

# Child Support Task Force: Decisions Recap, Self-Support Reserve Language and Adjustments for Nonjoint Children

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# Task Force Decisions Recap

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- Guidelines Model
  - **Income Shares**, decided April 2017, confirmed September 2017
- Highly Variable Expenses
  - **Excluded from table**, decided April 2017
- Adjustments for Parenting Time
  - **Will use new PEA**, decided May 2017
- Adjustments for State Cost of Living
  - **Not necessary for MN**, decided June 2017

# Task Force Decisions Recap

- Price Levels
  - 2017 CPI levels, decided September 2017
- Economic Model
  - USDA “subject to adjustments”, decided October 2017
- Families that Spend More/Less of Their Income
  - Not an issue with USDA measurements, decided October 2017
- Adjustments for More than 3 Children
  - Dr. Venohr’s lesser multipliers/Amy Anderson’s adjustments, decided December 2017 and December 2018

# Task Force Decisions Recap

- Low Income Adjustment and Minimum Order
  - Adopt Amy Anderson's low income adjustment within the table and minimum order amounts decided November and December 2018
- Self-Support Reserve
  - Apply to both parents, decided August 2018 and December 2018
  - SSR will be 120% FPG, decided November 2018
- Tax Assumptions and Adjustments
  - None needed since USDA are based on gross income
  - Group agreed to look into *standardized* tax adjustment options in October 2017.

# Task Force Decisions Recap

- Tax Assumptions and Adjustments cont.
  - **No tax adjustment in the table**, decided December 2017, confirmed November 2018
- Adjustments at High Incomes
  - **Will extend the table to combined monthly income of \$30,000**, decided December 2018
- Adjustments for Nonjoint Children
  - **SSR will be deducted from PICS, not gross income**, decided February 2019
  - **Will not limit deduction for nonjoint children in the home at two**, decided February 2019

# Task Force Decisions Recap

- Planning Ahead:
  - Unless extended by the legislature, task force will expire on June 30, 2019
  - Task force will focus on completing the issues of Adjustments for Nonjoint Children and Simultaneous Orders\*, decided February 2019
- \* If no objection, Non-Nuclear Families is probably the best issue to tackle next with time remaining
- Task force chair will reach out to legislators on task force to see if they would be interested in sponsoring legislation for extension, decided February 2019

# Decisions for Today's Meeting

## **Self-Support Reserve**

- Continue work on proposed statutory language applying SSR to both parents and vote on whether to adopt it.

## **Adjustments for Nonjoint Children**

- Should MN use the same deduction for nonjoint children on whether or not the parent has a court order to pay support?
- If yes, how should the deduction for ALL nonjoint children calculated?
- If no, how should the deduction for nonjoint children IN THE HOME be calculated?



# Applying the SSR to Both Parents: Proposed Language

# Proposed Changes to 518A.42

(b) The court shall calculate ~~the obligor's~~ each parent's income available for support by subtracting a monthly self-support reserve equal to 120 percent of the federal poverty guidelines for one person from ~~the obligor's~~ each parent's gross income parental income for determining child support. If the obligor's income available for support calculated under this paragraph is equal to or greater than the obligor's support obligation calculated under section [518A.34](#), the court shall order child support under section [518A.34](#)....

(e) If one or both of the parent's parental income for determining child support is less than 120 percent of federal poverty guidelines for one person, the court may consider the factors in 518A.43 subd. 1 to determine if a deviation from the presumptive child support obligation is appropriate.

# Proposed Changes to 518A.43

Subd. 1. Among other reasons, deviation from the presumptive child support obligation computed under section [518A.34](#) is intended to encourage prompt and regular payments of child support and to prevent either parent or the joint children from living in poverty. In addition to the child support guidelines and other factors used to calculate the child support obligation under section [518A.34](#), the court must take into consideration the following factors in setting or modifying child support or in determining whether to deviate upward or downward from the presumptive child support obligation...

(8) whether one or both of the parent's parental income for determining child support is less than 120 percent of the federal poverty guidelines for one person.

# Adjustments for Nonjoint Children

# Refresher on Current MN Law

- Nonjoint child is a legal child of one, but not both, of the parents subject to the legal action being taken
- Minnesota provides two different deductions for a parent's nonjoint children:
  - Court-ordered support obligations for nonjoint children living outside the parent's home
  - Credit for nonjoint children residing in the home
- Deductions are applied to both parents' incomes, not just to the obligated parent

# Current MN Law: Court Ordered Support

For court-ordered support obligations:

- Actual support amount of the order is used
- There is no cap or limit
- It is subtracted when determining gross income

# Current MN Law: Nonjoint Children in the Home

For nonjoint children in the home:

- A hypothetical support amount is used
- There is a cap at two nonjoint children
- It is not deducted when determining gross income
- It is deducted when determining the Parental Income for Determining Child Support (PICS)

# Refresher on February's Decisions and Today's Issues

- Self-Support Reserve will be deducted from PICS, not gross income
- Will not limit deduction for nonjoint children in the home at two
- Task Force was not ready to decide how deductions for nonjoint children in the home should be calculated
- Task Force requested additional information on states that do not distinguish between nonjoint children with court orders and nonjoint children in the home
- Should MN continue to have two different deductions for nonjoint children?



# Same Deduction for All Nonjoint Children: Other States

- Some states do not distinguish between nonjoint children
- Same deduction regardless of whether there is an order:
  - Oregon and Texas method (proration of support based upon parent's income)
  - Sliding-scale percentage of income (Iowa, Michigan)
  - Other approaches (Delaware, Indiana, Pennsylvania)

# Same Deduction for All Nonjoint Children: OR and TX

- Oregon and Texas use the following method:
  - Determine the support for all children, including the joint child(ren) before the court
  - Divide that amount by the number of children
  - Multiply the result by the number of children not before the court (nonjoint children)
  - Subtract this amount from parent's income
  - Apply guidelines to joint children before the court

# Example of OR and TX Method: Alex and Terry

- Alex is an office assistant and has a gross monthly income of \$3,813 per month or \$45,756 per year
- Terry is an elementary school teacher and has a gross monthly income of \$4,608 per month or \$55,296 per year
- They have one joint child
- Alex has two nonjoint children in the home

# Example of OR and TX Method: Alex and Terry

- Look at support amount for all three children at Alex's income, which is \$886
- Divide \$886 by 3 to get \$295
- Multiple \$295 by 2 (number of nonjoint children) to get \$590
- Alex's deduction for two nonjoint children is \$590

# Example of OR and TX Method: Alex and Terry

Using the new table adopted by the task force:

- Alex's PICS is \$3,223 and Terry's PICS is \$4,608, combined income of \$7,831
- The total basic support obligation will be \$1,093
- Alex share of the basic support is 41%, making Alex's obligation \$448 (12%)
- Terry's share of the basic support is 59%, making Terry's share \$645 (14%)

# Same Deduction for All Nonjoint Children: Sliding-Scale Percentage

- Iowa and Michigan provide sliding-scale percentage of income deduction based on the number of children
- Iowa deducts:
  - 8% of the parent's monthly income (up to \$800) for one child;
  - 12% of the parent's monthly income (up to \$1200) for two children;
  - 14% of the parent's monthly income (up to \$1400) for three children;
  - 15% of the parent's monthly income (up to \$1500) for four children;
  - 16% of the parent's monthly income (up to \$1600) for five or more children.

# Example of Iowa's Sliding-Scale Deduction: Alex and Terry

Using the new table adopted by the Task Force:

- Alex's deduction would be 12% for the two nonjoint children, which is \$458
- Alex's PICS after the deduction is \$3,355 and Terry's PICS is \$4,608, combined income of \$7,963
- The total basic support obligation will be \$1,099
- Alex's share of the basic support is 42%, making Alex's obligation \$462 (12%)
- Terry's share of the basic support is 58%, making Terry's obligation \$637 (14%)

# Same Deduction for All Nonjoint Children: Sliding-Scale Percentage

- Michigan deducts:
    - 15% of the parent's monthly income for one child;
    - 23% of the parent's monthly income for two children;
    - 28% of the parent's monthly income for three children;
    - 31% of the parent's monthly income for four children;
    - 34% of the parent's monthly income for five or more children.
- \*\*Unlike Iowa, there is not a maximum amount that can be deducted\*\*



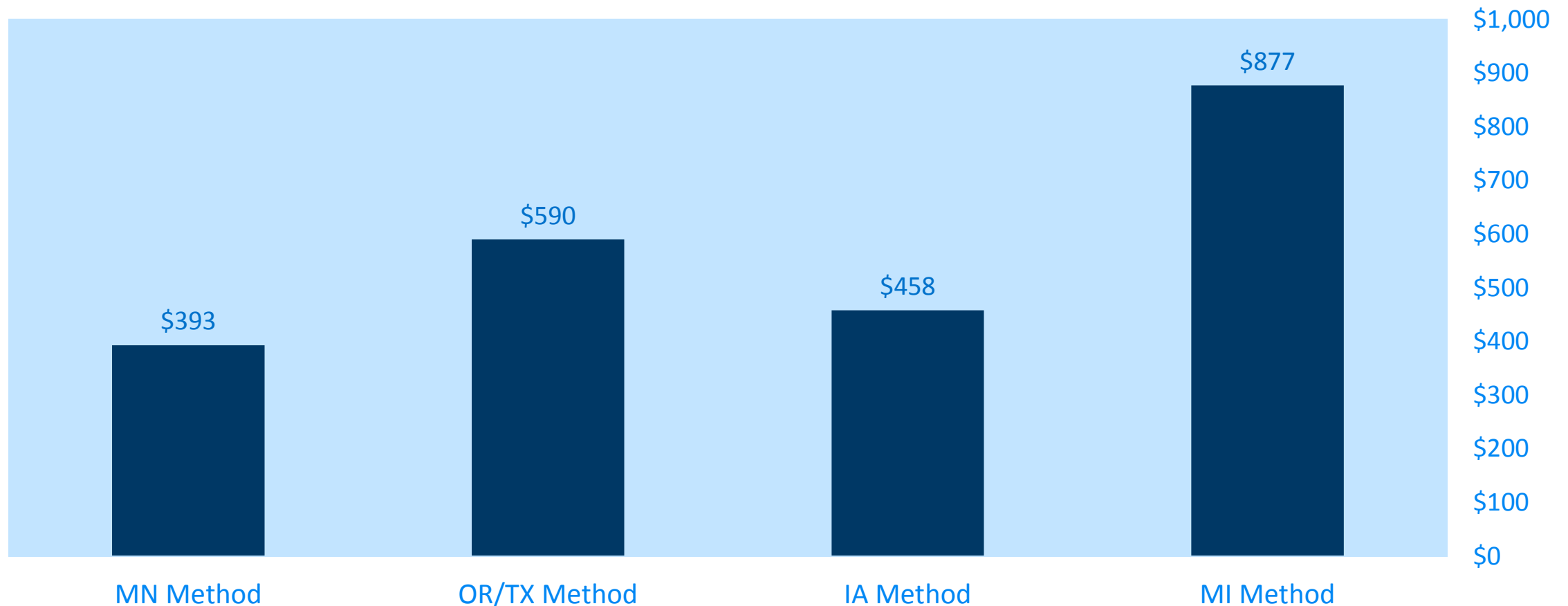
# Example of Michigan's Sliding-Scale Deduction: Alex and Terry

Using the new table adopted by the Task Force:

- Alex's deduction would be 23% for the two nonjoint children, which is \$877
- Alex's PICS after the deduction is \$2,936 and Terry's PICS is \$4,608, combined income of \$7,544
- The total basic support obligation will be \$1,075
- Alex's share of the basic support is 39%, making Alex's obligation \$419 (11%)
- Terry's share of the basic support is 61%, making Terry's obligation \$656 (14%)

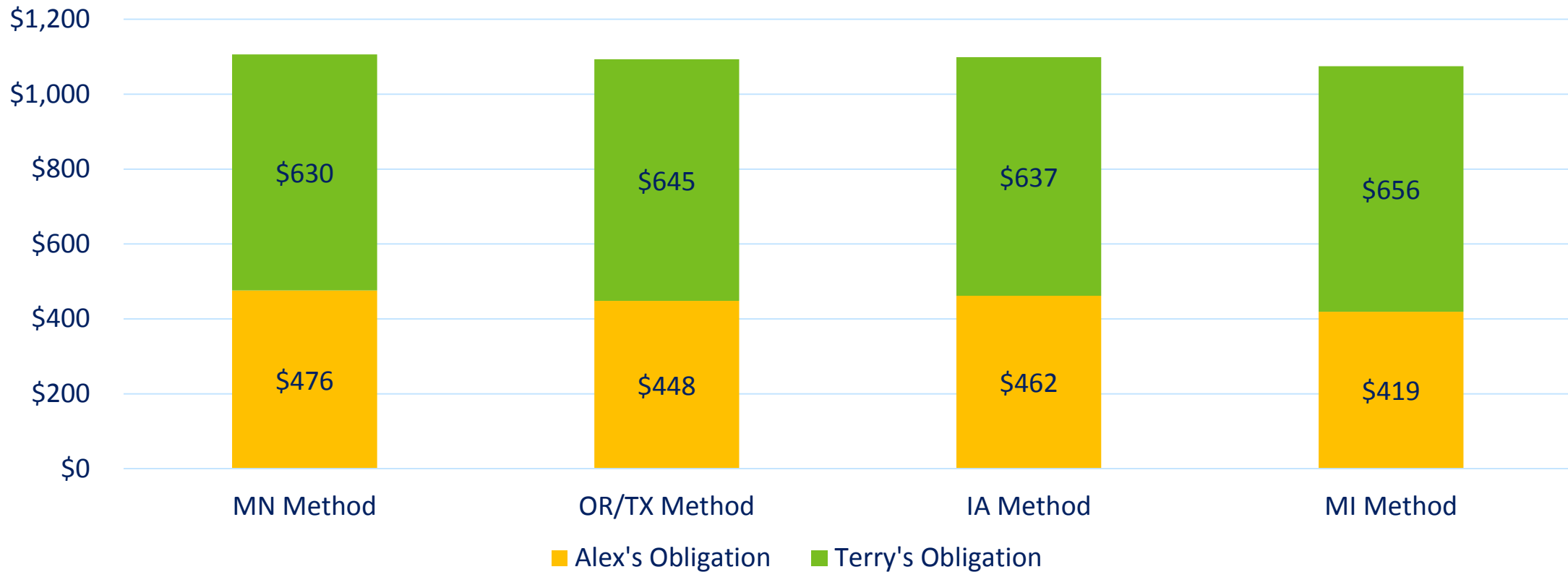
# Comparison of Alex's Deduction for 2 Nonjoint Children

Deduction for Alex's 2 Nonjoint Children



# Comparison of Alex's and Terry's Shares of the Obligation

Alex's and Terry's Shares of the Obligation



# Other Approaches: Delaware, Indiana, Pennsylvania

- Delaware incorporates a 30% deduction into the Melson Formula for nonjoint children
- Indiana provides a sliding scale deduction (6.5% to 17.3%) for subsequent nonjoint children and a deduction for actual support paid for prior-born children
- Pennsylvania provides a deviation factor for nonjoint children under certain circumstances and all orders are modified if there is a deviation

# Should the Deduction for Nonjoint Children be the Same?

- Advantage:
  - Uniform treatment of all nonjoint children
  - Reduces the problem of the “revolving door” at the courthouse
- Disadvantage:
  - Less accurate reflection of available income for parents with court-ordered support obligations

# An Example with Court-Ordered Support Obligations

- Terry is an elementary school teacher and has a gross monthly income of \$4,608 per month or \$55,296 per year
- Terry has court ordered support obligation of \$630 for one nonjoint child (with Alex)
- Terry now has a joint child with Lee
- Lee is a registered nurse and has a gross monthly income of \$6,066
- Lee has a court order to pay \$800 per month for two nonjoint children and has one nonjoint child in the home

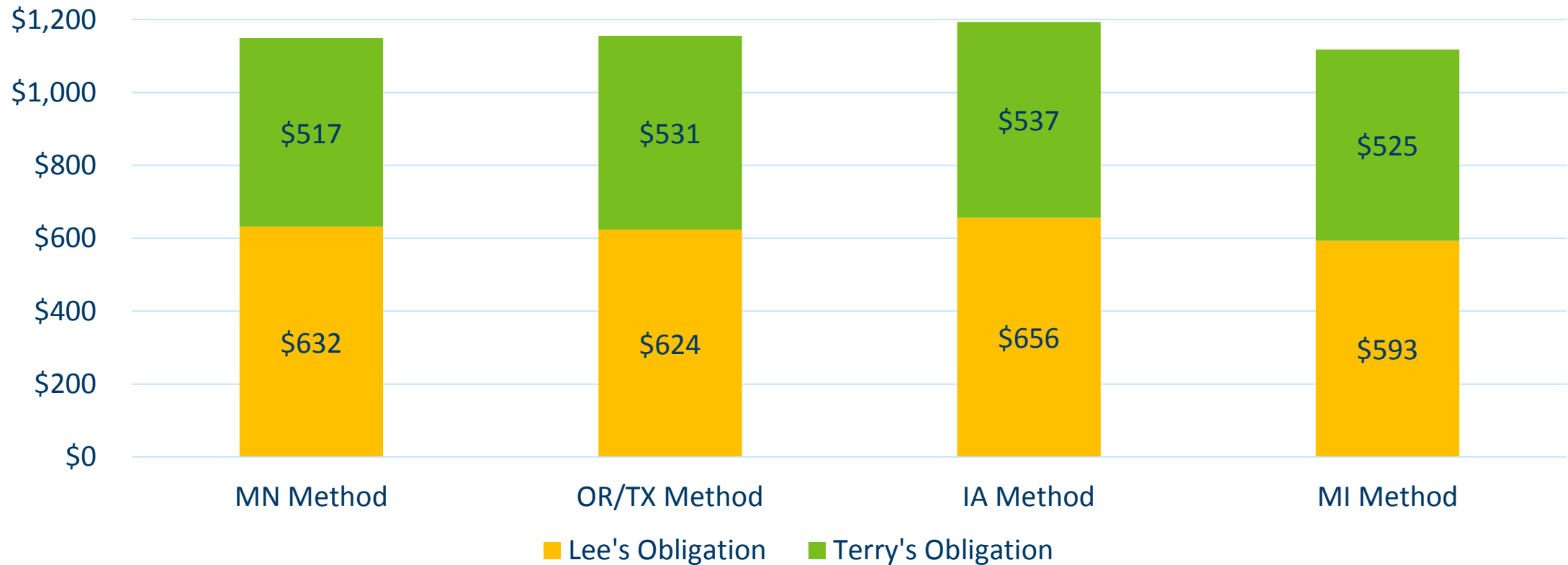
# An Example with Court-Ordered Support Obligations

Using the new table adopted by the task force:

Nonjoint Children Adjustment	Lee's Deduction & PICS	Lee's Share & % of Gross Income	Terry's Deduction & PICS	Terry's Share & % of Gross Income
Current MN Method	\$1,294 & \$4,772	\$632 & 10%	\$630 & \$3,978	\$517 & 11%
Same Deduction: OR & TX Method	\$1,277 & \$4,789	\$624 & 10%	\$511 & \$4,097	\$531 & 11.5%
Same Deduction: IA Sliding Scale	\$849 & \$5,217	\$656 & 11%	\$369 & \$4,239	\$537 & 12%
Same Deduction: MI Sliding Scale	\$1,698 & \$4,368	\$593 & 10%	\$691 & \$3,917	\$525 & 11.5%

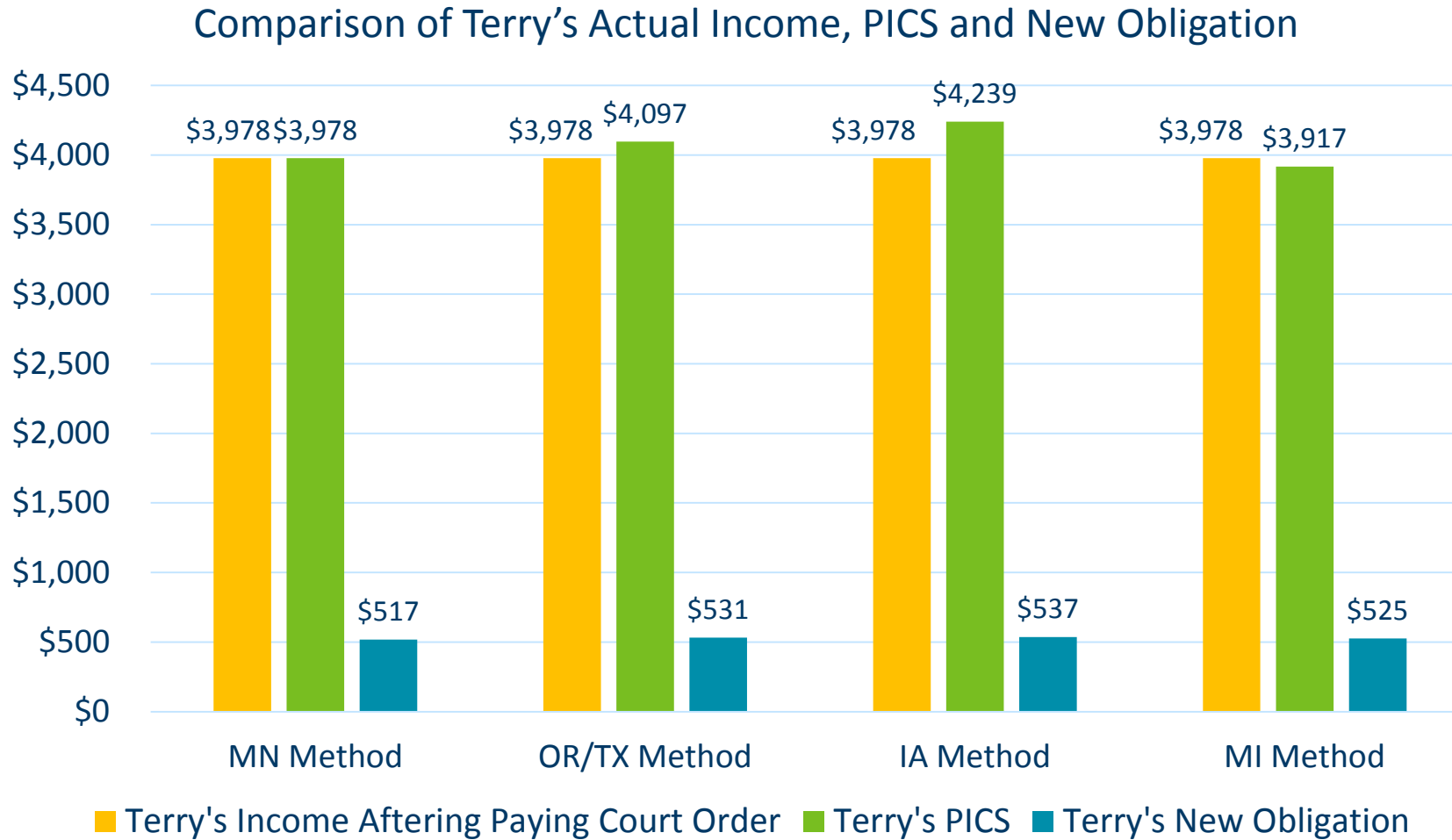
# Comparison of Lee's and Terry's Shares of the Obligation

Lee's and Terry's Shares of the Obligation



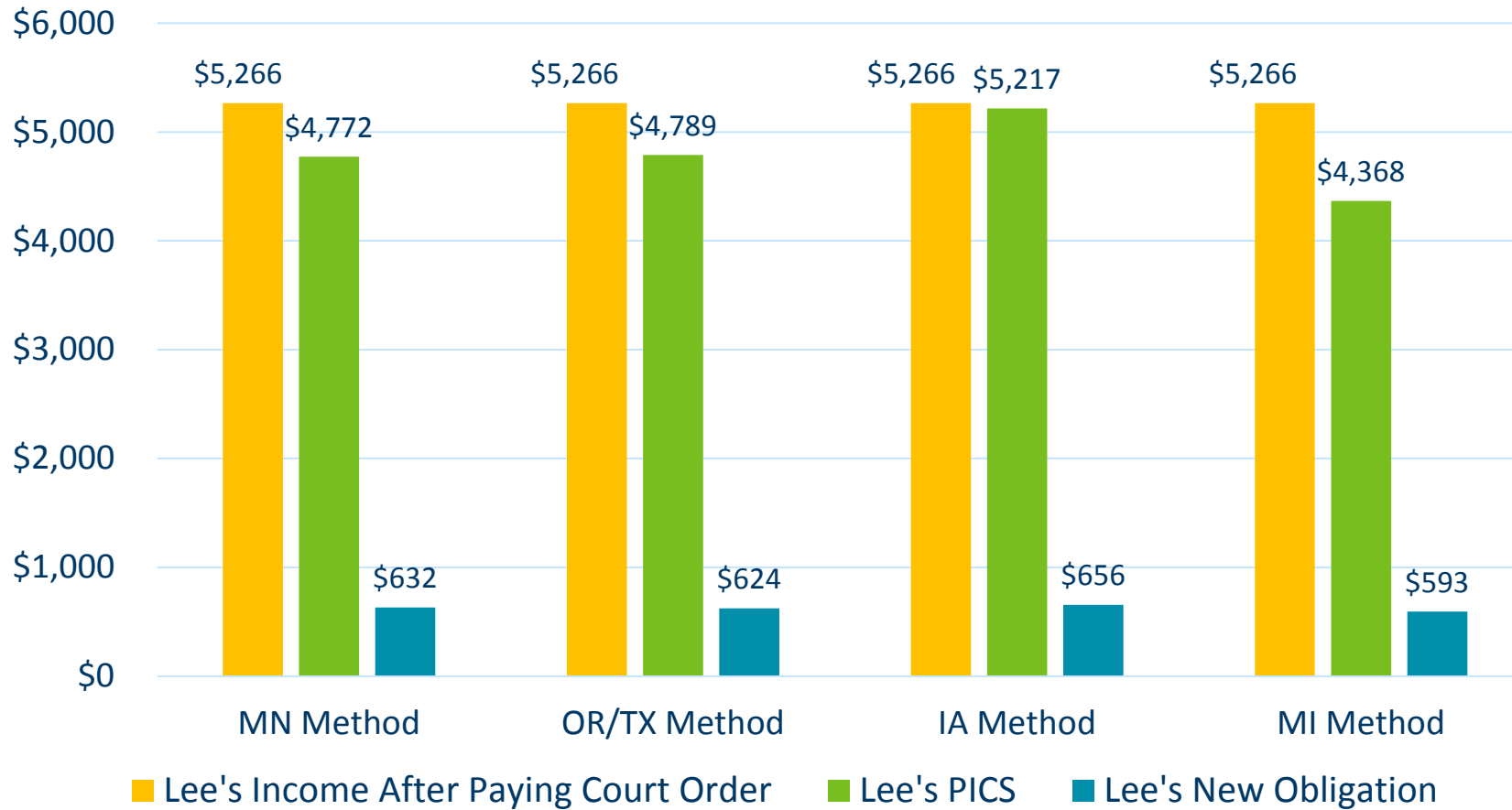


# Terry: One Nonjoint Child Subject to \$630 Order



# Lee: Two Nonjoint Children Subject to \$800 Order and One Nonjoint Child in the Home

Comparison of Lee's Actual Income, PICS and New Obligation



# Should the Deduction for Nonjoint Children be the Same?

## If the answer is YES...

- Task force must determine which calculation to use for deductions for all nonjoint children:
  - Prorated support method (OR and TX)
  - Sliding-Scale Percentage (IA and MI)

# Option 1: Prorated Support Method

## Prorated Support Method (OR & TX)

- Advantage:
  - Tied to the basic support table
  - Arguably, a more accurate calculation of support
- Disadvantage:
  - More complex calculation

# Option 2: Sliding Scale Percentage

## Sliding Scale Percentage (IA & MI)

- Advantage:
  - Simpler calculation
  - Uniform deduction for all parents
- Disadvantage:
  - Not tied obviously to the basic support table

# Should the Deduction for Nonjoint Children be the Same?

## If the answer is NO...

- Task force must determine which calculation to use for deductions for nonjoint children in the home:
  - Current method of 50% of the guideline amount for number of children at the parent's income
  - 75% of guideline amount for the number of children at the parent's income
  - One of the other methods (OR/TX, Sliding-Scale Percentage)?

# Option 1: Current MN Method at 50%

## Current method of 50% of the guideline amount for number of children at the parent's income

- Advantage:
  - No change needed
- Disadvantage:
  - Not in line with other states, most use 75%

# Option 2: Current MN Method Increased to 75%

Current method but increased to 75% of the guideline amount for number of children at the parent's income

- Advantage:
  - Equalizes the proportion of income available for the care of all children
  - Used by most states that use a percentage of a hypothetical support order
- Disadvantage:
  - Would need legislative change
  - Reduces support for joint children (for parents with nonjoint children)



# Option 3: Prorated Support Method or Sliding Scale

## Prorated Support Method (OR/TX)

- Advantage:
  - Tied to basic support table
- Disadvantage:
  - More complex calculation

## Sliding Scale Percentage (IA, MI):

- Advantage:
  - Simpler calculation
- Disadvantage:
  - Not obviously tied to basic support table

# Additional Considerations

- Will there be a cap or limit? And if so, what will that be?
  - Many states limit it to the highest number of children on the basic support table
  - Some states limit it to a dollar amount
  - Some states have no limit as far as court-ordered support obligations

# Questions?

# Thank You!

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