One Child



# Comparison of Iowa to Pure Income Shares: Two Children



# Observations from Comparisons

- ❖ **Child-rearing expenditures as a percent of income decrease as income increases**
  - ✗ But, dollar amount increases
- ❖ **lowa does not result in a gradual and smooth decrease like Pure Income Shares does**
- ❖ **There is a credible range of estimates of child-rearing expenditures**
  - ✗ Child-rearing expenditures are estimated because many expenditures items are jointly consumed by children and adults (e.g., electricity for the home)

# Other Issues with the Iowa Version of Income Shares

- ❖ **Can't prorate child's health insurance premium between the parents and add/subtract to obligation because it results in some anomalous differences for low-income noncustodial parents**
- ❖ **Can't apply shared-parenting formulas used in other states because don't know total costs of child rearing from Iowa Charts**
- ❖ **Extended with various estimates of child-rearing expenditures from different years, different methodologies, and different assumptions**

# Treatment of Health Insurance Costs in Other Income Shares States

- ❖ **23 Income Shares states prorate costs between parents, most of these states exclude health insurance costs from schedule**
- ❖ **8 Income Shares states subtract health insurance costs from parent's income, most of these are based on old measurements of child-rearing costs and use net income**

# Iowa Chart Is Based on Multiple Sources, Various Years of Data, & Various Assumptions

Custodial Parent's Net Monthly Income	Noncustodial Parent's Net Monthly Income		
	\$800 and Below	\$801 - \$2,000	Above \$2,000
\$3,100 and Below		<i>Original Schedule</i>	
Above \$3,100			

Extensions and modifications at low incomes in 1995, 2000 and 2004

Comments, Questions, Ideas?