

PROs and CONs of PURE INCOME SHARES

CHARGE OF REVIEW COMMITTEE. The Court has charged the Committee with assessing the pros and cons of a Pure Income Shares approach for Iowa. This brief is intended to assist the Committee.

WHAT IS PURE INCOME SHARES?

The pure Income Shares calculation begins with a chart that contains average child-rearing expenditures for a range of **combined** family incomes and family sizes. The amount from the chart, relating to the parents' combined income and number of children for whom support is being determined, is placed on the guidelines worksheet. The obligated parent's share of the chart amount is then determined in the worksheet. Specifically, the obligated parent's share is his/her share of combined income multiplied by the chart amount. The chart amounts include basic child-rearing expenditures, but do not include child care or the child's health insurance premium because these amounts can vary significantly among cases. Actual child care expenses and premium costs can be addressed in the worksheet.

WHAT WOULD BE REQUIRED FOR IOWA TO SWITCH TO PURE INCOME SHARES?

1. Changing the charts
2. Changing a few lines in the worksheets

See August 10 Powerpoint presentation for the details of these changes.

PROS OF IOWA ADOPTING PURE INCOME SHARES

1. **Eliminates precipitous drops in guidelines** amount when the custodial parent's income increases (See June 15 and August 10 powerpoint presentations).
2. **Clearly shows average child-rearing expenditures** for each family income in the guidelines. The Committee received public comment that this is an issue with the current guidelines.
3. **Based on ONE data source.** The current charts are spliced together from multiple data sources and data collection years. Further, interpolations between the different data sources were made to gradually phase into one data source to the next.
4. **Consistent with other state guidelines.** Iowa's approach to Income Shares is unique. No other state uses a similar approach. Most states use pure Income Shares. It will be easier for Iowa to adopt exemplary language from other States with a proven track record of success if Iowa adopts pure Income Shares.
5. **Comports with application of viable, shared physical care formulas.** Iowa's current offset formula only works for 50-50 percent timesharing with the current charts. The offset formula and other state formulas that adjust for parenting time (e.g., 40/60% timesharing split) work with pure Income Shares charts.
6. **Positioned for apportioning other child-rearing costs between the parents.** The most equitable method for dividing health insurance premiums, child care costs, uninsured medical expenses, and other extraordinary child-rearing expenditures between the parents is to prorate those expenses between the parents. A pure Income Shares worksheet requires the determination of each parent's share of combined income, so could readily prorate these expenses.
7. **Positioned for future guidelines updates and likely changes.** If current trails prevail, families will have more income in the future, mothers will increasingly work as well as increase their earnings, and fathers will increasingly become active partners in child rearing. This will put more pressure on the charts to cover high incomes, eliminate the cliff effect that currently exists when a custodial parent increases his/her earnings, and expand the shared-parenting time adjustments to recognize joint parenting. In addition, increases in poverty levels will put more pressure to reduce the low-income amounts, which can be more readily accomplished in a pure Income Shares format.

CONS OF IOWA ADOPTING PURE INCOME SHARES

1. **Learning Curve.** Courts, DHS, family law attorneys, parents and other guidelines users and stakeholders will have to learn how the pure Income Shares calculation works.
2. **Publicity.** There could be positive and/or negative publicity about the guideline change.
3. **Automation Costs.** CPR has asked Child Support Recovery Unit (CSRU) to assist in estimating the cost of changes to the automated guidelines calculator. Building automatic guidelines calculators from scratch cost states five thousand to hundreds of thousands of dollars. Since Iowa already has a calculator and the programming code in our simulation calculation is nominal, we anticipate it will also be nominal for Iowa and the cost will be reasonable.
4. **Training Costs.** CPR has also asked for CSRU's assistance in estimating the costs of training CSRU and court staff. If the change is concurrent to other training (e.g., medical support), costs could be reduced.
5. **Timing with Other Changes.** To minimize the impact on workflow and time spent learning pure Income Shares, any guidelines changes should be coordinated with other changes that may affect CRSU, the court and the family law community.
6. **Bundling with Other Changes.** All of the above issues could be compounded when a change to pure Income Shares is combined with other changes such as: switching from gross to net income; treating the health insurance premium as an add-on to the basic child support award, and other issues.