

**MFSRC**

**Child Support Reform**

October 16, 2006

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**Presenter**

Mark Ponsolle,  
Assistant County Attorney,  
Director of the Child Support  
Enforcement Division,  
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**Child Support Reform**

(2005 Minnesota Laws Chapter 164) and  
(2006 Minnesota Laws Chapter 280).

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**Overview of Presentation**

- Goals of Child Support Reform
- Child Support Reform Highlights
- New Terms
- Calculations
- Medical Support - Briefly

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**Goals of Child Support Reform**  
Senator Neuville

- Create a more equitable system!
- Create the perception of fairness!
- Create a flexible system!
- Create a simplified system!

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**Goals of Child Support Reform**  
Senator Neuville

- “De-link” parenting time and money!
- Encourage the exercise of parenting time!
- Recognize nonjoint children!
- Recognize the reality of low income obligors!

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**Child Support Reform  
Highlights**

- Effective for actions or motions filed after January 1, 2007 (with some exceptions).
- One year moratorium on modifications until 1-1-2008 (with some exceptions).

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**Modification Moratorium  
Exceptions**

- 20% change in the gross income of the obligor
- Change in the # of joint children
- Child care changes
- Health insurance changes
- Child becomes disabled
- Consent by both parties

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**Hint!**

- Consider setting a time after which preparation of pleadings will stop!
- November 1, 2006??

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### Child Support Reform Highlights

- Provides for a Six Month Review of the Support Order
- Provides a Process for Arrears Management
- Provides for Recodification

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### Other Child Support Reform Highlights

- Provides for a WEB based calculator
- PRISM will have a separate calculator

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### Staff Impact

- Basic Support Calculations
- Medical Support Calculations
  - Evaluation of "appropriateness".
  - Implementation of a collection process for uninsured and unreimbursed expenses.
- Six Month Review

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**Child Support Reform  
New Terms**

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**Income Shares**

- Evaluate the income of both the Obligor and Obligee.
- Trend across the country.
- Appearance of fairness.

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**Total Support Obligation**

- Basic Support
- Child Care Support
- Medical Support

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## Gross Income

Gross Income = income from all sources

**Plus:** Social security or veterans' benefit payments received on child's behalf; and  
Parent's "potential income".

**Minus:** Spousal maintenance the party has been ordered to pay; and  
Child support the party has been ordered to pay for nonjoint children.

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## Parental Income for Child Support (PICS)

PICS = Parent's gross income  
*minus* credit for nonjoint children.

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## Joint and Nonjoint Children

**"Joint" child:** The dependent child of both parents.

**"Nonjoint" child:** The legal child of one, but not both parents. The parent must have a legal responsibility to support the nonjoint child. Stepchildren are specifically excluded from the definition of nonjoint child.

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## Nonjoint Children Deduction

Assume the Obligor has two nonjoint children:

- |                                |         |
|--------------------------------|---------|
| 1. Gross Income of Obligor     | \$2,000 |
| 2. Grid for Two Children       | \$ 832  |
| 3. Divide by 2 (\$832 / 2)     | \$ 416  |
| 4. Nonjoint Children Deduction | \$ 416  |

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## Parenting Time

- Amount of time child is scheduled to spend with parent according to court order.
- Ordinarily calculated by counting number of overnights child spends with parent.

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## Parenting Expense Deduction

Parenting Time (No Ct Order-No PEA)	<10%	10% to 45%	45.1% to 50%
<b>Percent Deduction</b>	0%	12%	Calculate as Equal
<b>Equal Parenting Time</b>			
1. If incomes are equal and expenses equally shared, no support shall be paid			
2. If incomes are not equal, the parent with the greater income shall pay an amount determined by . . .			

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**Parenting Expense Deduction When Parenting Time is “Equal”**

- 1<sup>st</sup> - Determine combined basic support
- 2<sup>nd</sup> - Multiple by 0.75
- 3<sup>rd</sup> - Prorate
- 4<sup>th</sup> - Subtract lower from higher
- 6<sup>th</sup> - Parent with higher PIC pays this amount

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**Income Available for Support**

“Income Available for Support” =  
(Obligor’s gross income) – (Self-support reserve)

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**Self Support Reserve**

- 120% of federal poverty guideline  
– (\$980 for one person)
- Obligor retains this amount after paying child support.

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## Self Support Reserve

- Exception
  - Minimum Order
    - » \$ 50.00 for one or two children
    - » \$ 75.00 for three or four children
    - » \$100.00 for five or more children.

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## Child Support Calculation

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## Scenario 1: Assumptions

- Mother's gross income is \$1,400.
- Mother has sole physical custody of child.
- Mother has two nonjoint children in her household.
- Court Order grants 30% parenting time.
- Father's gross income is \$2,000.
- Father has another child support order of \$300.

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### Basic Support Obligation

	Father	Mother	Combined
Total monthly income	2,000	1,400	
Other obligation	(300)		
Gross income	1,700	1,400	
Credit for nonjoint children (368/2)		184	
PICS	1,700	1,216	
Combined PICS			2,916
Combined basic support obligation			596
Parent's % contribution	58.3%	41.7%	
Parent's basic support obligation	347	****	
Parenting expense adjustment (PEA)	.88		
Basic support obligation after PEA	305		

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### Childcare Support Obligation

CP pays \$200 per week, for 11 months  
(not July)

Total annual cost: \$9,532.60

Average monthly cost over 12 months: \$794.38

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### Childcare Support Obligation

CP's average monthly cost	794.38
CP's federal tax credit .35(250)	87.50
CP's state tax credit .24(250)	60.00
CP's cost, after tax credit	646.88
Father/NCP's share	377.13

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### Medical Support Calculation

- Assume Father pays a \$150 premium for health care!
- Mother will contribute  $150 \times .417 = 63$

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### Total Monthly Payment

Basic support	305
Childcare support	377
Medical support	[150] (Pd to Ins)
Mother's contribution to medical	(63)
<b>Total monthly payment</b>	<b>619</b>

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### Self Support Reserve

Father's Gross Income		\$1,700
120% of Federal Poverty Guidelines		\$980
Amount available for Child Support		\$720
Father's Total CS Obligation		
Basic Support	\$305	
Child Care	\$314	
Medical Support	\$ 87	
<b>Total</b>		<b>\$706</b>
The Amount Available for CS is more than the Father's total CS obligation and therefore the full amount of CS is due.		\$706

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## Scenario 2: Assumptions

- Mother has sole physical custody of child.
- Court order grants father parenting time one overnight per week and every other weekend.  
Overnights =  $52 + (26 \times 2) = 104 / 365 = 28.5\%$ .
- Father has one nonjoint child in his household.
- Father's gross income is \$1,066 per month.
- Mother receives MFIP and Medical Assistance for child.
- There are no childcare costs.

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## Total Support Obligation

	Father	Mother	Combined
Total monthly income	1,066	0	
Gross income	1,066	0	
Credit for Nonjoint children 116/2=58	(58)		
PICS	1,008	0	
Combined PICS			1,008
Combined basic support obligation			116
Parent's % contribution	100%	0%	
Parent's basic support obligation	116		
Parenting expense adjustment (PEA)	.88		
Basic support obligation after PEA	102.08		
Childcare obligation	0		
Medical obligation	37		

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## Total Support Obligation

Basic support	102.08
Childcare support	0
Medical support	<u>38.00</u>
<b>Total support obligation</b>	<b>140.08</b>

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### Self-Support Reserve Calculation

Gross Income	1,066.00
Self-support reserve (120% federal poverty guidelines)	<u>(980.00)</u>
Income available for support	86.00

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### Result

- Total Support Obligation
  - Basic Support \$102.08
  - Medical Support \$ 38
  - Total \$ 140.08
- Income over Self Support Reserve \$86.00
- Father Pays \$86 in Basic Support

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### Scenario 3: Assumptions

- Mother and Father share joint physical custody of 2 children. The court order gives them each 50% parenting time.
- Father's gross income is \$8,000 per month.
- Mother's gross income is \$5,000 per month.
- Father carries medical and dental insurance at a cost of \$200 per month for dependent coverage.
- Mother pays \$200 per week for childcare.

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## Total Support Obligation

	Father	Mother	Combined
Total monthly income			
Gross income	8,000	5,000	13,000
Credit for nonjoint children	0	0	
PICS	8,000	5,000	
Combined PICS			13,000
Combined basic support obligation			2,691
Multiplied by 0.75			2,018.25
Parent's % contribution	61.5%	38.5%	
Parent's basic support obligation	1,241.22	777.03	
Difference between obligations	464.19		
Basic support obligation	464.19		
Childcare obligation	471.00		
Medical obligation		77.00	

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## Childcare Support Obligation

Mother's average monthly cost	866.66
Mother's federal tax credit <small>.20(500)</small>	100.00
Mother's state tax credit	0
Mother's cost after tax credit	766.66
Father's proportionate share	471.00

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## Medical Support Obligation

Father's monthly cost	200.00
Mother's proportionate share	<u>x 38.5%</u>
Mother's medical support obligation	77.00

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### Total Payment

Basic support	464.19
Childcare support	471.00
Medical support	[123.00] (Pd to Ins. Co.)
Mother's medical support obligation	<u>(77.00)</u>
<b>Total Payment</b>	<b>858.19</b>

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### Self Support Reserve

- Based upon the incomes this will not be an issue

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### Scenario 4: Assumptions

- Mother and Father sign Recognition of Parentage for one child.
- Mother's gross income is \$2,000 per month.
- Father is voluntarily unemployed and has potential gross monthly income of \$1,599.75 (150% of minimum wage).
- Father has a \$150 per month child support obligation for a nonjoint child.
- Mother provides dependent medical and dental insurance for \$300 per month.
- There are no childcare costs.

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## Total Support Obligation

	Father	Mother	Combined
Total monthly income		2,000	
Potential income	1,600		
Gross income \$1600-\$150=\$1450	1,450	2,000	
Credit for nonjoint children	0	0	
PICS	1,450	2,000	
Combined PICS			3,450
Combined basic support obligation			640
Parent's % contribution	42%	58%	
Parent's basic support obligation	268.80		
Parenting expense adjustment (PEA)	0		
Basic support obligation after PEA	268.80		
Childcare obligation	0		
Medical obligation	126.00		

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## Medical Support Obligation

Mother's monthly cost	300.00
Father's proportionate share	<u>x 42%</u>
Father's medical support obligation	126.00

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## Total Support Calculation

Basic support	268.80
Childcare support	0
Medical support obligation	<u>126.00</u>
<b>Total support obligation</b>	<b>394.80</b>

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### Self-Support Reserve Calculation

Gross Income	1,450.00
Self-support reserve (120% federal poverty guidelines)	<u>(980.00)</u>
Income available for support	470.00

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### Result

- Income Available for Support (\$470) is greater than Total Support Obligation (\$394.80)
- Therefore the full amount (\$394.80) is the total payment

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### Medical Support

- Insurance Costs
- Appropriate Insurance
- Uninsured and Unreimbursed Expenses

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### Insurance Costs

- Prorated between parents according to their percentage of PICs
- If one party owes basic child support and the other owes contribution to medical insurance premiums, there will be an offset

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### Appropriate Insurance

- Accessible
- Comprehensive (**Presumption**)
- Affordable
- Meets special medical needs, if any

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### Uninsured and Unreimbursed Expenses

- Sets forth a process for collection

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## Summary

- Child Support Reform is here!
- We need to implement it!
- 2006 legislative changes will help!
- It will take more staff time!
- Time will tell if it improves children's well being!

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**END**

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