

FCIC - Child Support Guidelines Review Subcommittee

Tuesday, July 28, 2020

10:00 a.m. – 3:00 p.m.

Virtual Meeting

Conference Call Number: 1-408-792-6300

Access Code: 133 679 6733

Time*	Agenda Items	Presenter
10:00 a.m.	Call to Order	JUDGE DAVID GASS, CHAIR
10:05	Housekeeping and Member Roll Call	SUSAN PICKARD, STAFF
10:10	Welcome and Opening Remarks	JUDGE GASS
10:15	Approval of Minutes <ul style="list-style-type: none"> • June 30, 2020 - <i>Formal Action required</i> 	JUDGE GASS
10:20	Workgroup Reports – Part I <ul style="list-style-type: none"> • Income Issues Workgroup <ul style="list-style-type: none"> ○ Section 8 – Burden of Proof ○ Section 9A – Step-Parent Provided Health Insurance □ <i>Formal Action possible</i> 	LAURA BELLEAU
10:30	Preliminary Economic and Case File Review Results	DR. JANE VENOHR CENTER FOR POLICY RESEARCH
12:00 p.m.	Lunch - <i>On your own</i>	
12:30	Open Discussion	ALL
1:30	Workgroup Reports – Part II <ul style="list-style-type: none"> • Tax Issues Workgroup <ul style="list-style-type: none"> ○ HSA and FSA □ <i>Formal Action possible</i> • Deviations Issues Workgroup • Parenting Time Expense and Cost Issues Workgroup • Restyling Workgroup 	CAROL PARK ADEN JANET SELL CHRIS GORMAN JUDGE BRUCE COHEN
1:50	Decision Point(s) <ul style="list-style-type: none"> • Parenting Time Adjustment Table B □ <i>Formal Action possible</i>	JUDGE GASS
2:00	Good of the Order/Call to the Public	JUDGE GASS
	Adjournment	

***All times are approximate and subject to change.** The committee chair reserves the right to set the order of the agenda. Please contact Susan Pickard, FCIC-CSGRS staff, at (602) 452-3252 with any questions concerning this agenda. Any person with a disability may request a reasonable accommodation, such as auxiliary aids or materials in alternative formats, by contacting Angela Pennington at (602) 452-3547. Requests should be made as early as possible to allow time to arrange the accommodation.

FAMILY COURT IMPROVEMENT COMMITTEE - CHILD SUPPORT GUIDELINES REVIEW SUBCOMMITTEE

Draft Minutes

June 30, 2020 10:00 a.m. (Virtual Meeting)

Arizona State Courts Building

Present:

Telephonic: Judge David Gass (chair), Carol Park Aden, Laura C. Belleau, Mary K. Boyte Henderson J.D., Judge Bruce R. Cohen, Kellie E. DiCarlo, Commissioner John J. Assini (proxy for Joi Hollis, Ph.D.), Jennifer A. Mihalovich, Janet W. Sell, Jessica Beresford (proxy for Vance Simms), Rosa Torrez, Steve Wolfson J.D.

Absent/Excused: Judge Joseph Goldstein

Presenters/Guests: Donald Bays, Henry & Horne; Chris Gorman, Gorman Consulting Group, LLC, Melissa Loughlin-Sines, Henry & Horne; Dr. Jane Venohr, Center for Policy Research

Administrative Office of the Courts (AOC) Staff: Theresa Barrett, Angela Pennington, Susan Pickard

I. REGULAR BUSINESS

A. Welcome and Opening Remarks

The June 30, 2020, meeting of the Family Court Improvement Committee – Child Support Guidelines Review Subcommittee (FCIC-CSGRS) was called to order at 10:06: a.m. by Judge David Gass, chair. This fifth meeting of the subcommittee was a virtual meeting, with all attendees being online, on the phone, or both. Susan Pickard noted there were no members of the public on the call. She noted absent committee members and introduced Melissa Loughlin-Sines as a guest.

Judge Gass thanked the committee for their effort on the workgroups and spoke briefly about their different projects. He then moved to the minutes. Before the vote, Ms. Pickard noted a correction to the FCIC-CSGRS Subcommittee minutes.

<p>Motion: To approve the minutes of the June 8, 2020, with the noted corrections. Moved by Janet Sell. Seconded by: Steve Wolfson. Motion passed unanimously.</p>

II. BUSINESS ITEMS AND POTENTIAL ACTION ITEMS

A. Economic and Case File Reviews Update and Q & A

Dr. Jane Venohr, Center for Policy Research, reported that a preliminary schedule, based upon the new Betson-Rothbart (BR5) measurements adjusted for inflation and tax changes, would

be ready to present at the July 28 meeting. At that time, comparison data will be provided for assumption review and adjustment. Dr. Venohr anticipates that there may be a significant increase for incomes at and above \$20,000 per month.

Dr. Venohr indicated that her team is still working on the case file data. This data will help inform the subcommittee's discussions about calculation adjustments when income is less than the self-support reserve test and for the additional dependent deductions. It will also provide information on the frequency and attributes of these situations, including Table B and distribution of tax benefits. In addition to the case file data, the team is also receiving a data extract from ATLAS, the State's Title IV-D system.

Dr. Venohr then took questions from the members.

- Do you have spousal maintenance data?
 - If it was considered during the child support order, we do. That information can be summarized.
- Will we have data on how many of the cases are at or below minimum wage, as this is an indicator of attribution?
 - Yes. This is a federal requirement, to analyze how often income is imputed. We will note how many have minimum wage income, for both parents.
- When you referred to tracking tax information through the case files, were you referring to the dependent exemptions which are still being allocated, even with the changes to tax laws?
 - Yes, specifically the child income tax credit. This will affect mainly the middle, as the lower incomes would only receive a partial credit, if any, and the higher incomes wouldn't be eligible.
- What assumptions will you be asking the subcommittee to review?
 - In the PowerPoint from my first meeting, there is a table that lists all the assumptions. Major assumptions include taxes and expenditure ratios. A third might be how medical expenses are addressed.
- The issue of whether to adopt BR5 has been brought up. Will you have any other schedules based on alternatives to BR5?
 - Yes, I will have 2 or 3 alternative schedules at the end of July, and possibly another 1 or 2 in August. I would highly encourage that members not make a final decision until we have gone through more of the alternative schedules.
- What information is included in the case file review? Does it include both decisions that are issued by the courts and agreements by the party, ordered by decree?
 - It is my understanding that the clerks do not organize the case file by how the decision was made, but rather, the documents are filed simply in numerical order. The case file information was requested by date range.
- Will you have any information on parenting time adjustments from the case file information?
 - We will know in a few weeks after we are done reviewing the data.

There were no further questions and the discussion moved to Table B. Dr. Venohr stayed on the line for this portion of the meeting.

B. Decision Points – Parenting Time Adjustment Table

Judge Gass opened the discussion indicating that during his participation in the various workgroup meetings he heard general agreement that Table B should be eliminated.

Chris Gorman stated the Expenses & Cost Associated with Parenting Time Workgroup had been working on Table B and concurred with the idea Table B was not needed.

Steve Wolfson clarified that Table B was developed to address the circumstance where parties had 50/50 parenting time, but one parent provided for all of the child's expenses including those that would normally transfer between households. He suggested that if Table B is going to be eliminated, additional language that would grant court discretion to not use the Table A adjustments would need to be added to the guidelines. Mr. Gorman agreed to have the workgroup discuss Mr. Wolfson's comments at their next meeting.

A motion was made and seconded. Before the vote, it was suggested that the vote be deferred until Dr. Venohr's research is complete. Dr. Venohr recommended treating the motion as a preliminary recommendation. Judge Gass asked and Ms. Sell answered that she was comfortable enough to move forward with her motion.

Motion: To eliminate Table B with a recommendation for discussion to use a deviation when appropriate in place of Table B. **Moved by** Janet Sell. **Seconded by:** Jennifer Mihalovich. Motion passed, 9 to 1 .

More discussion took place regarding Table B, and how best to address this issue and make it more effective. It was mentioned that the workgroup has already discussed how to build the intent of Table B into the guidelines.

C. Workgroup Reports

Income Issues Workgroup

Steve Wolfson reported that the workgroup's focus has been on the language in section 8 of the guidelines regarding the presumptive cap, calculation of a basic child support obligation, and burden of proof to show why the court should order an amount higher than the presumptive amount. Ms. Pickard shared the language the workgroup developed. Discussion ensued. Important points included:

- suggestions for including language to provide further guidance
- the need to leave this in its own section
- the need to calculate the basic child support calculation before deviations
- the burden of proof for the deviation

Mr. Wolfson will take the input back to the workgroup for continued work and return with a revised proposal at a later date.

He also shared that there are two other proposals nearing completion in this workgroup: 1) adjustments within the calculation regarding credit for health insurance provided by a step-

parent, and 2) language providing court discretion to consider the impact of net vs gross income regarding spousal maintenance received which is no longer taxable.

Tax Issues Workgroup

Carol Park Aden thanked Mr. Gorman and Mr. Wolfson for the work their workgroups have done as presented at this meeting. She noted that she would be reaching out to them to discuss health insurance coverage for children and tax implications.

Ms. Aden presented the workgroup's proposal that the child and dependent care tax credit be stricken from the child support worksheet. Instead, when it is relevant, the child and dependent care tax credit should be considered off the worksheet and the net amount be put in the respective column. The workgroup believes this could simplify the calculation especially for *pro se* litigants. Ms. Aden then opened the floor for discussion.

The workgroup members cannot justify the complexity of the calculation for the *de minimis* resulting credit. This tax credit:

- doesn't apply in low income situations
- is incorrectly applied, if a flex spending account or pre-tax dollars are used to pay for childcare
- can fall into a gray area for non-custodial parents
- can change based on income year to year for parents with 50-50 parenting time

Judge Gass suggested adding language to provide the court discretion to consider the credit when the issue is raised. Ms. Aden stated that the workgroup could be on board with that suggestion.

Motion: To eliminate the child and dependent care line item from the worksheet, subject to modification or reversal if replacement language to provide for a child care credit within the guidelines is not achieved. **Moved by:** Carol Park Aden. **Seconded by:** Laura Belleau. Motion passed unanimously.

Deviation Issues Workgroup

Janet Sell reported that the workgroup has been discussing equitability in orders for multiple families with multiple children and proposals are being drafted. Ms. Sell would like to present those proposals in the context with the case review results from Dr. Venohr. The cases that require this adjustment are those with parents whose incomes are mostly minimum wage or close to minimum wage. It is expected that the statistics presented by Dr. Venohr will reinforce the proposal.

Expenses & Cost Associated Parenting Time Workgroup

Chris Gorman gave an update on the activities of the Expenses & Cost Associated with Parenting Time workgroup. The workgroup is considering adding a 30-day grace period on both ends of the Table A. The goal is to amend Table A to have the most common parenting plans fall in the middle of a "step", to have wider steps, and fewer steps. Additionally, the workgroup has discussed Flex Spending Accounts (FSA) and Health Savings Accounts (HSA) and believes that these would be better dealt with on the income side than the expense side. Mr. Gorman has discussed this issue with Mr. Wolfson.

Judge Gass asked for clarification on the steps. Mr. Gorman explained to make their goal, they would need a 20- or 30-day increment. With a 30-day increment, it would be 6 steps with 4 steps having changes. The first step is 0 and the last would be 50-50. A member commented that “the wider the step, the bigger the cliff” that exists, so the workgroup should consider balancing the steps. The workgroup does believe this will provide more equitable plans.

Restyling Workgroup

Judge Bruce Cohen let the committee know that they have a vision and framework for the restyling, but most of their work is in language. The substantive work is dependent upon the work of the other workgroups. They will be postponing their meetings until more of the work from the other workgroups is done.

D. Principle of Fairness: Gross vs. Net Income

Judge Gass tabled this issue until the next meeting.

III. OTHER BUSINESS

A. Announcements/Call to the Public

- No one responded to the call to the public.

B. Next Meeting. Tuesday, July 28, 2020 10 a.m.

Virtual Meeting

The meeting adjourned at 2:26 pm.

FCIC - Child Support Guidelines Review Subcommittee

Date of Meeting:	Type of Action Required:	Subject:
July 28, 2020	<input checked="" type="checkbox"/> Formal Action/Request <input type="checkbox"/> Information Only <input type="checkbox"/> Other	Section 8 – Burden of Proof

PRESENTER(S): Laura Belleau

DISCUSSION: On June 30, Steve Wolfson presented a proposed amendment to Section 8 regarding the burden of proof. At that time, the workgroup was asked to revisit the language based upon the subcommittee’s input.

RECOMMENDED ACTION OR REQUEST (IF ANY): To approve the revised amendment to Section 8 presented regarding burden of proof.

PROPOSED AMENDMENT TO SECTION 8

CURRENT VERSION

If the Combined Adjusted Gross Income of the parties is greater than \$20,000 per month, the amount set forth for Combined Adjusted Gross Income of \$20,000 shall be the presumptive Basic Child Support Obligation. The party seeking a sum greater than this presumptive amount shall bear the burden of proof to establish that a higher amount is in the best interests of the children, taking into account such factors as the standard of living the children would have enjoyed if the parents and children were living together, the needs of the children in excess of the presumptive amount, consideration of any significant disparity in the respective percentages of gross income for each party and any other factors which, on a case by case basis, demonstrate that the increased amount is appropriate.

PROPOSED VERSION

Redline (7/17/20)

Upon the request of a party, when If the Combined Adjusted Gross Income of the parties is greater than \$20,000 per month, ~~the amount set forth for Combined Adjusted Gross Income of \$20,000 shall be the presumptive Basic Child Support Obligation. The party seeking a sum greater than this presumptive amount shall bear the burden of proof to establish that a higher amount~~ **the court should consider whether an amount higher than the Basic Child Support Obligation for the Combined Adjusted Gross Income of \$20,000 per month** is in the best interests of the children. ~~taking~~ **The court should take** into account such factors as the standard of living the children would have enjoyed if the parents and children were living together, the needs of the children ~~in excessive of the presumptive amount,~~ consideration of any significant disparity in the respective percentages of gross income for each party and any other factors which, on a case by case basis, demonstrate that the increased amount is appropriate.

If no party requests consideration of a higher amount, the amount for Combined Adjusted Gross Income of \$20,000 should be the Basic Child Support Obligation.

Clean

Upon the request of either party, when the Combined Adjusted Gross Income of the parties is greater than \$20,000 per month, the court should consider whether an amount higher than the amount calculated using the Combined Adjusted Gross Income of \$20,000 per month, is in the best interests of the children. The court should take into account such factors as the standard of living the children would have enjoyed if the parents and children were living together, the needs of the children, consideration of any significant disparity in the respective percentages of gross income for each party and any other factors which, on a case by case basis, demonstrate that the increased amount is appropriate.

If neither party requests the amount set forth for Combined Adjusted Gross Income of \$20,000 should be the Basic Child Support Obligation.

FCIC - Child Support Guidelines Review Subcommittee

Date of Meeting:	Type of Action Required:	Subject:
July 28, 2020	<input checked="" type="checkbox"/> Formal Action/Request <input type="checkbox"/> Information Only <input type="checkbox"/> Other	Section 9A – Step-Parent provided insurance.

PRESENTER(S): Laura Belleau, Income Issues Workgroup

DISCUSSION: This amendment to Section 9A would permit the use of step-parent provided family insurance for a child with costs prorated by the number of persons covered.

RECOMMENDED ACTION OR REQUEST (IF ANY): To approve the amendment to Section 9a permitting the use of step-parent provided family insurance for a child.

9. DETERMINING THE TOTAL CHILD SUPPORT OBLIGATION

To determine the Total Child Support Obligation, the court:

A. Shall add to the Basic Child Support Obligation the cost of the children's medical dental or vision insurance coverage, if any (this provision does not imply any obligation of either parent to provide dental or vision insurance). In determining the amount to be added, only the amount of the insurance cost attributable to the children subject of the child support order shall be included. If coverage is applicable to other persons, the total cost shall be prorated by the number of persons covered. The court may decline to credit a parent for medical, dental or vision insurance coverage obtained for the children if the coverage is not valid in the geographic region where the children reside.

EXAMPLE: Through an employment-related insurance plan, a parent provides medical insurance that covers the parent, one child subject of the child support case and two other children. Under the plan, the cost of an employee's individual insurance coverage would be \$120. This parent instead pays a total of \$270 for the "family option" that provides coverage for the employee and any number of dependents. Calculate the adjustment for medical insurance as follows: Subtract the \$120 cost of individual coverage from the \$270 paid for the "family option" to find the cost of dependent coverage. The \$150 remainder then is divided by three – the number of covered dependents. The resulting \$50 is added to the Basic Child Support Obligation as the cost of medical insurance coverage for the one child.

An order for child support shall assign responsibility for providing medical insurance for the children who are the subject of the child support order. If medical insurance of comparable benefits and cost is available to both parents, the court should assign the responsibility to the primary residential parent. **If a parent is assigned the obligation to provide medical insurance, that responsibility may be fulfilled by family coverage provided by a step-parent. In such a case, adjustment pursuant to this section for the cost to the step-parent is appropriate.**

The court shall also specify the percentage that each parent shall pay for any medical, dental or vision costs of the children which are not covered by insurance. For purposes of this paragraph, non-covered "medical" means medically necessary medical, dental or vision care as defined by Internal Revenue Service Publication 502.

Except for good cause shown, any request for payment or reimbursement of uninsured medical, dental or vision costs must be provided to the other parent within 180 days after the date the services occur. The parent responsible for payment or reimbursement must pay his or her share, as ordered by the court, or make acceptable payment arrangements with the provider or person entitled to reimbursement within 45 days after receipt of the request.

Both parents should use their best efforts to obtain services that are covered by the insurance. A parent who is entitled to receive reimbursement from the other parent for medical costs not covered by insurance shall, upon request of the other parent, provide receipts or other evidence of payments actually made.

Update on Case File Review and Schedule

Presentation to:

Child Support Guidelines Review Subcommittee

(July 28, 2020)

Jane Venohr, Ph.D. Economist/Research Associate

jvenohr@centerforpolicyresearch.org

303-837-1555



Findings from Case File Review (orders established or modified July 1, 2018 – Dec. 31, 2018)

Preliminary Findings from Sample of Court Files (about 1/3 entered)

- Residence of child: Mother (66%) Father (14%) Equal (20%)
- Monthly gross incomes:
 - Father: \$4,203 (average) \$3,108 (median)
 - Mother: \$3,413 (average) \$2,513 (median)
 - Combined incomes > \$20,000/mo: 3% of orders entered (< 1% more than \$35K)
- 2018 SSR (\$10.50/hr min wage: 80% of 40 hrs at \$10.50 = \$1,456)
 - 4% of orders where income minus SSR < \$0
 - 9% of order set at income minus SSR
 - Income at 2018 min. wage (\$1,820/mo): Fathers (13%) Mothers (25%)
 - Income below 2018 min. wage: Fathers (2%) Mothers (6%)
- Timesharing arrangement: average 73 overnights; median = 69 overnights, 9% = 0 overnights

Atlas Extract

- Have received samples of all data fields
 - Guidelines deviation field not populated
- Reconfirming number of new and modified orders

Labor Market Information

Minimum wage

- Federal: \$7.25/hour
- State:
 - 2018: \$10.50/hr: 80% of FT: \$1,456/mo
 - 2020: \$12.00/hr: 80% of FT: \$1,664/mo
 - 2021: cost of living increase
- Flagstaff (works more than 25 hrs per week)
 - 2020: \$13/hr (\$10/hr when tips > \$30/mo)
 - 2021: higher of \$15/hr or \$2 + state minimum wage:
 - \$15/hr: 80% of FT: \$2,080 mo

2019 AZ Wages

	Mean	Median
Cashiers	\$12.52	\$11.84
Bakers	\$14.10	\$13.28
Laundry and Dry clean workers	\$12.60	\$11.96
Painting and Coating workers	\$14.84	\$14.21
Helpers, roofers	\$13.69	\$13.51
Transportation & material moving occupations	\$12.98	\$12.20
Stockers and order fillers	\$15.38	\$13.63



Updating the Schedule

Updated Child Support Schedules

Underlying Data or Assumption	Basis of Existing Schedule	Updates in this Presentation	Alternatives
1. Underlying economic study and highest combined gross income	BR3 (\$20,000/mo)	<ul style="list-style-type: none"> BR3 (\$38,800/mo) BR4 (\$28,250/mo) BR5 (\$33,800/mo) 	<ul style="list-style-type: none"> BR5 alternatives (domestic partners, families with adult children, & quarterly data) Rodgers, USDA, and Comanor
2. Price levels	April 2014 price levels	June 2020 (8.7% increase)	None
3. Federal and State Taxes	2014 federal and state income tax withholding formulas for single taxpayer	<ul style="list-style-type: none"> 2020 federal withholding formula (Method 5/2019 W-4) AZ assuming federal withholding and applying 2.59%, 3.34%, 4.17%, 4.5%) 	Other (Method 4/2020 W-4 for Federal AZ income withholding formula: either 0.8%, 1.3%, 1.8%, 2.7%, 3.6%, 4.2%, or 5.1%)
4. Exclude childcare, child's health insurance premium & extraordinary medical expenses	Excludes all but the first \$250 per child per year in ordinary, out-of-pocket medical expenses	<ul style="list-style-type: none"> No change 	<ul style="list-style-type: none"> Exclude all medical (would decrease schedule amts)
5. Expenditures to net income ratio	<ul style="list-style-type: none"> Converts expenditures to net income using ratios from same families in CES Caps expenditures at 100% 	<ul style="list-style-type: none"> No Change 	<ul style="list-style-type: none"> Use 100% at all incomes (increase schedule amts)

Studies of Child-Rearing Expenditures

Study Name and CES Years	Study Year	Full Reference
Betson-Rothbarth 1 (BR1) CES: 1980-86	1990	David M. Betson (1990). <i>Alternative Estimates of the Cost of Children from the 1980-86 Consumer Expenditure Survey</i> , Report to U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, University of Wisconsin Institute for Research on Poverty, Madison, Wisconsin.
Lewin Report (compared methods)	1990	Lewin/ICF. (1990). <i>Estimates of Expenditures on Children and Child Support Guidelines</i> . Report to U.S. Department of Health and Human Services, Office of the Assist. Secretary for Planning and Evaluation. Virginia
Betson-Rothbarth 2 (BR2) CES: 1996-99	2001	Betson, David M. (2001). "Chapter 5: Parental Expenditures on Children." in Judicial Council of California, <i>Review of Statewide Uniform Child Support Guideline</i> . San Francisco, California
Betson-Rothbarth 3 (BR3) CES: 1998-2004	2006	David M. Betson (2006). "Appendix I: New Estimates of Child-Rearing Costs" in PSI, <i>State of Oregon Child Support Guidelines Review: Updated Obligation Scales and Other Considerations</i> , Report to State of Oregon, Policy Studies Inc., Denver, CO.
Betson-Rothbarth 4 (BR4) CES: 2004-09	2010	Betson, David M. (2010). "Appendix A: Parental Expenditures on Children." in Judicial Council of California, <i>Review of Statewide Uniform Child Support Guideline</i> . San Fran-cisco, California. Retrieved from: http://www.courts.ca.gov/partners/documents/2011SRL6aGuidelineReview.pdf
Rodgers-Rothbarth/NJ CES: 2000-11	2012	New Jersey Child Support Institute (March 2013). <i>Quadrennial Review: Final Report, Institute for Families</i> , Rutgers, the State University of New Jersey, New Brunswick, NJ. Retrieved from: http://www.judiciary.state.nj.us/reports2013/F0_NJ+QuadrennialReview-Final_3.22.13_complete.pdf
USDA (CES: 2011-2015)	2017	Lino, Mark (2017). <i>Expenditures on Children by Families: 2015 Annual Report</i> . U.S. Department of Agriculture, Center for Nutrition and Policy Promotion. Miscellaneous Publication No. 1528-2015, Washington, D.C. http://www.cnpp.usda.gov/publications/crc/crc2013.pdf
Rodgers-Rothbarth/Nat'l (2000-2015)	2018	Rodgers, William M. (2017) "Comparative Economic Analysis of Current Economic Research on Child-Rearing Expenditures." In Judicial Council of California, <i>Review of Statewide Uniform Child Support Guideline 2017</i> . San Francisco, CA. Retrieved from http://www.courts.ca.gov/documents/lr-2018-JC-review-of-statewide-CS-guideline-2017-Fam-4054a.pdf .
Comanor (CES: 2004-09)	2015	Comanor, William, Sarro, Mark, and Rogers, Mark. (2015). "The Monetary Cost of Raising Children." In (ed.) <i>Economic and Legal Issues in Competition, Intellectual Property, Bankruptcy, and the Cost of Raising Children</i> (Research in Law and Economics), Vol. 27). Emerald Group Publishing Limited, pp. 209–51
Self-Sufficiency Standard	2018	<i>Self-Sufficiency Standard Tables [Excel]</i> http://www.selfsufficiencystandard.org/arizona
Betson-Rothbarth 5: BR95) CES 2014-19		Arizona

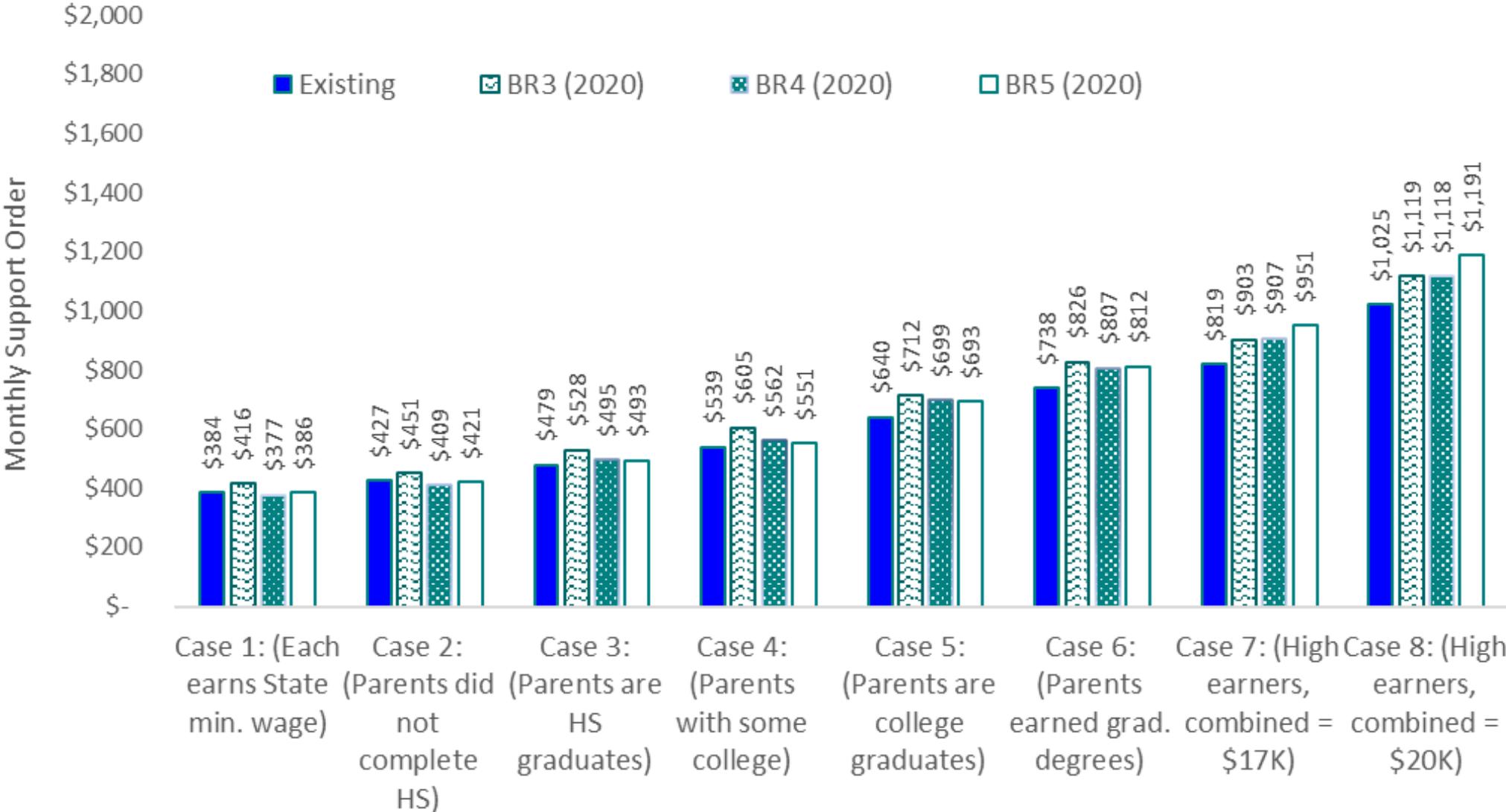
AZ 2018 Median Earnings for Workers Age 25 and Older

Highest Educational Attainment	Males	Females
1. Min. wage earners (\$12/hr @ 40 hrs)	\$ 2,080	\$2,080
2. Less than High School Degree	\$ 2,250	\$1,666
3. High School Degree or GED	\$ 2,779	\$2,156
4. Some College or Associate's Degree	\$ 3,547	\$2,619
5. Bachelor's Degree	\$ 5,232	\$3,653
6. Graduate or Professional Degree	\$ 6,796	\$4,635
7. High earners (combined = \$17,000)	\$ 9,000	\$8,000
8. High earners (combined = \$20,000)	\$12,000	\$8,000

Case scenarios: Male is parent owing support, female is parent receiving support, no parenting-time adjustment

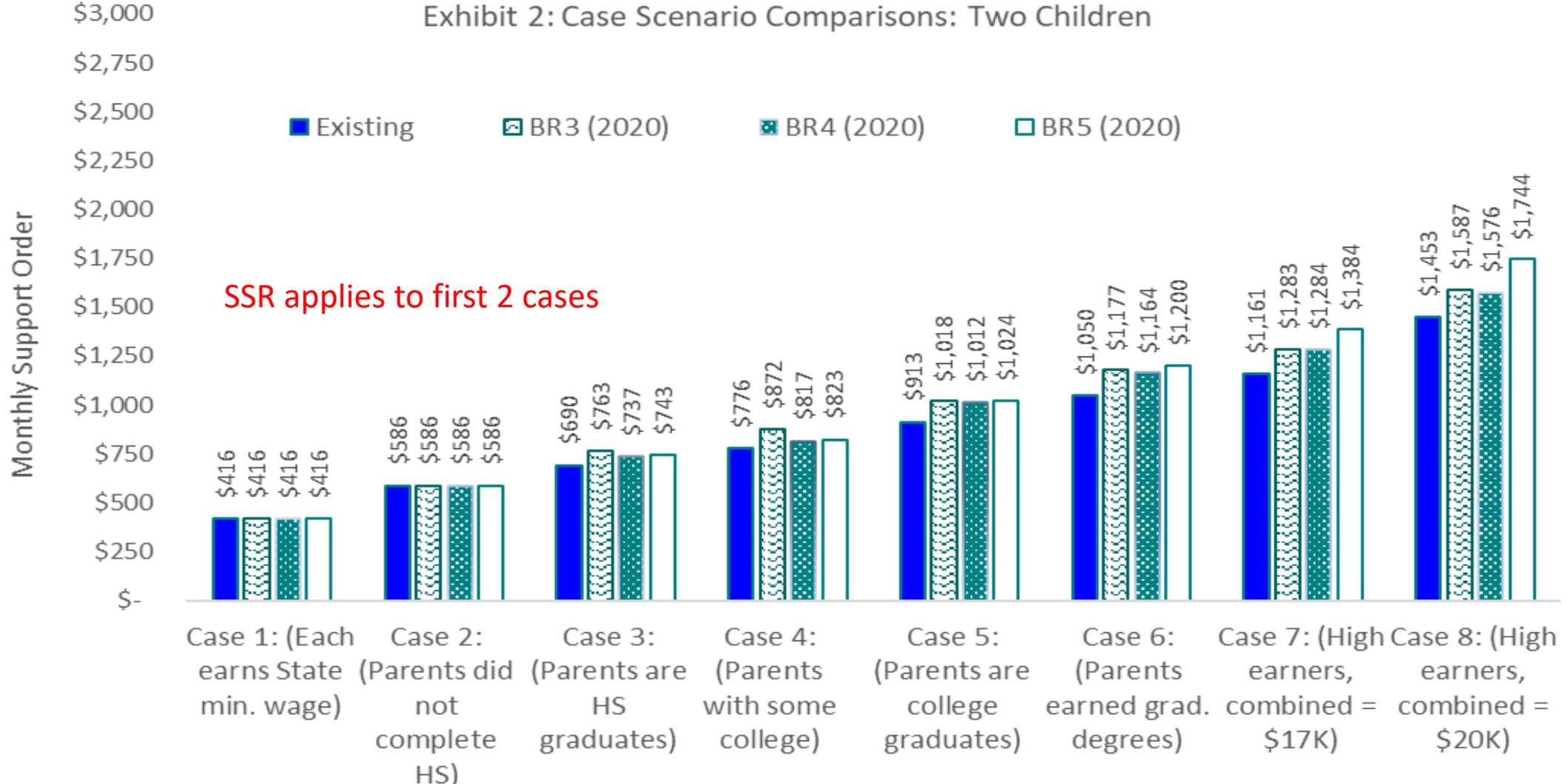
Comparisons: One Child

Exhibit 1: Case Scenario Comparisons: One Child

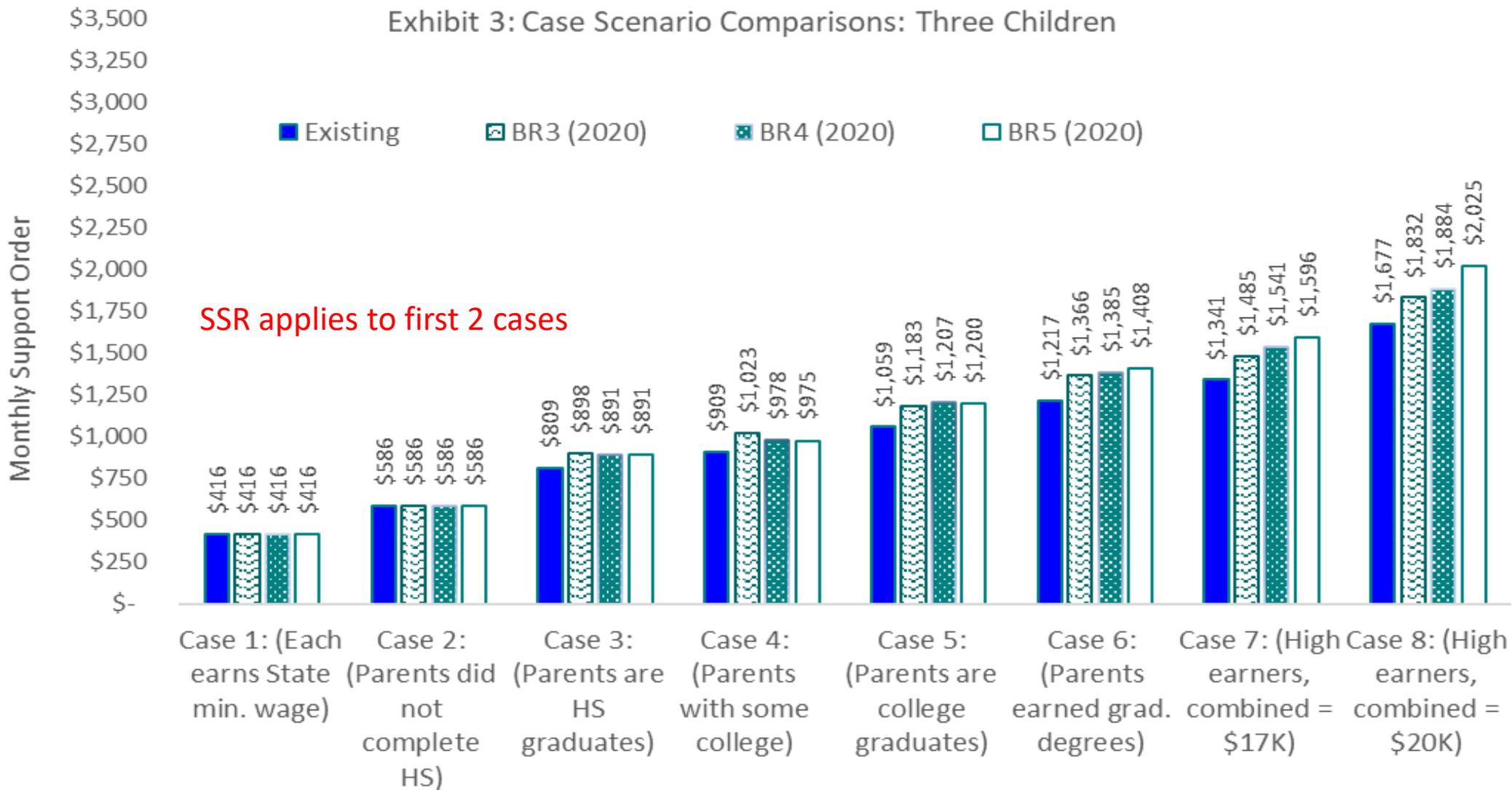


Comparisons: Two Children

Exhibit 2: Case Scenario Comparisons: Two Children



Comparisons: Three Children



Studies of Child-Rearing Expenditures

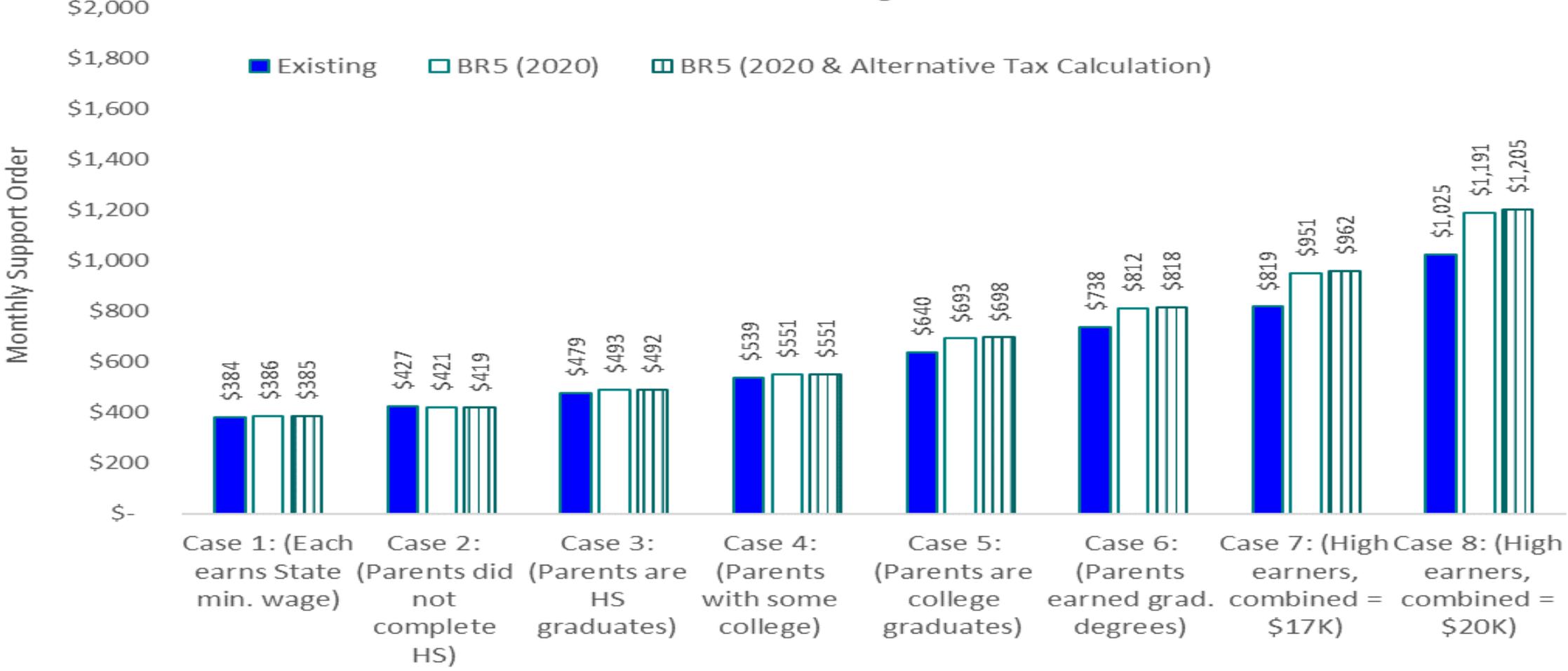
Study Name and CES Years	Study Year	Full Reference
Betson-Rothbarth 1 (BR1) CES: 1980-86	1990	David M. Betson (1990). <i>Alternative Estimates of the Cost of Children from the 1980-86 Consumer Expenditure Survey</i> , Report to U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, University of Wisconsin Institute for Research on Poverty, Madison, Wisconsin.
Lewin Report (compared methods)	1990	Lewin/ICF. (1990). <i>Estimates of Expenditures on Children and Child Support Guidelines</i> . Report to U.S. Department of Health and Human Services, Office of the Assist. Secretary for Planning and Evaluation. Virginia
Betson-Rothbarth 2 (BR2) CES: 1996-99	2001	Betson, David M. (2001). "Chapter 5: Parental Expenditures on Children." in Judicial Council of California, <i>Review of Statewide Uniform Child Support Guideline</i> . San Francisco, California
Betson-Rothbarth 3 (BR3) CES: 1998-2004	2006	David M. Betson (2006). "Appendix I: New Estimates of Child-Rearing Costs" in PSI, <i>State of Oregon Child Support Guidelines Review: Updated Obligation Scales and Other Considerations</i> , Report to State of Oregon, Policy Studies Inc., Denver, CO.
Betson-Rothbarth 4 (BR4) CES: 2004-09	2010	Betson, David M. (2010). "Appendix A: Parental Expenditures on Children." in Judicial Council of California, <i>Review of Statewide Uniform Child Support Guideline</i> . San Fran-cisco, California. Retrieved from: http://www.courts.ca.gov/partners/documents/2011SRL6aGuidelineReview.pdf
Rodgers-Rothbarth/NJ CES: 2000-11	2012	New Jersey Child Support Institute (March 2013). <i>Quadrennial Review: Final Report, Institute for Families</i> , Rutgers, the State University of New Jersey, New Brunswick, NJ. Retrieved from: http://www.judiciary.state.nj.us/reports2013/F0_NJ+QuadrennialReview-Final_3.22.13_complete.pdf
USDA (CES: 2011-2015)	2017	Lino, Mark (2017). <i>Expenditures on Children by Families: 2015 Annual Report</i> . U.S. Department of Agriculture, Center for Nutrition and Policy Promotion. Miscellaneous Publication No. 1528-2015, Washington, D.C. http://www.cnpp.usda.gov/publications/crc/crc2013.pdf
Rodgers-Rothbarth/Nat'l (2000-2015)	2018	Rodgers, William M. (2017) "Comparative Economic Analysis of Current Economic Research on Child-Rearing Expenditures." In Judicial Council of California, <i>Review of Statewide Uniform Child Support Guideline 2017</i> . San Francisco, CA. Retrieved from http://www.courts.ca.gov/documents/lr-2018-JC-review-of-statewide-CS-guideline-2017-Fam-4054a.pdf .
Comanor (CES: 2004-09)	2015	Comanor, William, Sarro, Mark, and Rogers, Mark. (2015). "The Monetary Cost of Raising Children." In (ed.) <i>Economic and Legal Issues in Competition, Intellectual Property, Bankruptcy, and the Cost of Raising Children</i> (Research in Law and Economics), Vol. 27). Emerald Group Publishing Limited, pp. 209–51
Self-Sufficiency Standard	2018	<i>Self-Sufficiency Standard Tables [Excel]</i> http://www.selfsufficiencystandard.org/arizona
Betson-Rothbarth 5: (BR95) CES 2014-19		Arizona

Updating for 2020 Federal and State Taxes (See Row 4, slide 14)

2020 IRS withholding formula	Method 1	Method 2	Method 3	Method 4*	Method 5	Method 6
W-4 Year	2019 and earlier and 2020 or later	2020 or later	2019 or earlier	2020 or later	2019 or earlier	Option of employer
Subtraction from income	Depends on year of W-4	None, std deduction built into tables	Allowances built into tables	None, std deduction built into tables	\$358 per month for each allowance claimed on W-4	
% method tables or wage bracket tables	Percentage method tables	Wage bracket tables	Wage bracket tables	Percentage method tables	Percentage method tables	
Highest income considered in tables	No limit	\$8,330 per month	\$8,410 per month	No limit	No limit	
Frequency of payroll	Annual	Monthly and others	Monthly and others	Monthly and others	Monthly and others	
Filing status considered						
<ul style="list-style-type: none"> • Single • Married filing jointly • Married filing separately • Head of Household 	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	

Comparisons: BR5(fed withholding method 5 & state progressive rate) and BR5 (fed withholding method 4 & 2.7% state income tax)

Exhibit 4: Case Scenario Comparisons: One Child, M4 for federal withholding and 2.7% AZ withholding



Child's Health Care Cost (See Row 6, slide 14)

Schedule includes up to \$250 per child per year for ordinary, out-of-pocket medical expenses

2015 National Medical Expenditure Survey

- Average out-of-pocket medical per child = \$248/yr
 - Ever public insurance = \$63/yr
 - Ever private insurance = \$388/yr

Number of Arizona Children: 1,716,801

Number of Arizona Children Enrolled in CHIP: 97,450

Total Medicaid Enrollment in Arizona: 1,610,623

Percent of Children Enrolled in Medicaid and CHIP: 62% USA

Child's Health Care Cost: Alternative Approaches

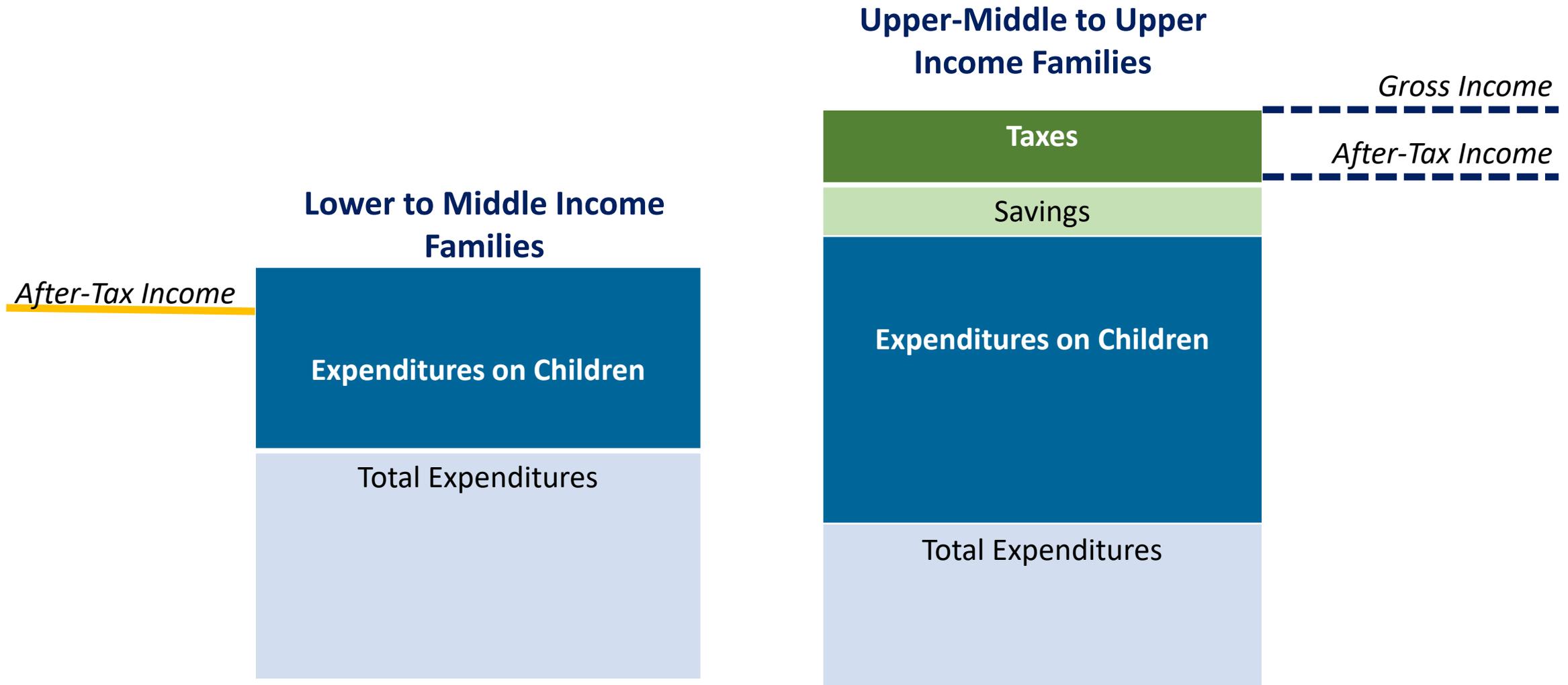
- VA and CT include no health care costs in schedule
 - Advantage:
 - No assumption about the amount of ordinary out-of-pocket medical expenses is necessary
 - Disadvantage:
 - Parents must track ALL medical receipts and exchange them
- OH and MI include no health care costs in schedule but include an add-on in the worksheet for a standard amount
 - Advantages:
 - Can change amount without changing schedule
 - More flexibility on a case-by-case basis (e.g., don't add in Medicaid cases)
 - Disadvantages:
 - Adds a step
 - Still requires an assumption

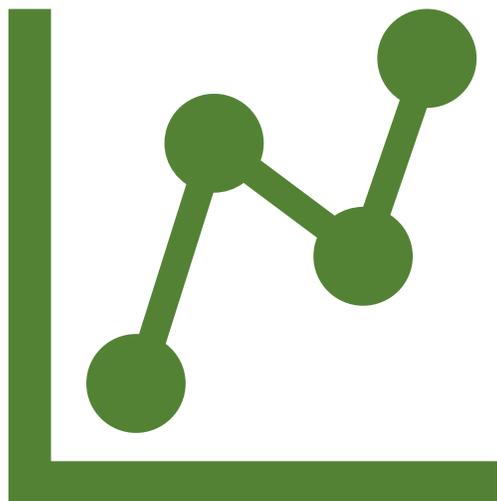
Ohio's Approach

	Parent A	Parent B	Combined
1. Annual Income	\$40,000	\$40,000	\$80,000
17. Percent of income	50%	50%	
18a. Basic child support obligation (annual)			\$20,000
23. Annual Cash Medical			\$388.70
24. Total Obligation			\$20,388.70
25. Each parent's share	\$10,194.35	\$10,194.35	

Cash Medical Obligation	
Number of Children	Annual Cash Medical Amount
1 child	\$388.70
2 children	\$777.40
3 children	\$1,166.10
4 children	\$1,554.80
5 children	\$1,943.50
6 children	\$2,332.20

Average Expenditures to After-Tax Income Ratios (See Row 7, slide 14)





Next Steps

Next Steps

- CPR: analysis of case file
- **Committee**
 - Other case scenarios for CPR to prepare?
 - Other schedules for CPR to prepare?
- **Other Issues or Concerns?**

FCIC - Child Support Guidelines Review Subcommittee

Date of Meeting:	Type of Action Required:	Subject:
July 28, 2020	<input checked="" type="checkbox"/> Formal Action/Request <input type="checkbox"/> Information Only <input type="checkbox"/> Other	HSA/FSA and Tax Credit Deduction

PRESENTER(S): Carol Park Aden, Don Bays, Melissa Loughlin-Sines and Chris Gorman

DISCUSSION: Whether to add a separate line item to the Child Support Worksheet:

“less tax credit allowed to party for HSA/FSA account contributions to cover medical expenses of minor child(ren)”

REASONS NOT TO ADD:

- *De minimus* dollar amounts for credit- \$21-\$36 per month, related to Total Annual Income of \$22,500-\$100,00
- Confusing to Self-Represented Litigants
- In unusual situations, can still present HSA/FSA tax-related issues to Judicial Officer and include on a case by case basis the “net” dollar amount (after tax credit) in the worksheet as appropriate (probably as “credit” to additional expenses)

RECOMMENDED ACTION OR REQUEST (IF ANY): No Change to Existing Child Support Worksheet

HSA and FSA Plans How They Are Treated on Tax Returns and Their Effect on Child Support Calculations

The attached schedules provide examples of how Health Savings Accounts (HSA's) and Flexible Spending Accounts (FSA's) effect the tax returns of the employees participating in these plans. Although the full details of the tax returns of a Head of Household and a Single Taxpayer are shown on Schedule 1 and 2, the primary emphasis is simply on the top three lines of these schedules to see how the HSA contributions are deducted directly from Total Income or, in the examples, from W-2 wages on page 1 of the Form 1040 Tax Return.

FSA activity is not reported in the 1040 tax return. Likewise, contributions to HSA plans that are made with pre-tax dollars are not included in the tax return. Schedules 4 and 5 show the effects of the plans regarding the tax savings to a Head of Household and Individual Tax Payer.

In all the schedules, 1, 2, 4 and 5, a calculation is shown at the bottom of each schedule of the estimated tax savings for taxpayers with gross incomes of \$25,000, \$35,000, \$45,000 or \$100,000.

Some common assumptions to schedules 1, 2, 4 and 5:

- The deductible contribution for HSA plans is \$2,500, although it could be higher as allowed by the IRS.¹
- The allocation of compensation to be set aside for medical expenses (to be paid with pre-tax dollars) by the FSA (or HSA) plan participant is shown at \$2,500, although the allocated amount could be higher.
- Head of Household calculations assume one child dependent.
- Total income levels used in the schedules, as well as tax payments made, are hypothetical.

¹ In 2020 the maximum contribution for a single member FSA plan is \$2,750 and for a single member HSA plan, it is \$3,550. In 2020, the maximum contribution for an FSA family plan is \$2,750 and for an HAS family plan it is \$7,100.

SCHEDULE 1
Effect of HSA on Head of Household Tax Returns

One child dependent

Total Income	\$ 25,000	\$ 35,000	\$ 45,000	\$ 100,000	[1]
HSA	(2,500)	(2,500)	(2,500)	(2,500)	[2]
Adjusted Gross Income	22,500	32,500	42,500	97,500	
Itemized/standard deduction	(18,350)	(18,350)	(18,350)	(18,350)	[3]
Taxable Income	4,150	14,150	24,150	79,150	[4]
Tentative Tax	418	1,424	2,624	11,857	[5]
Child and Dependent Care Expenses	(418)	(624)	(504)	(480)	[6]
Child Tax Credit	-	(800)	(2,000)	(2,000)	[7]
Total Credits	(418)	(1,424)	(2,504)	(2,480)	[8]
Total Tax	\$ -	\$ -	\$ 120	\$ 9,377	[9]
Total Payments:					
Federal Taxes Withheld	1,700	\$ 3,400	4,500	18,500	[10]
Earned Income Credit	2,568	970	-	-	[11]
Additional Child Tax Credit	1,400	1,200	-	-	[12]
Total Other Payments and Refundable Credits	\$ 5,668	\$ 5,570	\$ 4,500	\$ 18,500	[13]
Net Refund	\$ 5,668	\$ 5,570	\$ 4,380	\$ 9,123	[14]
Effective Tax Rate	10.1%	10.1%	10.9%	15.0%	[15]
HSA Tax Savings - Annual	\$ 252	\$ 252	\$ 272	\$ 375	[16]
HSA Tax Savings - Monthly	\$ 21	\$ 21	\$ 23	\$ 31	[17]

SCHEDULE 2
Effect of HSA on Single Status Tax Returns

Total Income	\$ 25,000	\$ 35,000	\$ 45,000	\$ 100,000
HSA	(2,500)	(2,500)	(2,500)	(2,500)
Adjusted Gross Income	22,500	32,500	42,500	97,500
Itemized/standard deduction	(12,200)	(12,200)	(12,200)	(12,200)
Taxable Income	10,300	20,300	30,300	85,300
Tentative Tax	1,045	2,245	3,445	14,653
Child and Dependent Care Expenses	-	-	-	-
Child Tax Credit	-	-	-	-
Total Credits	-	-	-	-
Total Tax	\$ 1,045	\$ 2,245	\$ 3,445	\$ 14,653
Total Payments:				
Federal Taxes Withheld	1,700	\$ 3,400	11,000	18,000
Earned Income Credit	-	-	-	-
Additional Child Tax Credit	-	-	-	-
Total Other Payments and Refundable Credits	\$ 1,700	\$ 3,400	\$ 11,000	\$ 18,000
Net Refund	\$ 655	\$ 1,155	\$ 7,555	\$ 3,347
Effective Tax Rate	10.1%	11.1%	11.4%	17.2%
HSA Tax Savings - Annual	\$ 254	\$ 276	\$ 284	\$ 429
HSA Tax Savings - Monthly	\$ 21	\$ 23	\$ 24	\$ 36

See Notes at Schedule 3.

Schedule 3 Notes

For Schedule 1:

- [1] From Line 7b of Form 1040 Tax Return.
- [2] From form 8889 of Tax Return. Of the maximum contribution allowed for HSA plans, the tax payer has contributed only \$2,500.
- [3] Allowed for Head of Household taxpayers in 2019.
- [4] [3] deducted from Adjusted Gross Income.
- [5] Calculated by tax return prep software.
- [6] From Tax Return Form 2441.
- [7] From Child Tax Credit Worksheet; one qualifying child.
- [8] [6] + [7].
- [9] [5] minus [8].
- [10] Hypothetical for illustration purposes.
- [11] From Earned Income Credit Worksheet in tax return prep software.
- [12] From Form 8812, Additional Child Tax Credit.
- [13] [10] + [11] + [12].
- [14] [13] minus [9].
- [15] [5] ÷ [4].
- [16] [15] X [2].
- [17] [16] ÷ 12.

For Schedule 2:

Same as notes for Schedule 1 above except that this schedule is prepared for a Taxpayer with Single status. Therefore, the standard deduction and tax rates are different; also, the opportunity for Child and Child Care tax credits and Earned Income and Additional Child Tax Credits are not applicable since there is no qualifying dependent child in the household.

In an employee-sponsored HSA plan, the employee's periodic paychecks can be reduced by either pre-tax or after tax dollars to be used to pay qualified medical expenses. If after-tax dollars are put into the employee's HSA account, the employee can then deduct the contributions on their Form 1040 tax return as shown on Schedules 1 and 2.

SCHEDULE 4

Effect of FSA and HSA Pre-Tax Contributions on Head of Household Tax Returns

<i>One child dependent</i>				
	\$ 25,000	\$ 35,000	\$ 45,000	\$ 100,000
Compensation before Reduction for FSA or HSA Anticipated Medical Expenses	\$ 25,000	\$ 35,000	\$ 45,000	\$ 100,000
Compensation Reduction Amount Set Aside by Employer for Employee	(2,500)	(2,500)	(2,500)	(2,500)
Total Income to be Reported on 1040 Tax Return	<u>22,500</u>	<u>32,500</u>	<u>42,500</u>	<u>97,500</u>
Effective Tax Rate - from Schedule 1	10.1%	10.1%	10.9%	15.0%
Tax Savings - Annual	\$ 252	\$ 252	\$ 272	\$ 375
Tax Savings - Monthly	\$ 21	\$ 21	\$ 23	\$ 31

SCHEDULE 5

Effect of FSA and HSA Pre-Tax Contributions on Single Status Tax Returns

	\$ 25,000	\$ 35,000	\$ 45,000	\$ 100,000
Compensation before Reduction for FSA or HSA Anticipated Medical Expenses	\$ 25,000	\$ 35,000	\$ 45,000	\$ 100,000
Compensation Reduction Amount Set Aside by Employer for Employee	(2,500)	(2,500)	(2,500)	(2,500)
Total Income to be Reported on 1040 Tax Return	<u>22,500</u>	<u>32,500</u>	<u>42,500</u>	<u>97,500</u>
Effective Tax Rate - from Schedule 1	10.1%	11.1%	11.4%	17.2%
Tax Savings - Annual	\$ 254	\$ 276	\$ 284	\$ 429
Tax Savings - Monthly	\$ 21	\$ 23	\$ 24	\$ 36

Note: FSA account contributions are pre-tax payroll amounts and are not reported on the FSA participant's income tax return. (HSA contributions can also be on a pre-tax basis within the employer's plan.) Tax savings are achieved by the "FSA" employee communicating to their employer how much of their annual compensation they want reduced and set aside to pay IRS-approved medical expenses. The amount of compensation, therefore, to be reported on the participant's tax return will be the annual compensation of the participant, reduced by the amount they wish to allocate for medical expenses during the year. This process results in no taxes required to be paid on the monies set aside for the employee's FSA plan. In the event the employee only uses \$2,000 of the \$2,500 they set aside in their FSA, the \$500 remaining cannot be carried over into the next calendar year unless the employer's plan specifically allows for the carryover.