

Committee to Review Child Support Guidelines

Impact of “Pure Income Shares” & Other Guidelines Issues

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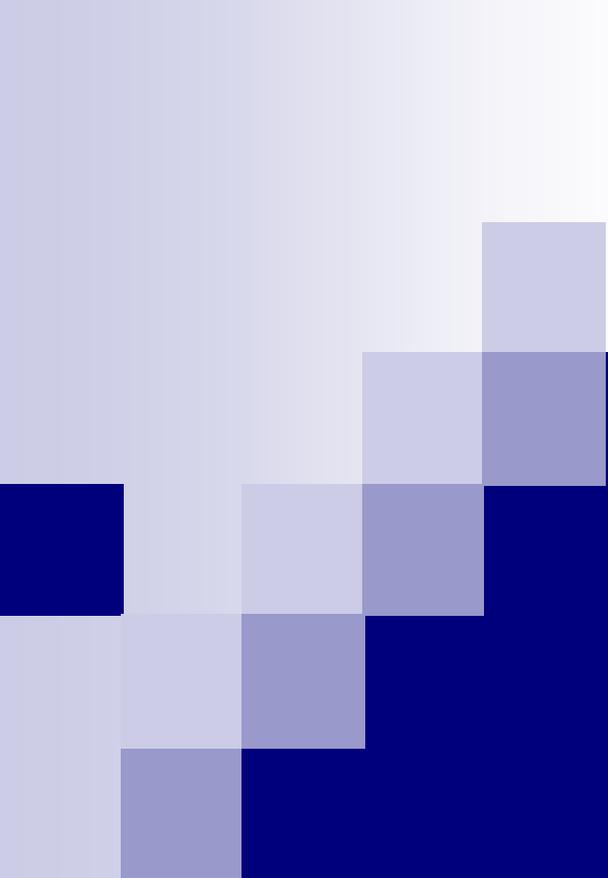
Recap of June Committee Meeting

- Reviewed economic evidence on child-rearing costs & how it's used by states to develop & update child support charts/formulas
- Reviewed lots of guidelines issues, e.g., shared-parenting time adjustment, medical support
- Followed up on last Commission's recommendation to explore "pure Income Shares"
 - Decided to explore a "net-income" version of "pure Income Shares" because it is the most stripped down version of Income Shares
 - Reserved other issues because they can be added later & some could be done w/o a pure Income Shares approach
 - Examples of provisions that could be done in either
 - prorate the health insurance premium & add it on to the child support order
 - Examples of provisions that can only be done in pure Income Shares
 - shared-parenting formulas that account for duplicated child-rearing expenditures in shared physical custody cases
 - Tables that reflect gross income

Outline

Non-Income Shares Issues

- Guidelines Provisions: Examples from Other States
 - Income Imputation (pp 5-6)
 - Definition of Overnights (pp 7-8)
 - QADD Qualified Additional Dependents Adjustment (pp 9-12)
 - Underlying premise of Income Shares (pp 13-15)
 - Variance” called “Deviation” in other states (pp 16-18)
 - Is a guidelines change grounds for a modification? (pp 19-20)
- **Why Consider “Pure Income Shares” (pp 21-26)**
- **Recommended Guidelines Changes to Accommodate Pure Income Shares (pp 32-36)**
- **Why Are There Two Alternative “Pure Income Shares Tables” (pp 37-38)**
- **Special Case of Incomes < Minimum Wage(pp 39-50)**
- **Comparisons of Current Tables to Two Options of Pure Income Shares (pp 51-50 & see attachments)**
 - Overview of comparisons
 - Side-by-side comparisons
 - Other States
- **Gross verses Net-Income Based Schedule (51-60)**
- **Next Steps (pp 61-63)**



Examples of Guidelines Provisions in Other States: Selected Issues

INCOME IMPUTATION

DISTRICT OF COLUMBIA:

Imputed Income. If the judicial officer finds that a parent is voluntarily unemployed or underemployed and that the parent's unemployment or underemployment is the result of the parent's bad faith or deliberate suppression of income to avoid or minimize his or her child support obligation, or to maximize the other parent's obligation, child support may be calculated based on the parent's imputed income. Income may not be imputed to a parent who is physically or mentally unable to work or who is receiving means-tested public assistance benefits. The judicial officer shall issue written factual findings as to the reason for imputing income and the amount of income imputed.

MAINE

Gross income may include the difference between the amount a party is earning and that party's earning capacity when the party voluntarily becomes or remains underemployed or underemployed, if sufficient evidence is introduced concerning a party's current earning capacity. In the absence of evidence in the record to the contrary, a party that is personally providing primary care for a child under the age of 3 years is deemed not available for employment. The court shall consider anticipated child care and other work-related expenses in determining whether to impute income, or how much income to impute, to a party providing primary care to a child between the age of 3 and 12 years. A party who is incarcerated in a correctional or penal institution is deemed available only for employment that is available through such institution.

SOUTH DAKOTA: REBUTTABLE PRESUMPTION OF MINIMUM WAGE

Rebuttable presumption of employment at minimum wage. Except in cases of physical or mental disability, it shall be presumed for the purposes of determination of child support that a parent is capable of being employed at the minimum wage and his child support obligation shall be computed at a rate not less than full-time employment at the state minimum wage. Evidence to rebut this presumption may be presented by either parent.

SELECTED PARAGRAPHS OF TENNESSEE'S INCOME IMPUTATION PROVISION

Imputed Income.

- (i) Imputing additional gross income to a parent is appropriate in the following situations:
 - (I) If a parent has been determined by a tribunal to be willfully and/or voluntarily underemployed or unemployed; or
 - (II) When there is no reliable evidence of income; or
 - (III) When the parent owns substantial non-income producing assets, the court may impute income based upon a reasonable rate of return upon the assets....

Once a parent that has been found to be willfully and/or voluntarily under or unemployed, additional income can be allocated to that parent to increase the parent's gross income to an amount which reflects the parent's income potential or earning capacity, and the increased amount shall be used for child support calculation purposes. The additional income allocated to the parent shall be determined using the following criteria:

- I. The parent's past and present employment; and
- II. The parent's education and training...

.....Then, in such cases, gross income for the current and prior years shall be determined by imputing annual gross income of thirty-six thousand three hundred sixty-nine dollars (\$36,369) for male parents and twenty-six thousand nine hundred eighty-nine dollars (\$26,989) for female parents. These figures represent the full time, year round workers' median gross income, for the Tennessee population only, from the American Community Survey of 2004 from the U.S. Census Bureau.

IA: “Days” means overnights spent caring for the child.

- NJ: “Overnight” means the majority of a 24-hour day.
- TN: “Days” — For purposes of this chapter, a “day” of parenting time occurs when the child spends more than twelve (12) consecutive hours in a twenty-four (24) hour period under the care, control or direct supervision of one parent or caretaker. The twenty-four (24) hour period need not be the same as a twenty-four (24) hour calendar day. Accordingly, a “day” of parenting time may encompass either an overnight period or a daytime period, or a combination thereof.

IA: “Days” means overnights spent caring for the child.

ARIZONA

Calculate the number of parenting time days arising from any block of time the child spends with the noncustodial parent in the following manner:

- A. Each block of time begins and ends when the noncustodial parent receives or returns the child from the custodial parent or from a third party with whom the custodial parent left the child. Third party includes, for example, a school or childcare provider.
- B. Count one day of parenting time for each 24 hours within any block of time.
- C. To the extent there is a period of less than 24 hours remaining in the block of time, after all 24-hour days are counted or for any block of time which is in total less than 24 hours in duration:
 1. A period of 12 hours or more counts as one day.
 2. A period of 6 to 11 hours counts as a half-day.
 3. A period of 3 to 5 hours counts as a quarter-day.
 4. Periods of less than 3 hours may count as a quarter-day if, during those hours, the noncustodial parent pays for routine expenses of the child, such as meals.

IA: Deduction for Qualified Additional Dependent: 1 child: \$135, 2 children: \$213....

- About 23 Income Shares states calculate a “dummy order” and subtract from income
- Some states try to equalize support between the two sets of children by putting a weight on the dummy order (e.g., 75% weight in W. Va.)

IA: Deduction for Qualified Additional Dependent: 1 child: \$135, 2 children: \$213....

DISTRICT OF COLUMBIA

(5) Either parent shall receive credit for additional dependent children living in the parent's home for whom the parent owes a legal duty of support. Using only the income of the parent with the additional children in the home, the basic child support obligation for the number of additional children living with that parent (from the Schedule of Basic Child Support Obligations in subsection (e)(2)) is determined for that parent. This figure is multiplied by 75% and the resulting amount is subtracted from that parent's gross income before the child support obligation is computed in the instant case.

IA: Deduction for Qualified Additional Dependent: 1 child: \$135, 2 children: \$213....

ARIZONA

An amount may be deducted from the gross income of a parent for support of natural or adopted children of other relationships not covered by a court order. The amount of any adjustment shall not exceed the amount arrived at by a simplified application of the guidelines (defined in example below).

EXAMPLE: A parent having gross monthly income of \$2,000 supports a natural or adopted minor child who is not the subject of the child support case before the court and for whom no child support order exists. To use the Simplified Application of the Guidelines, locate \$2,000 in the Combined Adjusted Gross Income column of the Schedule. Select the amount in the column for one child, \$420. The parent's income may be reduced up to \$420, resulting in an Adjusted Gross Income of \$1,580. About 23 Income Shares states calculate “dummy order” and subtract from income

IA: Deduction for Qualified Additional Dependent: 1 child: \$135, 2 children: \$213....

NORTH CAROLINA

A parent's financial responsibility for his or her natural or adopted children who currently reside with the parent (other than children for whom child support is being determined in the pending action) is (a) equal to the basic child support obligation for these children based on the parent's income if the other parent of these children does not live with the parent and children; or (b) one-half of the basic child support obligation for these children based on the combined incomes of both of the parents of these children if the other parent of these children lives with the parent and children.

Description of Income Shares Model

[Louisiana Revised Statutes §315]

Basic Principles. The premise of these guidelines as well as the provisions of the Civil Code is that child support is a continuous obligation of both parents, children are entitled to share in the current income of both parents, and children should not be the economic victims of divorce or out-of-wedlock birth. The economic data underlying these guidelines, which adopt the Income Shares Model, and the guidelines calculations attempt to simulate the percentage of parental net income that is spent on children in intact families incorporating a consideration of the expenses of the parties, such as federal and state taxes and FICA taxes. While the legislature acknowledges that the expenditures of two-household divorced, separated, or non-formed families are different from intact family households, it is very important that the children of this state not be forced to live in poverty because of family disruption and that they be afforded the same opportunities available to children in intact families, consisting of parents with similar financial means to those of their own parents.

Economic Data.

The Income Shares approach to child support guidelines incorporates a numerical schedule of support amounts. The schedule provides economic estimates of child-rearing expenditures for various income levels and numbers of children in the household.

(2) In intact families, the income of both parents is pooled and spent for the benefit of all household members, including the children. Each parent's contribution to the combined income of the family represents his relative sharing of household expenses. This same income sharing principle is used to determine how the parents will share a child support award.

Description of Income Shares Model

[West Virginia Code § 48-13-102 through 103] *Right of children to share in parents' level of living*

The Legislature recognizes that children have a right to share in their natural parents' level of living. Expenditures in families are not made in accordance with subsistence level standards, but are made in proportion to household income, and as parental incomes increase or decrease, the actual dollar expenditures for children also increase or decrease correspondingly. In order to ensure that children properly share in their parents' resources, regardless of family structure, these guidelines are structured so as to provide that after a consideration of respective parental incomes, child support will be related, to the extent practicable, to the standard of living that children would enjoy if they were living in a household with both parents present.

The guidelines promulgated under the provisions of this article take into consideration the financial contributions of both parents. The Legislature recognizes that expenditures in households are made in aggregate form and that total family income is pooled to determine the level at which the family can live. These guidelines consider the financial contributions of both parents in relationship to total income, so as to establish and equitably apportion the child support obligation.

Description of Income Shares Model

[South Carolina Child Support Guidelines]

The Income Shares Model calculates child support as the share of each parent's income which would have been spent on the children if the parents and children were living in the same household....

These guidelines and the accompanying worksheets assume that the custodial parent is spending his or her calculated share directly on the child. For the noncustodial parent, the calculated amount establishes the level of child support to be given to the custodial parent for support of the child.

TENNESSEE

The Tennessee Child Support Guidelines are based on an Income Shares Model. This model presumes that both parents contribute to the financial support of the child in pro rata proportion to the actual income available to each parent.

Iowa: Variance from the Guidelines: (1) unjust; (2) needs of child; (3) other circumstances

[West Virginia Code §48-13-702] *Disregard of formula*

- (a) If the court finds that the guidelines are inappropriate in a specific case, the court may either disregard the guidelines or adjust the guidelines-based award to accommodate the needs of the child or children or the circumstances of the parent or parents. In either case, the reason for the deviation and the amount of the calculated guidelines award must be stated on the record (preferably in writing on the worksheet or in the order). Such findings clarify the basis of the order if appealed or modified in the future.
- (b) These guidelines do not take into account the economic impact of the following factors that may be possible reasons for deviation:
 - (1) Special needs of the child or support obligor, including, but not limited to, the special needs of a minor or adult child who is physically or mentally disabled;
 - (2) Educational expenses for the child or the parent (i.e. those incurred for private, parochial, or trade schools, other secondary schools, or post-secondary education where there is tuition or costs beyond state and local tax contributions);
 - (3) Families with more than six children;
 - (4) Long distance visitation costs;
 - (5) The child resides with third party;
 - (6) The needs of another child or children to whom the obligor owes a duty of support;
 - (7) The extent to which the obligor's income depends on nonrecurring or nonguaranteed income; or
 - (8) Whether the total of spousal support, child support and child care costs subtracted from an obligor's income reduces that income to less than the federal poverty level and conversely, whether deviation from child support guidelines would reduce the income of the child's household to less than the federal poverty level.

Iowa: Variance from the Guidelines: (1) unjust; (2) needs of child; (3) foster care & other circumstances in Sect 234.39

[Maine Revised Statutes §2007(3)] Criteria for deviating from support guidelines. Criteria that may justify deviation from the support guidelines are as follows:

- A. The nonprimary residential care provider is in fact providing primary residential care for more than 30% of the time on an annual basis;
- B. The number of children for whom support is being determined is greater than 6;
- C. The interrelation of the total support obligation established under the support guidelines for child support, the division of property and an award of spousal support made in the same proceeding for which a parental support obligation is being determined;
- D. The financial resources of each child;
- E. The financial resources and needs of a party, including nonrecurring income not included in the definition of gross income;
- F. The standard of living each child would have enjoyed had the marital relationship continued;
- G. The physical and emotional conditions of each child;
- H. The educational needs of each child;
- I. Inflation with relation to the cost of living;
- J. Available income and financial contributions of the domestic associate or current spouse of each party;
- K. The existence of other persons who are actually financially dependent on either party, including, but not limited to, elderly, disabled or infirm relatives, or adult children pursuing post-secondary education. If the primary care provider is legally responsible for another minor child who resides in the household and if the computation of a theoretical support obligation on behalf of the primary care provider would result in a significantly greater parental support obligation on the part of the nonprimary care provider, that factor may be considered;
- L. The tax consequences if the obligor is awarded any tax benefits. In determining the allocation of tax exemptions for children, the court may consider which party will have the greatest benefit from receiving the allocation;
- M. Repealed. Laws 2001, c. 264, § 9.
- N. The fact that income at a reasonable rate of return may be imputed to nonincome-producing assets with an aggregate fair market value of \$10,000 or more, other than an ordinary residence or other asset from which each child derives a substantial benefit;
- O. The existence of special circumstances regarding a child 12 years of age or older, for the child's best interest, requires that the primary residential care provider continue to provide for employment-related day care;
- P. An obligor party's substantial financial obligation regarding the costs of transportation of each child for purposes of parent and child contact. To be considered substantial, the transportation costs must exceed 15% of the yearly support obligation; and
- Q. A finding by the court or hearing officer that the application of the support guidelines would be unjust, inappropriate or not in the child's best interest.

Iowa: Variance from the Guidelines: (1) unjust; (2) needs of child; (3) foster care & other circumstances in Sect 234.39

DISTRICT OF COLUMBIA

Departures: The Guideline shall be applied unless application of the Guideline would be unjust or inappropriate in the circumstances of the particular case. The propriety of any departure from the Guideline shall be justified in writing with a statement of the factors that form the basis for the judicial officer's finding that the departure is unjust or inappropriate. A transcript filed in the jacket shall suffice as a writing. The factors that may be considered to overcome the presumption are:

- (1) The needs of the child are exceptional and require more than average expenditures;
- (2) The gross income of the parent with a legal duty to pay support is substantially less than that of the parent to whom support is owed;
- (3) A property settlement provides resources readily available for the support of the child in an amount at least be equivalent to the Guideline amount;
- (4) Either parent supports a dependent, including, but not limited to, biological or adoptive children regardless of residence, step-children, or elderly relatives, other than the child at issue in the instant case, and application of the Guideline would result in extraordinary hardship;
- (5) The parent with a legal duty to pay support needs a temporary period of reduced child support payments to permit the repayment of a debt or rearrangement of his or her financial obligations; a temporary reduction may be included in a child support order if:
 - (A) The debt or obligation is for a necessary expenditure of reasonable cost in light of the parent's family responsibilities;
 - (B) The time of the reduction does not exceed 12 months; and
 - (C) The child support order includes the amount that is to be paid at the end of the reduction period and the date that the higher payments are to commence;

Can an Order Be Modified Due to a Change in Guidelines?

Louisiana

The enactment and subsequent amendment of this Part shall not for that reason alone be considered a material change in the circumstances of either parent

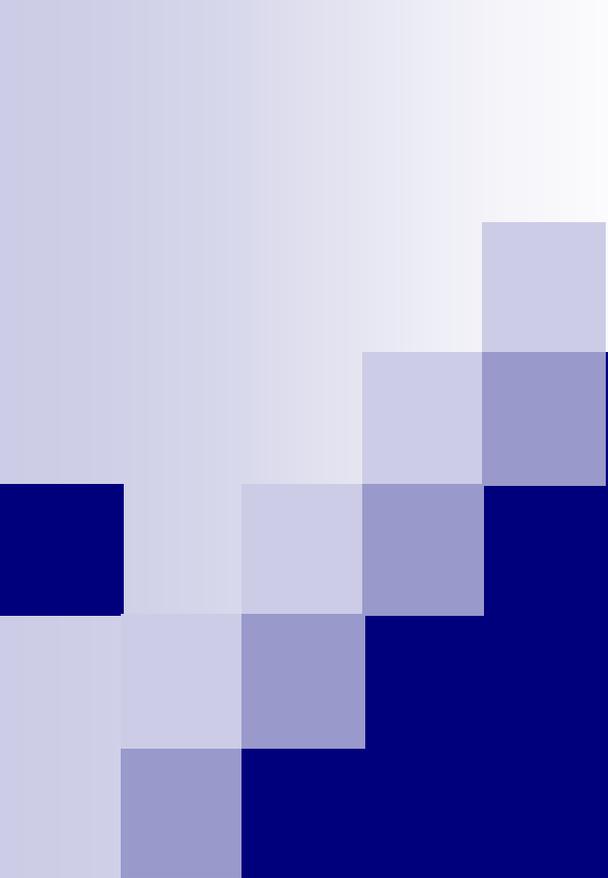
District of Columbia

If a change to the Guideline results in a support order that differs from the current order by 15% or more, the current order is subject to modification based on the revised Guideline, and no other change in circumstances need be proven.

TN Modification criteria

For all orders that were established or modified before January 18, 2005, under the flat percentage guidelines, and are being modified under the income shares provisions for the first time, a significant variance is defined as:

1. At least a fifteen percent (15%) change in the gross income of the ARP; and/or
2. At least a fifteen percent (15%) change between the amount of the current support order and the proposed amount of the obligor parent's pro rata share of the BCSO if the current support is one hundred dollars (\$100) or greater per month and at least fifteen dollars (\$15) if the current support is less than one hundred dollars (\$100) per month; or



Rationale for Consideration of Pure Income Shares

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

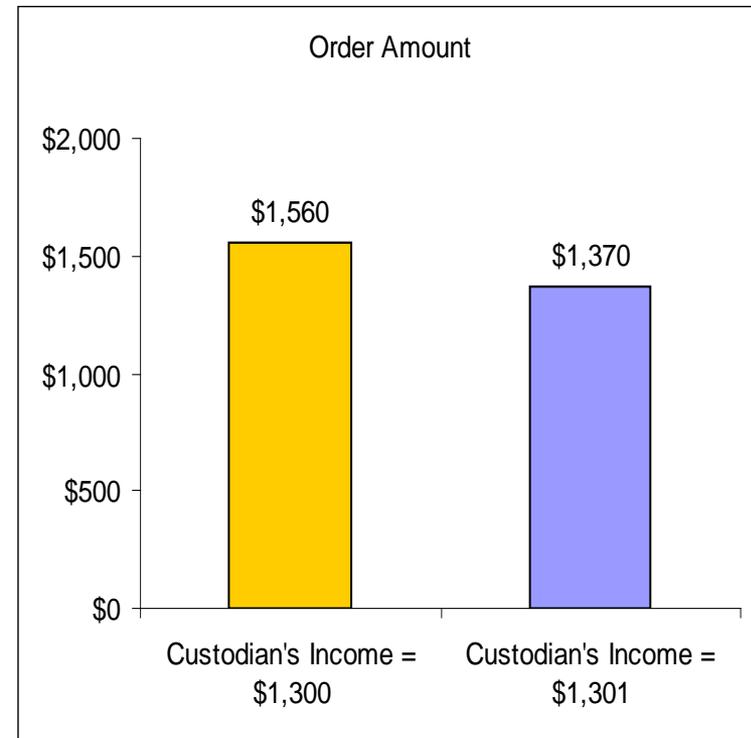
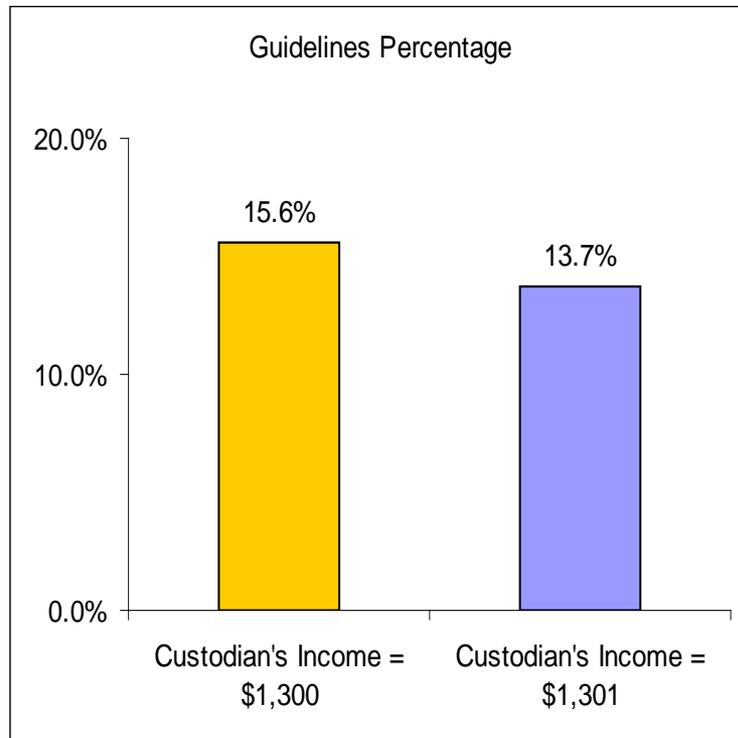
Example of Precipitous Drop in Iowa Guidelines

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



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

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

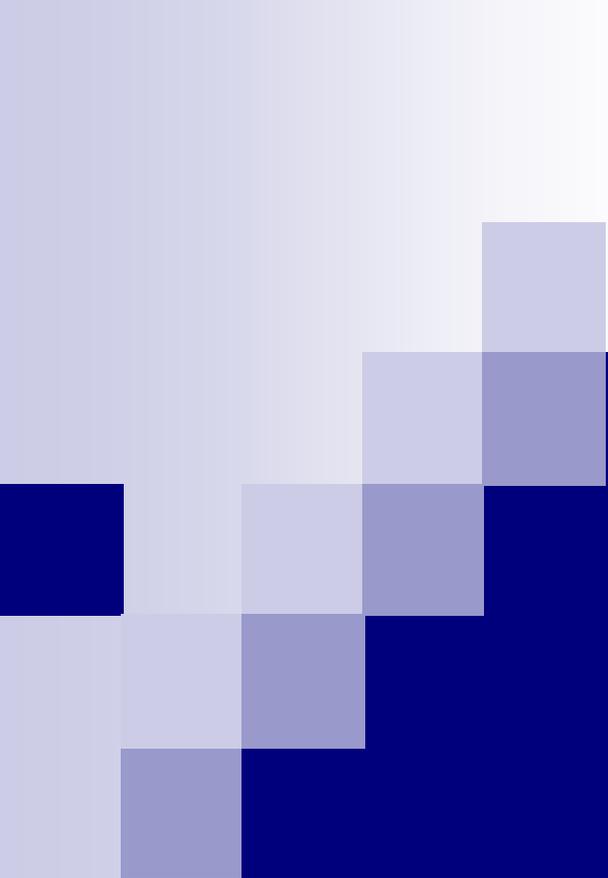
Combined Gross Income	1 Child	2 Children	3 Children	4 Children	5 Children	6 Children
1000.00	227	322	375	418	460	500
1050.00	237	336	390	435	479	521
1100.00	247	349	406	453	498	542
1150.00	257	363	422	471	518	563
1200.00	266	377	438	488	537	584
1250.00	276	391	454	506	557	606
1300.00	286	404	470	524	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 tablet for 1-6 children
- Table is based on parents' combined income
- Table contains the parents' total obligation to the child(ren)

“Pure Income Shares” Calculation

CHILD SUPPORT WORKSHEET: SOLE CUSTODY Number of Children = 3, mother is custodial parent			
	Mother	Father	Combined
1. Monthly Income	\$1,000	\$1,500	\$2,500
2. Proportional Share of Income	40%	60%	100%
3. Basic Child Support Obligation (from table)			\$806
4. Each Parent’s Obligation (multiple Line 3 by Line 2 for each parent)	\$322	\$484	

Father’s share is the amount of the child support order. It is presumed that the mother spends her share directly on the child.



Changes to Guidelines Accommodate “Pure Income Shares”

Changes to Guidelines to Accommodate “Pure Income Shares”

- 1 table replaces 5 Charts (see attachment A)
- Chapter 9: Very minor changes
 - Rule 9.2: substitute “table” for “charts”
 - Change worksheets
 - Rule 9.10 “All parties shall file a child support guidelines worksheet”....
 - No other changes necessary
 - Could, however, describe calculation in guidelines narrative like most Income Shares guidelines do
- Worksheets
 - Form 1: Change Section III
 - Form 2: Change lines I-IV
- Chapter 598: Iowa Code on Domestic Relations
 - No changes necessary

Proposed Change to Worksheet 1

Existing Worksheet 1

III. Calculation of the Guidelines Amount of Support

- | | | | |
|----|---|---------|---------|
| A. | Custodial parent's net monthly income | \$_____ | |
| | Noncustodial parent's net monthly income | | \$_____ |
| B. | Number of children for whom support is sought | | |
| | Guideline percentage: | | _____% |
| C. | Guideline amount of child support | | \$_____ |

Proposed Change (For another version see slide 25)

- | | | | |
|----|--|---------|---------|
| A. | Custodial parent's net monthly income | \$_____ | |
| B. | Noncustodial parent's net monthly income | | \$_____ |
| C. | Parents' combined income (line A + B) | | \$_____ |
| D. | Each parent's share of combined income (Line A divided by Line C for custodial parent; Line B divided by Line C for noncustodial parent) | _____% | _____% |
| E. | Number of children for whom support is sought | | _____ |
| F. | Combined basic obligation from table | | \$_____ |
| G. | Each parent's share (line D X line F) | \$_____ | \$_____ |

Proposed Change to Worksheet 2

Existing Worksheet 2

I. Noncustodial Parent's Total Net Monthly Income		\$_____	Une Med Exp% ____%
Custodial Parent's Total Net Monthly Income		\$_____	____%
II. Number of children for whom support is being determined		_____	
III. Guideline percentage		_____%	
IV. _____ X _____ -		\$_____	
Percentage	Noncustodial parent's net monthly income	Guideline amount of child support	

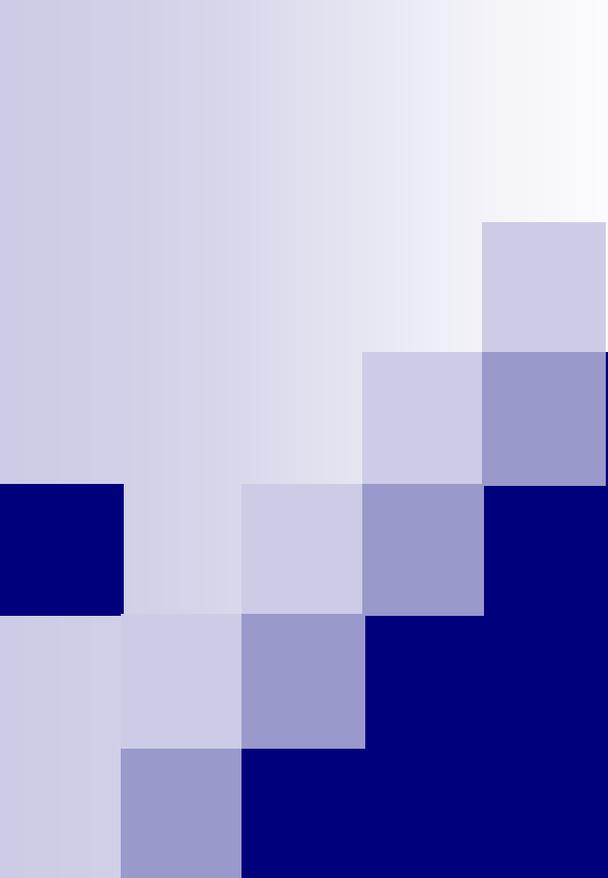
Proposed Change (see slide 25 for an alternative)

I. Custodial parent's total net monthly income		\$_____	Une Med Exp% ____%
II. Noncustodial parent's total net monthly income		\$_____	____%
III. Parents' combined income (line I +II2)		\$_____	
IV. Noncustodial parent's share (Line II divided by line III)		____%	
V. Number of children for whom support is sought		_____	
VI. Combined basic obligation from table		\$_____	
VII. Noncustodial Parent's Guideline amount of child support (Line IV X Line VI)		\$_____	

Example of Explanation of Income Shares Calculation in Guidelines Narrative

District of Columbia

- (e) Basic child support obligation. The basic child support obligation shall be determined in accordance with the Schedule of Basic Child Support Obligations in subsection (2) of this section. The basic child support obligation shall be divided between the parents in proportion to their respective adjusted gross incomes.
- (g) Calculation of Basic Child Support Obligation (Worksheet A) Except in cases of Shared Physical Custody as defined in section (o), Worksheet A found in section (u) shall be used in conjunction with the following steps to calculate the basic child support obligation to be paid by the parent with a legal duty to pay support.
- (1) Determine each parent's adjusted gross income according to section (d-1)
 - (2) Using the parents' combined adjusted gross income, locate the basic child support obligation from the Schedule of Child Support Obligations in subsection (e)(2).
 - (3) Calculate each parent's percentage share of combined adjusted gross income by dividing each parent's adjusted gross income by the combined adjusted gross income.
 - (4) Multiply the basic child support obligation from step 2 by each parent's percentage share of combined adjusted gross income from step 3 to determine each parent's share of the basic child support obligation. When the parents do not have Shared Physical Custody as defined in subparagraph (o) below the parent with whom the child does not primarily reside shall be the parent with a legal duty to pay support. The parent with a legal duty to pay support shall pay his or her share of the basic child support obligation to the other parent. Additional costs, if any, for health insurance premiums, extraordinary medical expenses, and child care shall be added to this amount according to subsections (h) through (j). The parent with whom the child primarily resides shall be presumed to spend his or her share directly on the child.



2 Options of Pure Income Shares

Why 2 table options?

- One option based on “Rothbarth” estimates of child-rearing expenditures
 - *Merit:* What most states use
 - *Limitation:* Known to understate actual child-rearing expenditures
- Other option based on Average of “Rothbarth” and “Engel” estimates of child-rearing expenditures
 - *Merit:* Rothbarth and Engel are, respectively, considered the lower and upper bound of credible estimates of child-rearing expenditures. Their average should be close to actual child-rearing expenditures.
 - *Limitation:* Higher than most state guidelines, GA is only state to use average, no state uses new “Engel” estimates

Estimates of Child-Rearing Expenditures Underlying State Guidelines

	van der Gaag	Espenshade/ Engel	Betson/Rothbarth			Average of Betson/Rothbarth-Engel	USDA
			1 st study	2 nd Study	3 rd Study	2 nd Study	
Year of Study	1981	1984	1990	2001	2006	2001	Annual
Approx. Number of States Basing Guideline on Study	5*	7**	14	10	NC and 2 states proposed	GA –effective 2007	MN-adjusted effective 2007
Years of survey data	Various years	1972-73	1980-86	1996-99	1998-2006	1996-99	1990-92

Green: sources of Iowa's current tables

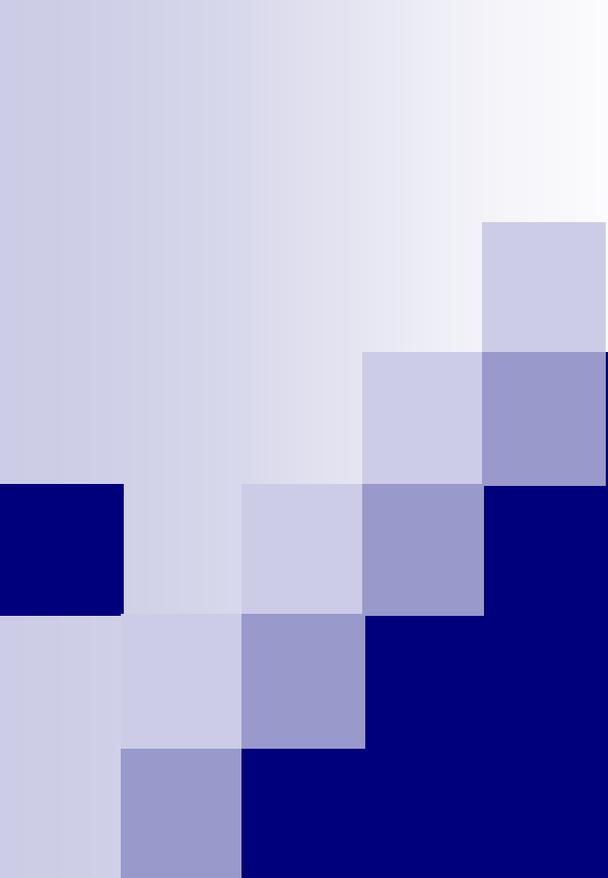
Purple: source of Iowa's proposed Pure Income Shares Tables

Extension of Iowa Table over Time

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			

Economic Source of Iowa Tables

- 1984: unknown source
- 1987-88 changes: likely incorporated 1984 Espenshade-Engel estimates but to do not totally track
- 1995 extension based on 1990 Betson-Rothbarth estimates
 - CP net incomes above \$3,100
 - NCP net incomes above \$2,000
- 2000 modifications: Policy decision to reduce amounts for NCP income below \$800
- 2004 extension: extend up to \$6,000 to \$10,000 net with 2000 Betson-Rothbarth estimates



Incomes below \$1,000

Why do we need to talk about \$1,000 or less separately?

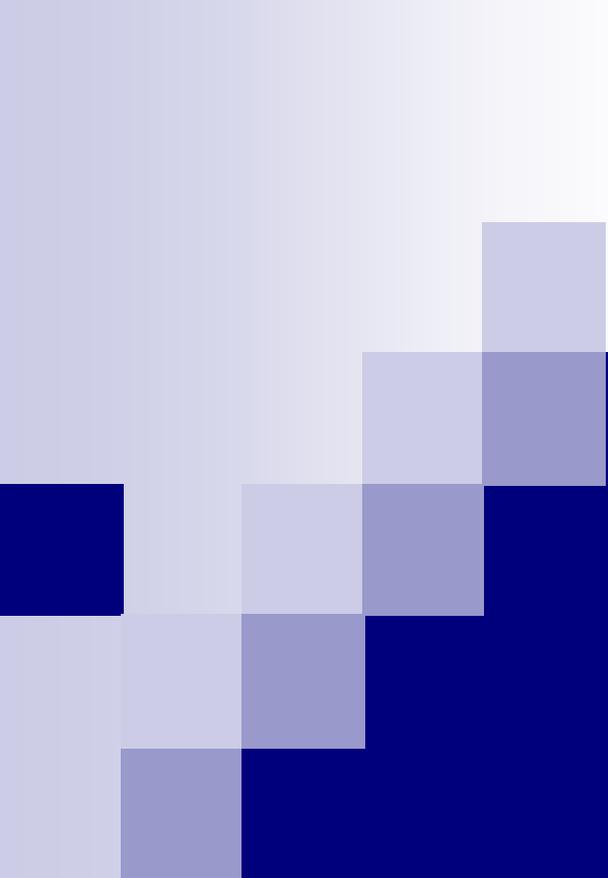
- There are six income brackets below \$1,000 net month in the current schedule
- Federal poverty for 1 person is \$851 net (\$972 gross)

Recent min wage changes are substantial

- Iowa minimum wage: \$6.20 (current) \$7.25 (eff. 1/2008)
- Federal minimum wage: \$7.25 eff. Summer 2009
 - \$6.20 hr, F-T Monthly: \$1,075 gross, \$931 net
 - \$7.25 hr, F-T monthly: \$1,257 gross, \$1,073 net

Questions for Committee

- *What is the appropriate order amount for a payor who earns less than f-t minimum wage earnings?*
- *At what incomes should minimum orders (e.g., \$50 for 1 child: \$75 for 2 children) apply?*
- *Are current order amounts appropriate for payors receiving disability, working p-t because they are students & other circumstances where the payor earns less than f-t min. wage earnings? If so, should we just keep these amounts?*



Comparisons



3 sets of comparisons

1. Side-by-side comparisons (Attachment B)
2. State comparisons (Attachment C)
3. Gross-income comparisons (Slides 52-54)

Caveats in Comparisons

- Start comparisons at \$1,000 because order amounts at low-income should be a policy decision
- In the comparisons, “Current Iowa” does not consider adjustments for income due to:
 - Medical insurance premium
 - Affiant’s unreimbursed medical expenses
 - Child care expenses
 - Qualified additional dependents
 - Other deductions to income
- Gross-income guidelines (MN, MO, WI) are converted to net by backing net income to gross using 2007 Federal and Iowa income tax and FICA, not MN, MO & WI taxes
- Modification Thresholds
 - Court Orders: +/- 10% change in order amount
 - Administrative Orders: +/-20% change in order amounts
 - Office of Child Support Enforcement publication on the impact of modification thresholds
 - <http://www.acf.hhs.gov/programs/cse/pol/IM/2007/im-07-04.htm>

Excerpt of Side-by-Side Comparisons (see Attachment B for full comparisons)

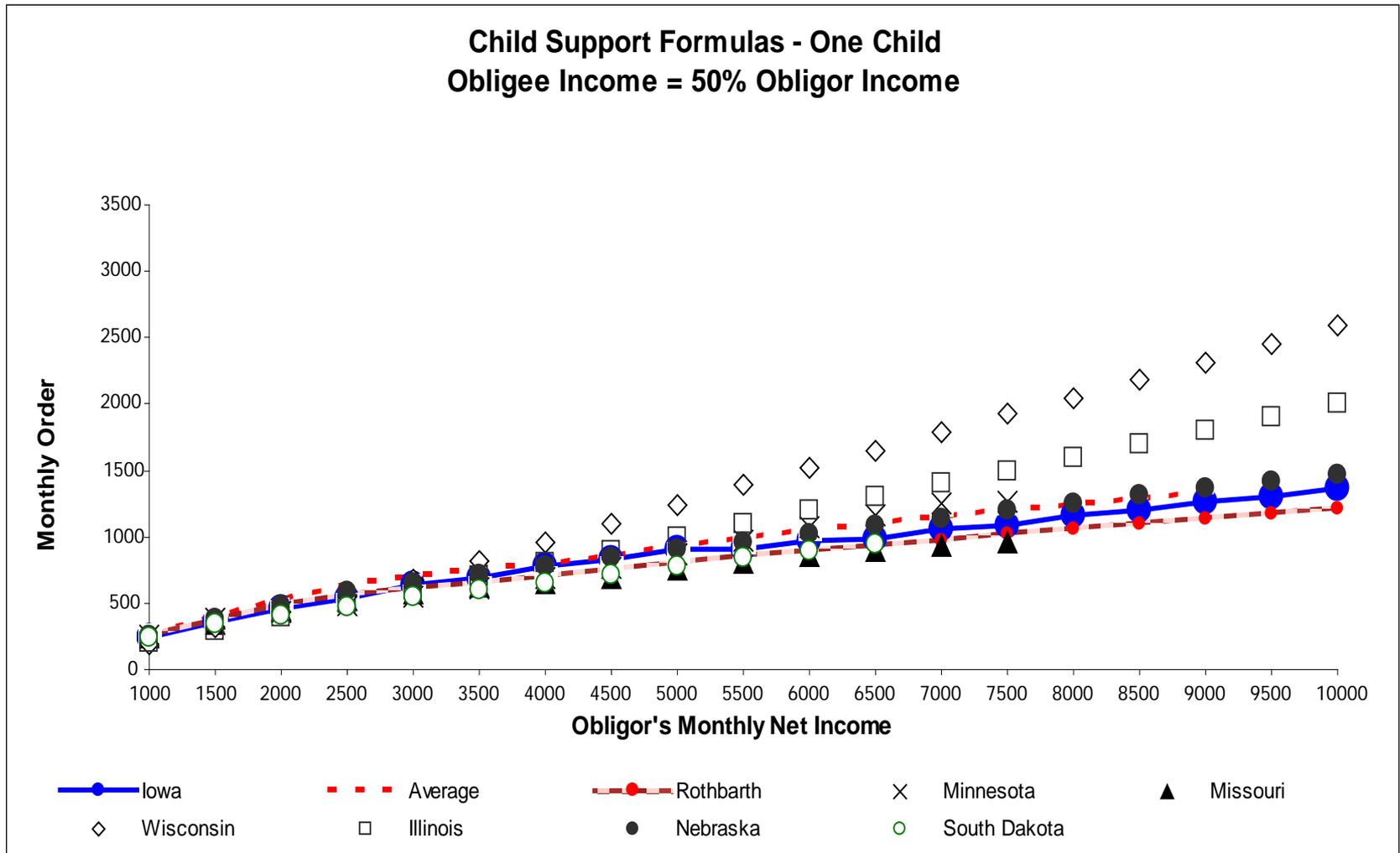
	1001-2000			2001-3000			3001-4000			4001-5000			5001-6000			6001-7000		
	Cur.	Avg.	Roth.															
\$0 - 100	25.8	27.2	19.5	24.3	26.6	24.2	21.9	26.1	22.7	19.9	23.1	20.0	18.0	21.0	18.1	17.0	18.9	16.9
101 - 200	25.5	27.2	24.2	24.1	26.6	24.2	21.7	25.9	22.4	19.9	22.9	19.7	17.9	20.7	18.0	17.0	18.9	16.8
201 - 300	25.1	27.1	24.2	23.8	26.5	24.2	21.5	25.5	22.1	19.8	22.7	19.5	17.9	20.4	17.8	16.9	18.9	16.7
301 - 400	24.8	27.1	24.3	23.6	26.5	24.2	21.3	25.1	21.8	19.8	22.5	19.3	17.9	20.2	17.7	16.9	18.9	16.6
401 - 500	24.5	27.1	24.3	23.3	26.4	24.1	21.1	24.7	21.6	19.7	22.4	19.1	17.8	19.9	17.6	16.9	18.8	16.5
501 - 600	24.2	27.1	24.3	23.1	26.4	23.9	20.9	24.4	21.4	19.7	22.2	18.9	17.8	19.6	17.5	16.8	18.8	16.5
601 - 700	23.8	27.1	24.2	22.9	26.3	23.7	20.7	24.1	21.2	19.6	22.0	18.7	17.7	19.4	17.4	16.8	18.8	16.4
701 - 800	23.5	27.0	24.2	22.6	26.2	23.6	20.5	23.8	20.9	19.6	21.9	18.5	17.6	19.1	17.3	16.8	18.8	16.3
801 - 900	23.2	26.9	24.2	22.4	26.2	23.4	20.3	23.6	20.6	19.5	21.7	18.4	17.6	19.0	17.1	16.8	18.7	16.2
901 - 1000	22.8	26.9	24.2	22.1	26.1	23.0	20.1	23.3	20.3	19.5	21.3	18.2	17.6	19.0	17.0	16.7	18.6	16.1
1001 - 1100	22.5	26.8	24.2	21.9	26.1	22.7	19.9	23.1	20.0	19.4	21.0	18.1	17.5	18.9	16.9	16.7	18.5	16.0
1101 - 1200	22.5	26.7	24.2	21.7	25.9	22.4	19.9	22.9	19.7	19.3	20.7	18.0	17.4	18.9	16.8	16.7	18.4	16.0
1201 - 1300	22.5	26.7	24.2	21.5	25.5	22.1	19.8	22.7	19.5	19.2	20.4	17.8	17.4	18.9	16.7	16.6	18.3	15.9
1301 - 1400	22.5	26.7	24.2	21.3	25.1	21.8	19.8	22.5	19.3	19.2	20.2	17.7	16.6	18.9	16.6	15.4	18.3	15.8
1401 - 1500	22.5	26.6	24.2	21.1	24.7	21.6	19.7	22.4	19.1	19.1	19.9	17.6	16.6	18.8	16.5	15.4	18.2	15.7
1501 - 1600	22.5	26.6	24.2	20.9	24.4	21.4	19.7	22.2	18.9	19.0	19.6	17.5	16.5	18.8	16.5	15.3	18.1	15.7
1601 - 1700	22.5	26.5	24.2	20.7	24.1	21.2	19.6	22.0	18.7	18.9	19.4	17.4	16.4	18.8	16.4	15.3	18.0	15.6
1701 - 1800	22.5	26.5	24.2	20.5	23.8	20.9	19.6	21.9	18.5	18.8	19.1	17.3	16.4	18.8	16.3	15.2	18.0	15.5
1801 - 1900	22.5	26.5	24.1	20.3	23.6	20.6	19.5	21.7	18.4	18.8	19.0	17.1	16.3	18.7	16.2	15.2	17.9	15.5
1901 - 2000	22.5	26.4	24.0	20.1	23.3	20.3	19.5	21.3	18.2	18.7	19.0	17.0	16.2	18.6	16.1	15.2	17.8	15.4

Note that “Average” & “Rothbarth” are converted to format of Current guideline for side-by-side comparisons only. Actual format of “Average” is in Attachment A.

Guidelines of Bordering States

	Net or Gross	Guidelines Model	Underlying Economics	Notes
Illinois	Net	% of obligor income	???	
Wisc.	Gross	% of obligor income	Van der gaag (1982)	Very high deviation rate
South Dakota	Net	Income shares	Rothbarth (1980-86) w/ adjustments for SD's low income	Most useful benchmark for Iowa
Nebraska	Net	Income shares	Rothbarth (1996-98 prelim)	
Missouri	Gross	Income shares	Rothbarth (1996-99)	Issues w/ gross-net income conversion & 10% visitation credit
Minn.	Gross	Income shares	USDA	Very new (effective January 2007)

Comparisons: 1 Child, Oblige Income = 50% Obligor Income (See Attachment C for Actual Amounts)

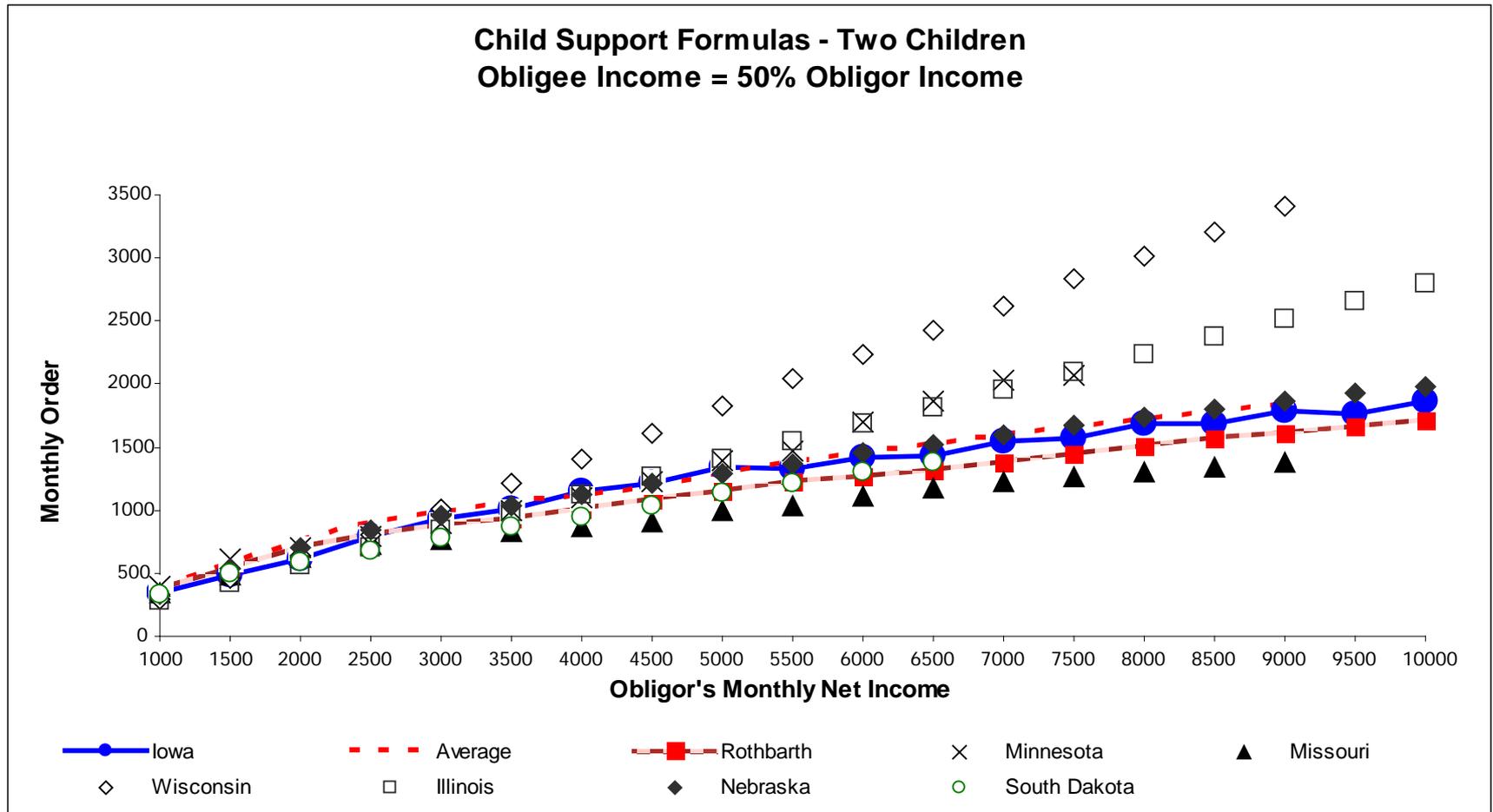


Comparisons: 1 Child, Oblige Income = 50% Obligor Income (See Attachment C for Other Scenarios)

Obligor's Net Monthly Income	Iowa	Average	Rothbarth	Illinois	Minnesota	Missouri	Nebraska	South Dakota	Wisconsin
1000	243	271	251	200	257	242	257	238	198
1500	353	401	370	300	380	349	377	344	313
2000	456	529	487	400	438	447	487	406	431
2500	538	642	560	500	489	525	581	474	550
3000	633	700	612	600	553	569	646	545	683
3500	686	768	655	700	618	621	711	607	821
4000	780	795	708	800	688	645	775	656	959
4500	828	851	759	900	771	693	838	719	1098
5000	910	930	809	1000	863	755	901	783	1239
5500	902	990	860	1100	965	807	962	842	1386
6000	966	1046	892	1200	1067	851	1023	896	1518
6500	982	1097	927	1300	1160	891	1083	950	1651
7000	1057	1148	971	1400	1253	928	1142		1784
7500	1088	1197	1018	1500	1270	954	1200		1930
8000	1160	1241	1066	1600			1256		2049
8500	1199	1286	1105	1700			1311		2182
9000	1269	1330	1140	1800			1365		2315
9500	1302	1375	1176	1900			1417		2453
10000	1370	1416	1211	2000			1467		2597

###	10-14% change
###	15-19% change
###	20% or more change

Comparisons: 2 Children, Oblige Income = 50% Obligor Income (See Attachment C for Actual Amounts)



Comparisons: 2 Children, Oblige Income = 50% Obligor Income (See Attachment C for Other Scenarios)

MONTHLY CHILD SUPPORT ORDERS - TWO CHILDREN

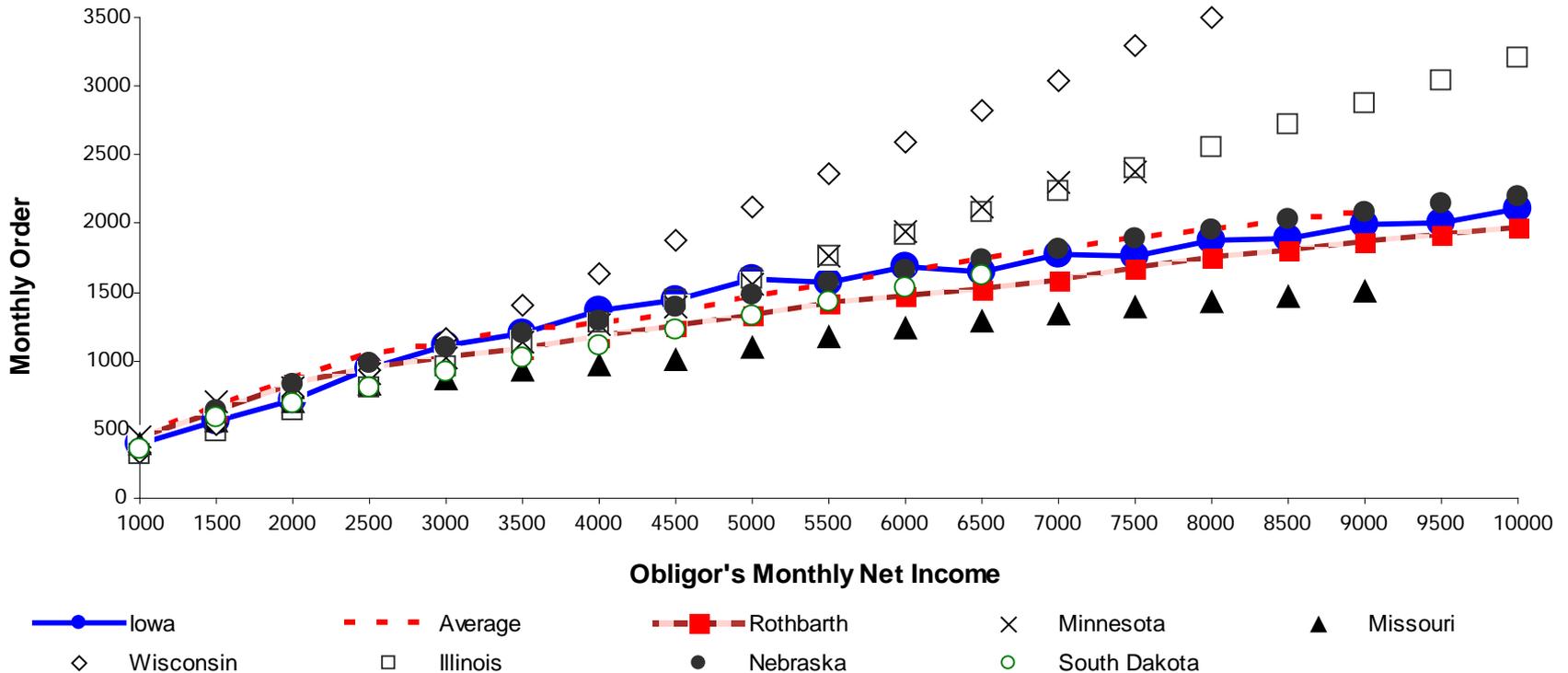
Oblige Income = 50% of Obligor Income

Obligor's Net Monthly Income	Iowa	Average	Rothbarth	Illinois	Minnesota	Missouri	Nebraska	South Dakota	Wisconsin
1000	343	388	364	280	396	341	327	333	291
1500	483	571	536	420	613	488	538	498	460
2000	614	750	705	560	708	620	703	586	634
2500	790	907	808	700	789	726	843	682	809
3000	930	981	877	840	897	771	952	784	1004
3500	1005	1072	937	980	993	831	1039	873	1208
4000	1144	1106	1008	1120	1095	863	1125	948	1411
4500	1220	1182	1081	1260	1228	911	1209	1040	1615
5000	1340	1292	1150	1400	1394	1001	1291	1133	1823
5500	1326	1374	1223	1540	1463	1031	1372	1218	2038
6000	1416	1452	1269	1680	1697	1117	1450	1297	2233
6500	1437	1524	1317	1820	1863	1174	1526	1375	2429
7000	1547	1596	1376	1960	2029	1225	1599		2623
7500	1575	1663	1444	2100	2070	1268	1670		2838
8000	1680	1722	1511	2240		1303	1738		3013
8500	1683	1780	1566	2380		1342	1803		3209
9000	1782	1839	1615	2520		1381	1865		3405
9500	1767	1897	1664	2660			1923		3607
10000	1860	1952	1713	2800			1978		3819

10-14% change
 ### 15-19% change
 ### 20% or more change

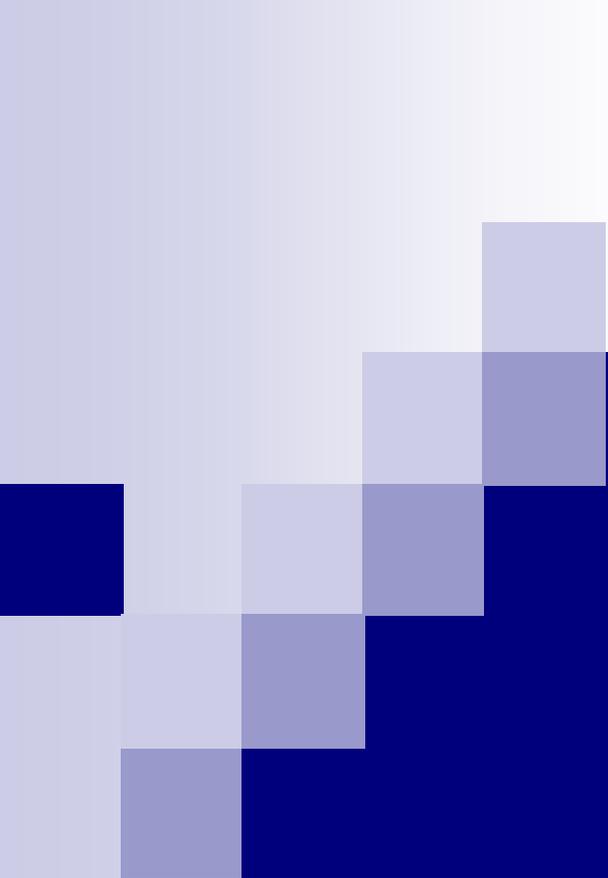
Comparisons: 3 Children, Oblige Income = 50% Obligor Income (See Attachment C for Actual Amounts)

**Child Support Formulas - Three Children
Oblige Income = 50% Obligor Income**



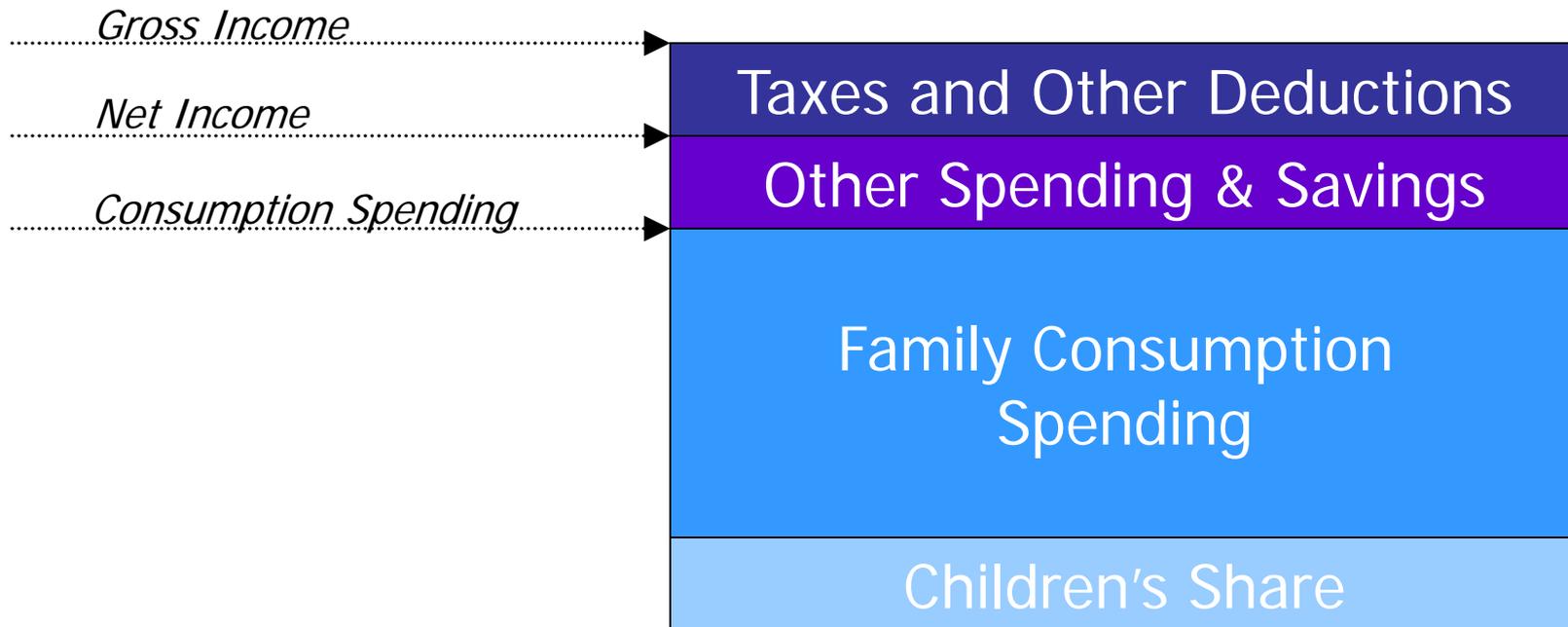
Observations from Comparisons

- “Rothbarth” tracks closer to “Current” for 1 child
- “Average” tracks closer to “Current” for 2 or more children
- “Average” tracks closest to Nebraska
- Both the “Average” and “Rothbarth” result in some decreases when Custodian Parent’s income is high



Gross Income

Family Consumption and Income



Alternative Treatments of Taxes in Pure Income Shares Approach

1. Gross income: taxes are backed out using Employer Withholding formulas assuming single tax payor status (23 states)
2. Gross income: taxes are backed out using Employer Withholding formulas assuming married with # of children for whom support is being determined (District of Columbia)
3. Net Income (11 Income Shares states, but most start with gross income & use automated calculator for conversion)
4. Vermont's approach
5. Gross-income based table and divide child-related tax credit between parents (every other year, divide by the number of children)

Typical Tax Assumption in Pure Income Shares: Schedule Is Backed into Gross Income

Hidden Net Income Column	Combined Gross Income		One Child	Two Children	Three Children	Four Children	Five + Children
2035.00	2500.00		510	712	821	916	1007
2073.67	2550.00		518	724	834	930	1023
2112.35	2600.00		527	735	847	945	1039
2151.02	2650.00		536	747	860	959	1055
2189.70	2700.00		544	758	873	973	1070
2228.37	2750.00		553	770	886	987	1086
2267.05	2800.00		561	781	898	1002	1102
2303.26	2850.00		569	792	911	1015	1117
2336.93	2900.00		577	802	922	1028	1130
2370.61	2950.00		584	812	933	1040	1144
2404.28	3000.00		592	822	945	1053	1159
2437.96	3050.00		600	833	957	1067	1174
2471.63	3100.00		608	844	970	1081	1190
2505.31	3150.00		616	855	982	1095	1205
2538.98	3200.00		624	866	995	1109	1220

Taxes: Example of Vermont's Standardized Net

Step 1:
Find each
parent's
after tax
income

Gross Monthly Income	Custodial Parent After Tax Income					Noncustodial Parent After Tax Income
	One Child	Two Children	Three Children	Four Children	Five Children	
2500	2231	2422	2461	2488	2514	2063
2550	2265	2454	2494	2523	2549	2102
2600	2304	2483	2527	2559	2585	2140
2650	2342	2511	2560	2595	2621	2179
2700	2381	2539	2593	2630	2656	2218
2750	2420	2567	2627	2665	2692	2256
2800	2459	2595	2660	2699	2727	2295
2850	2497	2623	2693	2732	2763	2334
2900	2536	2658	2733	2771	2805	2372
2950	2575	2697	2776	2815	2851	2411
3000	2613	2735	2820	2859	2897	2450

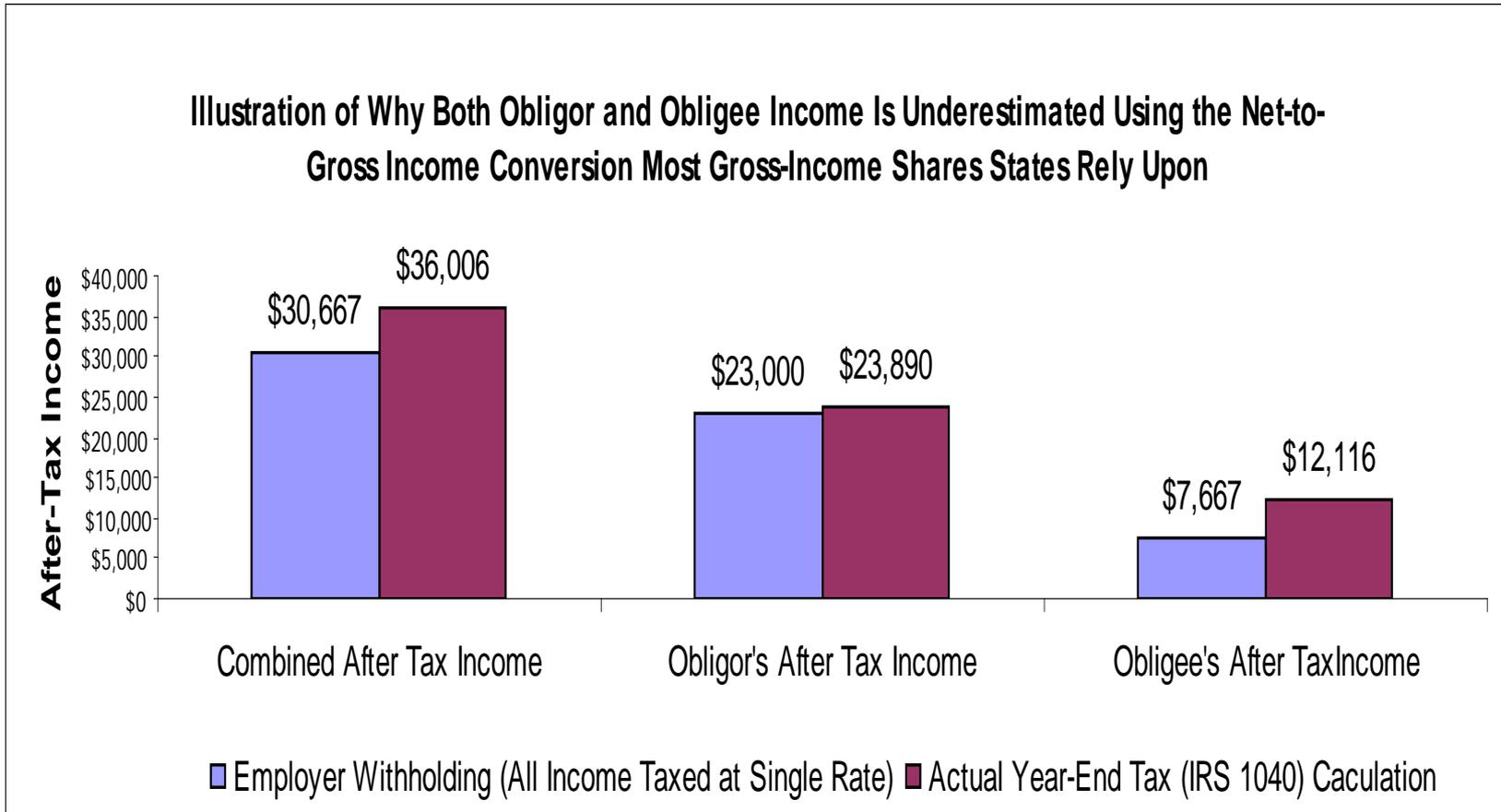
Step 2: Plug
combined
after tax
income into
schedule

Combined Monthly Net Income	One Child	Two Children	Three Children	Four Children	Five Children
	2500.00	615	854	980	1093
2550.00	627	870	999	1114	1225
2600.00	639	886	1018	1135	1248
2650.00	651	903	1036	1155	1271
2700.00	662	919	1055	1176	1294
2750.00	674	935	1073	1197	1316
2800.00	686	952	1092	1218	1339

IRS Tax Publications and Their Use in Child Support Guidelines

	IRS Circular E (Employer Withholding)	1040 Year-End Individual Filings
Use in State Guidelines	<ul style="list-style-type: none"> ■ Most gross-income guidelines are actually “standardized net” based on Circular E ■ Most net-income guidelines calculators use Circular E 	<ul style="list-style-type: none"> ■ The parties’ 1040 is preferred by most net-income guidelines, but not typically provided.
Head of Household	Formula is the same for single	Head of household and single formulas differ
EITC	Only partially advanced to families with children	Full EITC
Child Tax Credit	Not advanced	Full credit

Example of How Simplifying Example Understates Actual After-Tax Income



Gross Income Comparisons: Custodial Parent's Income = \$0

CASE EXAMPLES: Custodian's Income Equals \$0										
Noncustodian's Gross Income	Custodian's Gross Income	One Child			Two Children			Three Children		
		Iowa	Average	Rothbarth	Iowa	Average	Rothbarth	Iowa	Average	Rothbarth
1000	0	221	239	224	321	342	327	375	398	398
1500	0	324	341	316	466	488	461	545	566	545
2000	0	417	437	403	601	624	586	702	724	691
2500	0	509	529	488	734	754	707	859	874	833
3000	0	567	619	572	833	881	828	996	1021	975
3500	0	651	706	654	956	1002	947	1144	1162	1116
4000	0	727	782	722	1068	1109	1046	1277	1285	1231
4500	0	722	854	778	1062	1210	1121	1270	1402	1315
5000	0	789	926	817	1161	1312	1178	1388	1520	1382
5500	0	857	972	851	1260	1372	1228	1506	1584	1441
6000	0	840	1003	887	1232	1408	1277	1472	1617	1497
6500	0	900	1040	912	1321	1458	1310	1579	1672	1530
7000	0	961	1079	934	1409	1510	1337	1685	1729	1557
7500	0	993	1117	959	1459	1561	1372	1741	1786	1597
8000	0	1050	1156	985	1542	1613	1408	1839	1844	1637
8500	0	1110	1176	1016	1631	1639	1450	1946	1872	1685
9000	0	1088	1188	1049	1615	1653	1495	1845	1885	1735
9500	0	1145	1200	1081	1701	1667	1540	1943	1898	1786
10000	0	1203	1232	1112	1786	1711	1585	2041	1947	1838

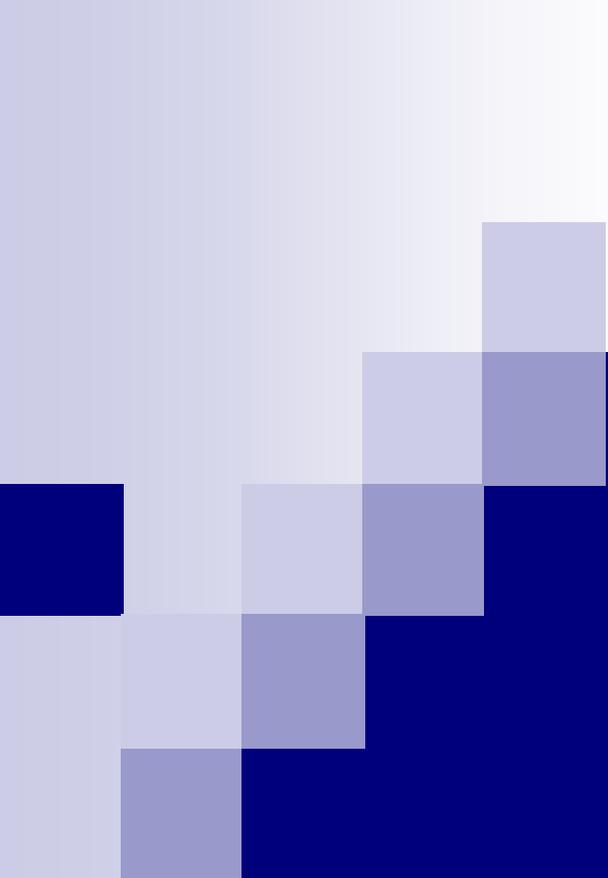
Gross Income Comparisons: Custodial Parent's Income = 50%

CASE EXAMPLES: Custodian's Income is 50% Noncustodian's Income

Noncustodian's Gross Income	Custodian's Gross Income	One Child			Two Children			Three Children		
		Iowa	Average	Rothbarth	Iowa	Average	Rothbarth	Iowa	Average	Rothbarth
1000	500	210	227	211	298	325	307	348	378	363
1500	750	298	323	297	413	460	431	472	534	508
2000	1000	368	413	381	496	587	552	580	681	650
2500	1250	444	496	460	592	704	666	691	816	785
3000	1500	497	569	519	723	807	747	864	935	877
3500	1750	560	638	556	814	902	802	974	1045	941
4000	2000	613	669	591	891	939	852	1054	1078	998
4500	2250	643	706	615	940	989	882	1117	1133	1028
5000	2500	696	745	640	1019	1041	915	1210	1191	1065
5500	2750	751	780	666	1098	1088	952	1303	1243	1107
6000	3000	764	792	699	1115	1102	997	1322	1257	1157
6500	3250	814	804	731	1182	1116	1041	1402	1270	1208
7000	3500	859	857	762	1253	1190	1086	1487	1355	1259
7500	3750	814	910	793	1193	1264	1128	1418	1440	1307
8000	4000	860	948	824	1261	1317	1172	1499	1499	1357
8500	4250	910	985	855	1333	1367	1217	1585	1555	1411
9000	4500	912	1021	880	1337	1417	1252	1528	1610	1451
9500	4750	961	1054	896	1408	1463	1274	1609	1662	1476
10000	5000	1009	1082	915	1479	1503	1300	1690	1709	1505

Gross Income Comparisons: Custodial Parent's Income = Noncustodial Parent's Income

CASE EXAMPLES: Custodian's Income Equals Noncustodian's Income										
Noncustodian's Gross Income	Custodian's Gross Income	One Child			Two Children			Three Children		
		Iowa	Average	Rothbarth	Iowa	Average	Rothbarth	Iowa	Average	Rothbarth
1000	1000	197	219	202	267	312	293	311	362	346
1500	1500	282	310	286	376	440	414	439	511	488
2000	2000	363	391	361	484	554	523	565	643	616
2500	2500	428	463	409	592	656	589	691	760	691
3000	3000	459	502	443	671	704	639	799	809	748
3500	3500	522	539	467	765	755	668	911	864	778
4000	4000	574	578	492	842	806	704	1000	922	819
4500	4500	597	594	524	872	827	748	1028	942	867
5000	5000	638	616	556	930	855	792	1099	974	919
5500	5500	681	669	587	980	930	835	1156	1059	968
6000	6000	671	711	618	983	988	879	1169	1124	1018
6500	6500	719	748	649	1054	1038	924	1253	1180	1071
7000	7000	767	783	668	1125	1086	950	1337	1234	1101
7500	7500	814	812	686	1193	1127	975	1418	1282	1129
8000	8000	860	841	710	1261	1168	1008	1409	1328	1165
8500	8500	878	870	736	1266	1209	1043	1490	1375	1205
9000	9000	891	897	762	1284	1246	1081	1465	1417	1249
9500	9500	938	922	789	1352	1279	1119	1542	1454	1293
10000	10000	985	947	815	1361	1312	1155	1549	1490	1334



Next Steps

CPR Tasks

Task 1: Review current costs of child-rearing and compare to existing Iowa Table	Done
Task 2: Graphical & Tabular Comparisons of Iowa Guidelines to Neighboring States	Done
Task 3: Outline Pros and Cons of Pure Income Shares Guidelines Table	To be completed
Task 4: Update Analysis of the Treatment of the Health Insurance Premium	To be completed
Task 5: Analysis of Alternative Changes to the Shared-Parenting Adjustments	To be completed
Task 6: 3 On-site presentations	2 meetings
Task 7: Assistance with new federal medical support rules	To be completed
Task 8: Optional Assistance (at Request, at cost)	Little (e.g. , gross income comparisons)

Next Steps

- What more do you need to know about pure Income Shares?
 - What do you think of basing it on gross income?
- Are you ready to look at examples of prorating the health insurance?
 - If so, should basis be current guideline or pure Income Shares?
 - How does this tie to new federal medical support requirements, specifically with cash medical support?
- Are you ready for specifics on the shared-parenting time adjustment (offset with 150% multiplier)?
 - If so, should basis be pure Income Shares or should we explore if feasible with current guideline?
- Other