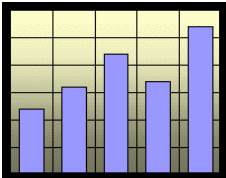


**R. Mark Rogers Economic Consulting
Response to Comment of the
Tennessee Bar Association,
In Re: Child Support Division Rulemaking,
Chapter 1240-2-4, Child Support Guidelines[©]**

July 28, 2004

Submitted to Tennessee Department of Human Services
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**R. Mark Rogers Economic Consulting Response to
Comment of the Tennessee Bar Association, In Re: Child Support
Division Rulemaking, Chapter 1240-2-4, Child Support Guidelines[©]**

July 27, 2004

On June 9, 2004, the Tennessee Bar Association delivered its commentary and analysis to the Tennessee Department of Human Services regarding why the Bar opposes proposed Income Shares child support guidelines. Most of the Bar commentary is based on severe misinformation regarding the economics of the guidelines and on flawed logic of the impact of implementing the proposed guidelines. This memorandum first includes brief responses to the Bar's commentary on a point-by-point basis and then goes into further selected detail in later sections.

Summary Responses to Bar Commentary

1. Bar Comment: The proposed guidelines are in direct conflict with the stated purposes of the rule.

Response: The Bar focuses on unsubstantiated allegations that the proposed rule will not reduce the number of impoverished children in single-parent families; will not ensure more consistent treatment of awards; will not ensure the child shares in each parent's standard of living. However, the Bar misses the key purpose of the rule. The rule is not intended as a social policy but as a legal presumption. The rule must be viewed in the context of constitutional requirements for legal presumptions. Legal presumptions must not be arbitrary and must be based on valid economic data. Additionally, the rule must conform to standards of equal duty of support.

The proposed rule is based on more sound economic data than current guidelines. Specifically, the current guidelines were arbitrarily contorted into fixed net income percentages of obligor only income whereas the underlying Espenshade study found child costs to decline as a percentage of household income. Current guidelines conflict with the stated underlying study (see detail in appendices). Facing a legal challenge, such arbitrary guidelines would likely not withstand the claim that the underlying facts of the underlying study do not exist in application.

Taking into account both parents' incomes and more realistic child costs (which decline as a share of net income), the proposed rule more closely conforms to the standards of equal duty of support and basing support on needs and ability to pay.

By applying the proposed rule with a more sound economic and legal basis, the policy purposes are more likely to be met than with current guidelines. Settlement will be promoted because the outcomes will be more economically sound and more fair. Settlement is less likely to occur under current guidelines in which there is a profit above

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child costs and there are more deviation factors to argue over. The proposed guidelines are based on both parents' incomes and reflect an intact family standard of living—thereby sharing this standard of living with the child.

2. Bar Comment: The complexity and length of the proposed guidelines will mean more litigation, expense, and delay, resulting in less support available for Tennessee's children.

Response: The Bar commentary is misleading. The proposed rule is about average in complexity for similar income shares guidelines found in 33 states. These other states include, in part, Alabama, Missouri, Kentucky, Virginia, North Carolina, South Carolina, and Florida. Members of the Tennessee Bar and judiciary are likely as intelligent and capable as those in these sister states.

Additionally, the proposed guidelines do treat all cases equally among families with the same household income—given that all other key factors are the same. One of the key issues is that oversimplification results in missing key financial issues in child support determination. If there are additional key factors, it is appropriate to include those in addition to the income factor. For example, if in one case parents have a 50/50 parenting time split and in another the alternate residential parent exercises no parenting time and both cases have identical income facts, it is appropriate that the awards differ. Yet, both cases treat income the same.

Regarding the claim that the proposed rule results in less child support for Tennessee's children, the correct issue is whether the guidelines are economically sound (reflecting valid economic data on actual costs) and allocate costs based on equal duty of support (but proportional to financial resources). If awards are lower under the proposed rule, then that is appropriate given that the proposed rule is based on more valid economic data whereas awards based on current guidelines are based on arbitrary fixed percentages instead of the declining Espenshade percentages. Furthermore, Espenshade percentages are now widely recognized in the economics community as overstating child costs. See Lewin/ICF. *Estimates of Expenditures on Children and Child Support Guidelines*, submitted to Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services, October 1990.

For most cases, DHS has determined that the new guidelines will have little impact on the presumptive award compared to current guidelines.

The new guidelines will not likely result in a flood of litigation because not only must there be a significant differences between awards but there also must be a difference enough to justify the filing expense, attorney fees, and lost time. Certainly, there will be some additional case load, but not a flood.

3. Bar Comment: The methodology for determining child-rearing expenditures understates child-rearing expenses.

Response: The Betson-Rothbarth methodology clearly does not understate child costs. Two recent studies indicate that this methodology actually overstates child costs somewhat. In typical cases, a custodial parent household generally ends up with a higher standard of living than the non-custodial parent household—even when the custodial parent has notably lower gross income than the non-custodial parent. Two recent economic studies confirm this. See S.L. Braver and D. Stockburger, “Child Support Guidelines and Equal Living Standards” and R. M. Rogers and D. J. Bieniewicz, “Child Support Guidelines: Underlying Methodologies, Assumptions, and the Impact on Standards of Living,” both in *The Law And Economics Of Child Support Payments*, edited by William S. Comanor, Edward Elgar Publishing, 2004. This outcome does not apply to situations in which the non-custodial parent has sharply higher income than the custodial parent.

The Espenshade study indeed is 20 years old. Economists agree that this methodology (the Engel methodology used by Espenshade) is outdated and overstates child costs. See Lewin/ICF. *Estimates of Expenditures on Children and Child Support Guidelines*, submitted to Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services, October 1990. The earlier cited studies by Braver & Stockburger and Rogers & Bieniewicz also confirm that Espenshade guidelines overstate child costs. Continuing to use outdated child cost studies as the basis for Tennessee guidelines likely conflicts with federal requirements to review and update child support guidelines. See 45 *CFR* 302.56. Continuing to use 20 year old child cost data for the guidelines puts Tennessee at risk for loss of federal child support funds.

The Bar claims only two states currently use the Betson-Rothbarth. This is completely unfounded and is incorrect. According to Policy Studies, Inc., Denver, Colorado, about half of the income shares states now use the Betson-Rothbarth methodology. Separately, the author of this report has confirmed that at least the following states have Betson-Rothbarth based guidelines: Arizona, Connecticut, Missouri, New Jersey, New Mexico, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, South Dakota, Vermont, and West Virginia. There are likely others. The District of Columbia is in the process of moving from obligor-only guidelines to Betson-Rothbarth based income shares.

Additionally, some of the states still using the Espenshade based guidelines have versions that lower their guidelines for relative income distribution (relative to the U.S. average)—essentially recognizing that standard Espenshade guidelines are excessive. These states include Alabama, South Carolina, and Virginia. Tennessee’s Espenshade version has no such adjustment and notably overstates child costs.

As seen in charts in the appendices, the proposed cost tables are in line with child cost figures for states in the Southeast.

4. Bar Comment: TDHS calculations are premised upon the cost of raising children in an intact household, not upon the cost of raising children in a divorced household.

Response: The Bar is alleging that if the proposed guidelines were based on divorced family data, that costs would be higher and awards would be higher. These conclusions are unfounded and are based on errors in economic analysis (or lack of). Indeed, the Betson-Rothbarth cost tables are based on intact family data. The cost tables assume that for a given level of combined income, there is only one set of “adult overhead”—e.g., housing rent and utilities. When going to two households, there are increased costs—for both the adults and children.

The Bar incorrectly assumes that because of increased costs, the awards should be higher. When a standard of equal duty of support is applied in non-intact situations, the opposite occurs—the award is lower because the additional costs occur almost entirely in the alternate residential parent’s (ARP’s) household. It is the ARP that has additional housing costs and some other duplicated categories. When the primary residential parent (PRP) shares these higher costs, the award is lower than if just an intact family standard is used and there are no duplicated costs. Secondly, when there are additional adult overhead costs but the same combined income, there is less income available for other things—including spending on children. These issues are addressed in more detail in the Cost Shares methodology which uses non-intact family cost data and bases the costs in two single-parent households of average income instead of one two-parent household of combined income. See R. M. Rogers and D. J. Bieniewicz, “Child Cost Economics and Litigation Issues: An Introduction to Applying Cost Shares Child Support Guidelines,” Reading #20 in *Assessing Damages in Injuries and Deaths of Minor Children*, ed. by Thomas R. Ireland and John O. Ward, Lawyers & Judges Publishing Co., Tucson, AZ, 2002.

The bottom line is that the use of intact family data results in higher awards than if divorced-based data are economically applied correctly, reflecting average income in both households with less income available for spending on children and with the PRP sharing the ARP’s child costs.

5. Bar Comment: There will be a flood of petitions to modify child support and there are not sufficient court clerk resources, staff, or judges to accommodate the increase in the number of cases.

Response: DHS has determined that in most cases, the new presumptive award will differ little from the new presumptive award. These will not meet the threshold requirement for a change in the award for modification. For a substantial percentage of other cases, the change in the award will not be enough to justify the expense of a modification hearing.

The correct issue is not the minor burden on the court system but reaching economically sound and equitable child support awards. The court should be concerned about serving the public in reaching sound awards and should not be primarily concerned with its minor discomfort. Furthermore, given that the proposed guidelines indeed are more economically sound than current guidelines, there is increased likelihood that parties will

settle out of court—imposing less on court resources than if they do not settle out of court.

6. Bar Comment: The burden will be placed on the primary residential parent to return to court for monies for extracurricular activities, athletic, social, and cultural experiences.

Response: The Bar incorrectly states that the proposed guidelines only cover basic necessities. Betson-Rothbarth based guidelines are based on data from the Consumer Expenditure Survey (from the U.S. Bureau of the Census). Household data used for child costs include all cost categories with the exclusion of only day care and medical expenses. The proposed guidelines add these back as “add-ons” on a case-by-case basis presumptively. Typical spending on activities is included in the presumptive cost table—and these costs vary (rise) by income level. The Bar is incorrect in stating “The proposed guidelines only require the payor to pay for basic necessities of food, clothing, and housing.” Additionally, one should note that even for food, clothing, and housing, costs in the presumptive cost table rise as income rises. The spending on these items—along with others—is not just at the “basic necessity” level unless the case is a low income case.

7. Bar Comment: In cases where a parent is intimidated by the other parent in negotiation, or lacks funds to litigate, the children will simply do without. Pro se litigants would have to conduct discovery to determine reasonable and necessary extracurricular activity expenses, income of the other parent, etc.

Response: First, the Bar incorrectly believes that extracurricular activity expenses are not included in the cost tables. Typical activity expenses are already included and rise as income rises.

Regarding discovery, the guidelines allow the court to impute income at the median income amount for Tennessee workers. For moderate income workers, this is a very strong incentive to document income that is less than the median income. For situations above (and even below) median income levels, a parent can ask for attorney fees to cover litigation expenses. So up to median income levels, there are strong incentives for an award to be based on actual income as documented or on median income. In either case, one knows that the award is either economically sound, based on actual income as documented, and the children are appropriately supported; or the award is based at least on median income and there is at least moderate support. Additionally, in administrative hearings, the court has the right to ask for wage stubs and income tax returns.

8. Bar Comment: There will be more deviations by the courts and there will be more litigation by the obligor to obtain a 92-day threshold so that child support can be reduced.

Response: By incorporating more key economic factors into the guidelines presumptively, the proposed guidelines should reduce the number of deviations. It is

when guidelines are simplistic and key factors omitted that there are incentives to litigate in order to take into account the omitted factors.

The 92-day threshold does not offer dramatic “savings” in child support payments by the obligor. There is a 1.5 multiplier applied to the basic support amount—meaning that reaching the 92-day threshold only marginally reduces the child support award when an obligor only slightly boosts parenting time beyond that threshold. Only when parenting time becomes significantly greater than the 92-day threshold do the awards drop significantly. And the changes in the shared parenting awards are incremental.

Importantly, the comment by the Bar that the parenting time adjustment is an incentive to reduce child support raises a key economic question. It makes economic sense to ask for more parenting time only if it is cheaper to provide care for the children directly than to pay child support for the other parent to care for the children. The Bar in this portion of the commentary is implicitly arguing that the proposed guidelines are too high.

There is likely to be only a modest percentage of cases in which a parenting time adjustment results in too low income for a primary residential parent to provide basic needs for the children and in which there would be sufficient income without the parenting time adjustment. There are several reasons. First, there is no low-income adjustment in the shared parenting worksheet. Secondly, if the primary residential parent is of modest income and the alternate residential parent has significantly higher income, the use of the multiplier will leave little difference between the sole custody award and the shared parenting award. In the few cases in which the shared parenting award is significantly lower than the sole custody award and the shared parenting award leaves the primary residential parent with too little income to support the children, the court can and should deviate—with the award most likely appropriate somewhere between the shared parenting award and the sole custody award.

On a final note, the Department could consider the alternative of starting parenting time adjustments with “day one” of parenting time for the ARP. This would reduce any perceived importance of a 92-day threshold.

9. Bar Comment: An obligor may leave his or her employment to return to school to enhance their [sic] earning potential.

Response: The issue that the Bar is actually focusing on for this comment is that current guidelines do not require the parties to divide child care expenses whereas the proposed guidelines do require this division. Certainly, if an obligor goes back to school part-time and incurs day care expenses, then the obligee would have to share those expenses. However, it generally is custodial parents that incur day care expenses. The proposed rule will make sharing custodial parent day care expenses more equitable.

10. Bar Comment: An obligor does not have to work to his or her earning capacity when the guidelines have a provision for those making less than \$748.00 per month.

Response: The Bar’s explanation for this comment actually focuses on the issue that the proposed rule has a larger self-support mechanism (lower awards) for low-income obligors than the current guidelines and also that the primary residential parent does not receive a self-support reserve. But first, the self-support rule of either the current guidelines or proposed guidelines does not mean that the obligor does not have to earn at capacity—at least for the computation. Under either guidelines, the court can impute income when appropriate—as well as leave income “as is” for low income obligors when that is their earning capacity.

The proposed guideline does provide self-support for both parents down to the poverty threshold range by requiring the higher income parent to take on the greater burden of support. However, once the obligor’s earnings fall below \$950 per month, there is no direct equivalent self-support reserve for the primary residential parent. That is because a self-support reserve for the primary residential parent has no economic meaning for the custodial parent when both parents are below the poverty threshold. When the PRP falls further below the poverty level, the PRP’s status does not increase the ARP’s ability to pay. If there were a formula that increased the ARP’s obligation when the PRP’s income fell and both were already below the poverty threshold, the increased obligation would not result in increased payments but increased arrearages. Such an effect in many cases would force such an obligor into the “cash economy” and result in fewer dollars paid instead of more. Increased arrearages could lead to loss of parental contact for the children if the obligor feared arrest and “disappears.”

Finally, self-support for the primary residential parent comes from sources other than just the guideline formula. Primary residential parents are more able to qualify for Food Stamps, TANF, and WIC while alternate residential parents are not. Additionally, primary residential parents with earned income are able to qualify for sharply higher earned income tax credits than ARPs. To have a true self-support reserve for the primary residential parent, these means based benefits would have to be included in the definition of income in order to put both parents on equal footing for self-support calculations. Neither the current guidelines nor the proposed guidelines put these large means based benefits in the definition of income.

11. Bar Comment: The amount of income that is imputed is based on the median income for all Tennesseans. The median income for women is less than that for men in the state.

Response: The imputation is a rebuttable presumption. It can be rebutted by a showing of the work history of either parent or based on earnings capacity of either parent. Market data for prevailing salaries are readily available (for free on a number of Internet sites) by various occupations—including those dominated by either men or women.

12. Bar Comment: The Department’s proposal for reducing child support based on multiple families is inconsistent with income shares in that it does not take

into account the income of the other biological parent of the child for whom credit is sought.

Response: Indeed, the multiple family adjustment proposal diverges from a full income shares approach. However, the multiple family adjustment issue is addressed differently in various income shares states. The method chosen by the Department is relatively simple to administer and may have outcomes similar to the moderately more complex imputed award method applied to both biological parents. The advantage of the income shares imputed method is that it will be appropriate in more cases. The shortcoming is that it is more complex (moderately) and some rule must be set for how many non-instant case parents the formula should include when serial parents are involved in additional relationships and those relations are involved in other relationships with children.

The Department approach should be viewed simply as a presumption—one that is relatively simple to administer. But it just that—a presumption. All facets of the proposed guidelines must be fully rebuttable—otherwise, a section that is effectively irrebuttable conflicts both with 45 *CFR* 302.56 and with principles of due process as related to legal presumptions. Either party can present a multiple family adjustment calculation based on an imputed child support award to a current family of either party in a case. Such a calculation—if based on case specific facts—should rebut the simplified approach taken in the proposed rule as matter of traditional rebuttal standards.

Interestingly, if primary residential parents have a greater tendency to “marry up” (income wise) than do alternate residential parents, then the proposed DHS treatment of multiple family adjustments is more favorable on average to primary residential parents than to alternate residential parents.

13. Bar Comment: The proposed guidelines would result in a significant decrease in the amount of child support ordered.

Response: This comment in the detail largely focuses on the low income treatment of obligors versus primary residential parents. This issue is addressed in the response to Bar Comment number 10.

In regard to the broad issue that the proposed guidelines result in a decrease in the amount of child support ordered, two facts are important. First, DHS has indicated that in average income cases, the award changes little. Secondly, the correct issue is not whether the award falls or rises with the new guidelines but whether the new guidelines better implement a legal presumption for child support determination. Indeed, the new guidelines have a stronger empirical base than the current guidelines. While not perfect, the new guidelines have greater academic credibility than the discredited Espenshade based guidelines. Additionally, the current guidelines do not even conform to its alleged Espenshade underpinning—the current guidelines were arbitrarily converted to fixed percentages of obligor income instead of being declining percentages based on combined net income. Finally, the new guidelines closer conform to implementing the concept of equal duty of support. Overall, the proposed guidelines provide Tennessee with a method

of child support determination that more closely conforms to constitutional requirements for legal presumptions.

14. Bar Comment: Cases involving children will be far harder to resolve in mediation as a result of increased uncertainty and hostility over the determination of the appropriate amount of support.

Response: The proposed guidelines should result in more cases resolved in mediation as the proposed guidelines are closer to economic reality of child costs than current guidelines. So called hostility is likely only in very high income cases. In those cases, the proper issue is one of alimony—not child support—to address the sharply divergent standards of living. Current child support guidelines award alimony under the guise of child support when the obligor is high income. This is economically unsound and legally unsound to mix the separate legal issues of child support and alimony. Also, current guidelines award this implicit alimony even in cases in which the custodial parent is the higher earning parent.

Again, the real issue is to treat child support guidelines as a legal presumption—as is appropriate—instead of as an arbitrary instrument for social policy. There are high standards for legal presumptions (cannot be arbitrary and must be fully rebuttable) and current guidelines are not likely to withstand any legal attack as being arbitrary (not conforming even to the 20 year old Espenshade study). The proposed rule brings the State of Tennessee into a much stronger position for an improved legal presumption.

Appendix A

Tennessee's Current Child Support Guidelines

Tennessee's current guidelines are what are known as percent-of-obligor-only guidelines. They are fixed percentages of obligor net income as shown below from Tennessee Rules.

Rule 1240-2-4-.03

Guidelines for Calculating Child Support Awards

(5) After determining the net income of the obligor, that amount is to be rounded up to the next dollar. That amount is then multiplied by the percentage below that corresponds to the number of children for whom support is being set in the instant case. The percentages are:

No. of Children	1	2	3	4	5 or more
% of income	21%	32%	41%	46%	50%

Appendix B

Tennessee's Current Guidelines: Espenshade Percentages Misapplied

- The alleged empirical basis of current guidelines is the Espenshade study cited in Robert Williams' advisory report in mid-1980s, *The Development of Child Support Guidelines in Tennessee* (1988) by TN DHS. The alleged economic basis for TN's guidelines actually has declining percentages instead of fixed percentages.

Income Shares Model							
Child Support as a Proportion of Net Income, 1986 Dollars							
	0- <u>5,600</u>	5,601- <u>10,650</u>	10,651- <u>16,725</u>	16,726- <u>28,200</u>	28,201- <u>39,975</u>	39,976- <u>51,875</u>	Over <u>51,875</u>
One Child	23.8	23.7	23.3	21.6	21.0	20.1	17.8
Two Children	37.0	36.7	36.1	33.5	32.7	31.2	27.7
Three Children	46.3	46.0	45.2	42.0	40.9	39.0	34.7
Four Children	52.2	51.8	51.0	47.3	46.1	44.0	39.1
Five Children	57.0	56.5	55.6	51.6	50.3	48.0	42.6
Six Children	60.9	60.4	59.5	55.2	53.8	51.3	45.6
Income ranges in year 2003 dollars:							
	0- <u>9,401</u>	9,402- <u>17,880</u>	17,881- <u>28,078</u>	28,079- <u>47,343</u>	47,344- <u>67,111</u>	67,112- <u>87,089</u>	Over <u>87,089</u>
Excludes child care costs and extraordinary medical expenses.							

Sources for above table: Robert G. Williams, *Development of Guidelines for Child Support Orders: Advisory Panel Recommendations and Final Report*, 1987, U.S. Department of Health and Human Services, Table 12, Section II, Page 70. The year 2003 dollar figures for the net income brackets were calculated by R. Mark Rogers Economic Consulting using the U.S. consumer price index, all-urban.

Tennessee's Current Guidelines: Espenshade Percentages Misapplied (Continued)

- Espenshade never intended to have fixed percentages for guidelines—the study has declining percentages.
- Espenshade's study has been discredited by academic community as overstating child costs.
- The Espenshade estimates of child costs using the Engel estimator are upwardly biased.

The validity of the Engel estimator is critically dependent on the assumption that the percentage of the family's expenditures on non-food items that should be attributed to the family's children is the same as the percentage of the family's food expenditures that is attributable to the family's children. There is reason to believe that this assumption is invalid; children are probably "food-intensive." That is to say, the percentage of the family's food that is consumed by children is probably greater than the percentage of non-food items consumed by children. If this is the case, then the Engel estimator overestimates [emphasis original] the true expenditures on children.¹

- Tennessee arbitrarily took child costs as declining percentages and changed to fixed percentages for all income levels. This is a due process issue that can be raised in court.

¹ Lewin/ICF. *Estimates of Expenditures on Children and Child Support Guidelines*, submitted to Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services, October 1990, Section 2, page 28.

Appendix C

Case Law Says Not to Use Welfare Recovery Guidelines in Non-Welfare Situations

- Tennessee's guidelines are a welfare guideline version of Espenshade and are not appropriate for general use, according to traditional case law.
- *Smith v. Smith*, 626 Pac. 2d at 345-346

We cannot accept that argument [of applying welfare guidelines to non-welfare cases] and we limit the application of this particular scale and formula to the same cases to which the legislature limited its application to those cases in which the division is involved in recovery of assistance payments.

As one commentator explains, "Tables such as these are of questionable value where both parents are employed or employable, and they are utterly useless in cases of joint custody." Franks, "How to Calculate Child Support," 86 Case & Com 3 (1981).

Second, the tables are unrealistic where a parent's income is substantial. Once a parent's net monthly income is over approximately \$2,000 per month, the needs of the children in reality do not increase in proportion to the increases in the parent's ability to pay. Third, the tables fail to reflect the view that both parents must contribute to the best of his or her ability to the financial support of the child, and the view favoring visitation or joint custody when it is in the best interests of the child.

- *Parrett v. Parrett*, 432 N. W. 2d 664 at 672 (Wisc. App.1988).
We agree that in cases where the parties have a substantial marital estate and income far beyond the average income of most people, the robotic utilization of the percentage standards may give absurd results [grossly inflated amounts of child support ordered].

Appendix D

Economic Studies Show Child Costs Declining as a Share of Net Income

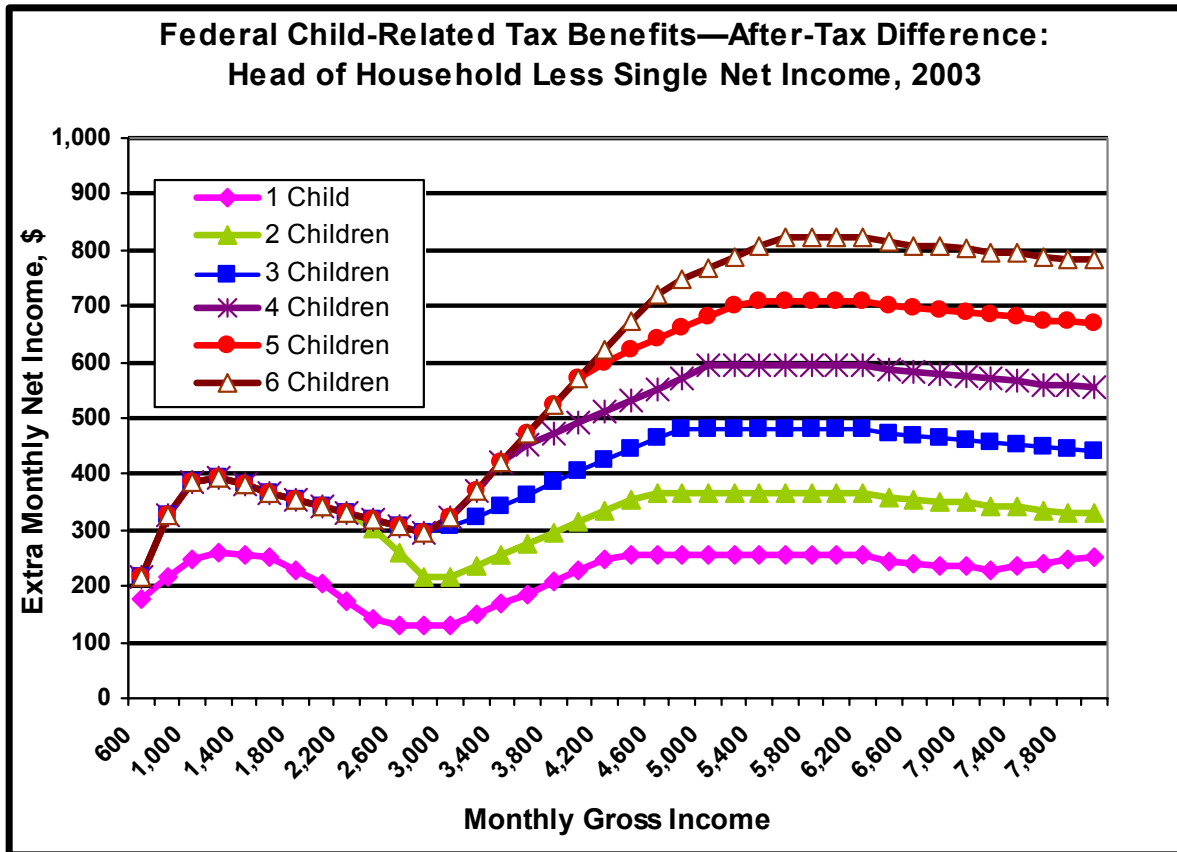
- Van der Gaag, Jacques. "On Measuring the Cost of Children," Child Support: Technical Papers, Volume III, SR32C, Institute for Research on Poverty, Special Report Series, University of Wisconsin, 1982, pp. 1-44.
- Thomas Espenshade, *Investing in Children: New Estimates of Parental Expenditures*, the Urban Institute Press, 1984.
- David Betson working with Policy Studies, Inc., Denver, CO. See Robert G. Williams, "Child Support Guidelines: Economic Basis and Analysis of Alternative Approaches," *Improving Child Support Practice, Volume One*, The American Bar Association, 1986, p. 1-8.
- Mark Lino, "Expenditures on Children by Families, 2000 Annual Report, U.S. Department of Agriculture, May 2001.
- R. Mark Rogers and Donald J. Bieniewicz, "Child Cost Economics and Litigation Issues: An Introduction to Applying Cost Shares Child Support Guidelines," presented to Southern Economic Association, National Association of Forensic Economics section, November 12, 2000.
- Virginia General Assembly. See "Technical Report: The Costs of Raising Children," Virginia General Assembly, November 7, 2000, the Joint Legislative Audit and Review Commission (JLARC).
- Martine T. Ajwa, et al., "Estimating Personal Consumption With and Without Savings in Wrongful Death Cases," *Journal of Forensic Economics* 13(1), Winter 2000, pp. 1-10.

Tennessee's current guidelines, using fixed net income percentages, conflict with economic studies that show child costs declining as shares of net income as net income rises.

Tennessee's current guidelines likely conflict with the requirement for presumptions that underlying facts exist in application.

Appendix E

Child-Related Tax Benefits as Cost Offsets

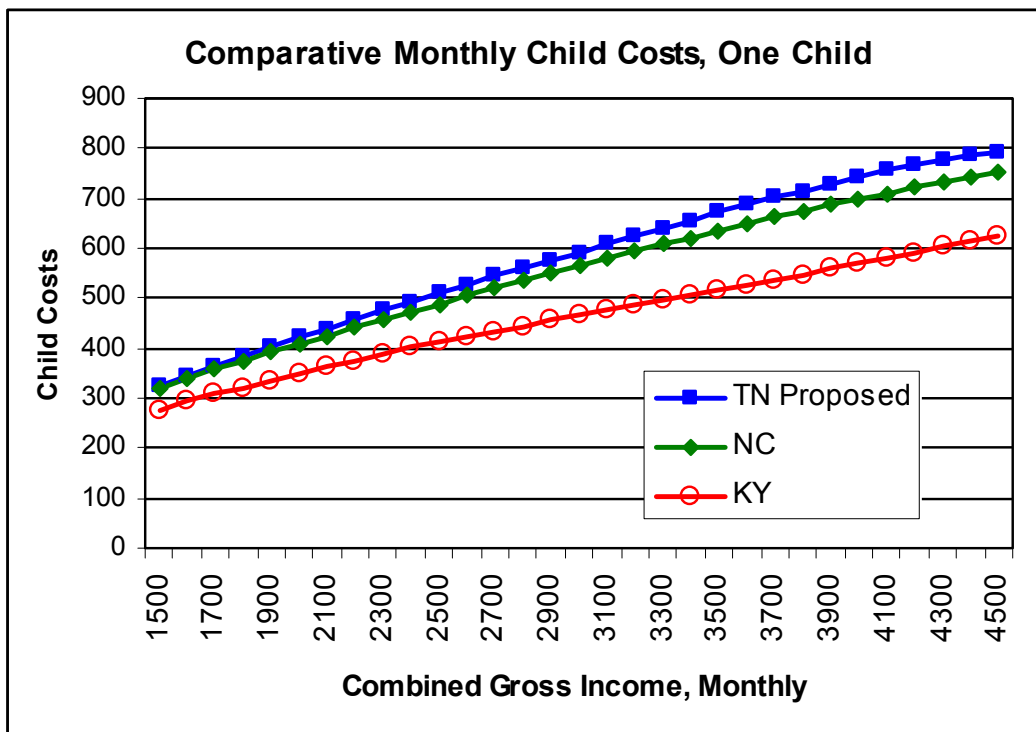
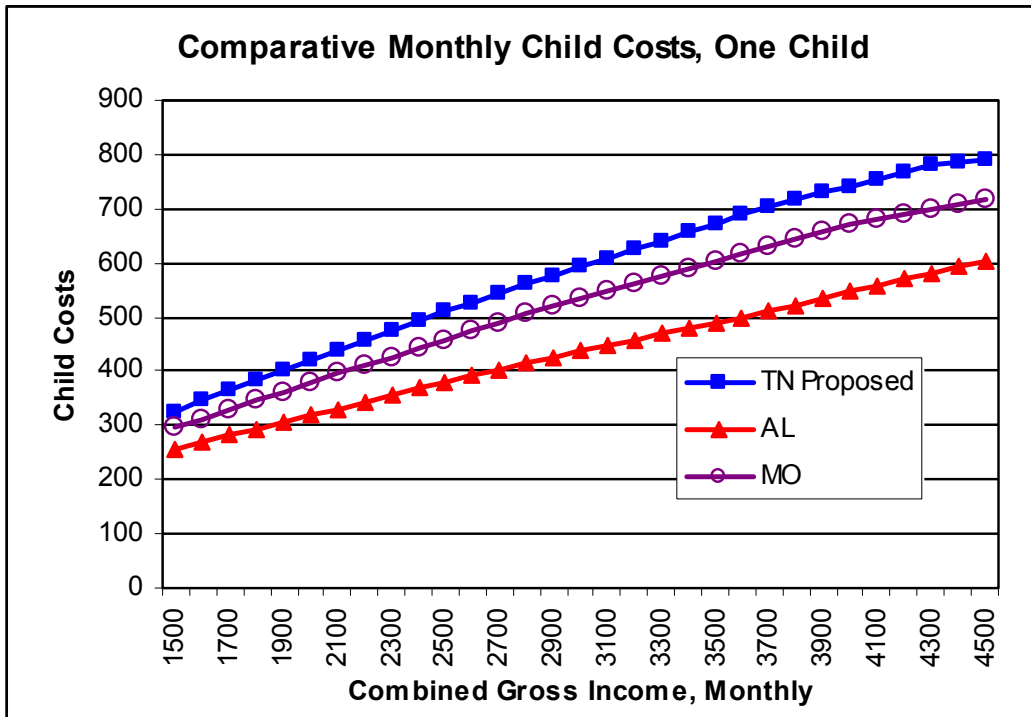


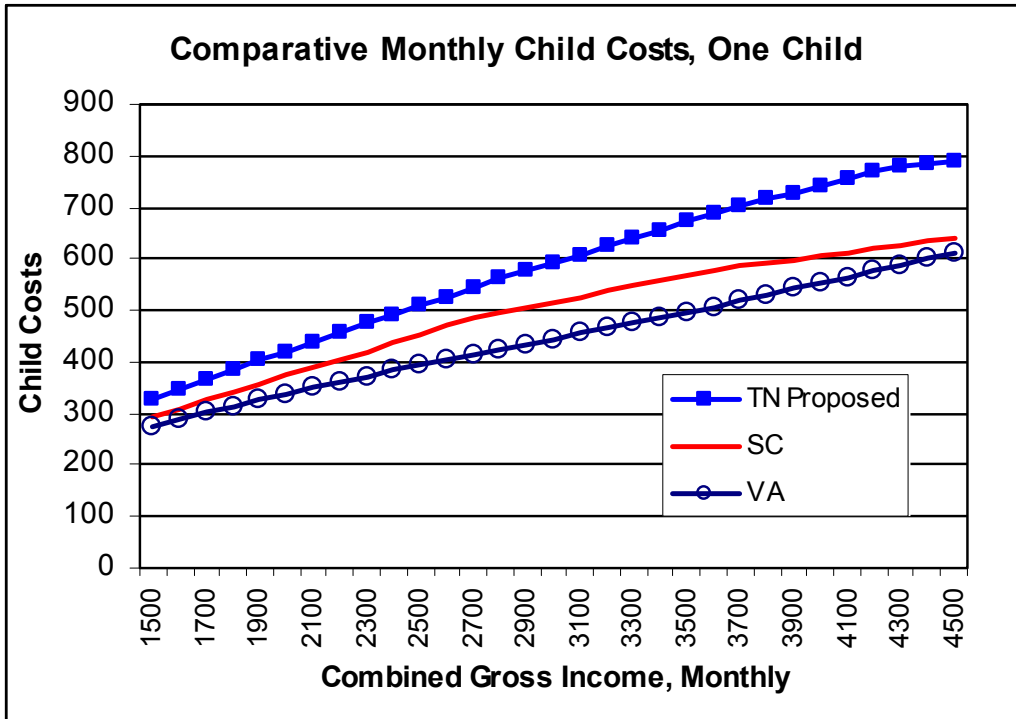
Child-related tax benefits are a very significant offset to total child costs—typically worth \$250 to \$400 in extra monthly after-tax income for the custodial parent.

For low-income working custodial parents, the earned income tax credit provides a sizeable boost to income—acting in part as self-support that a non-custodial parent does not have. The “bulge” in the left-hand portion of the series reflects the boost in after-tax income from earned income tax credits (above those marginal credits for workers without custody of children).

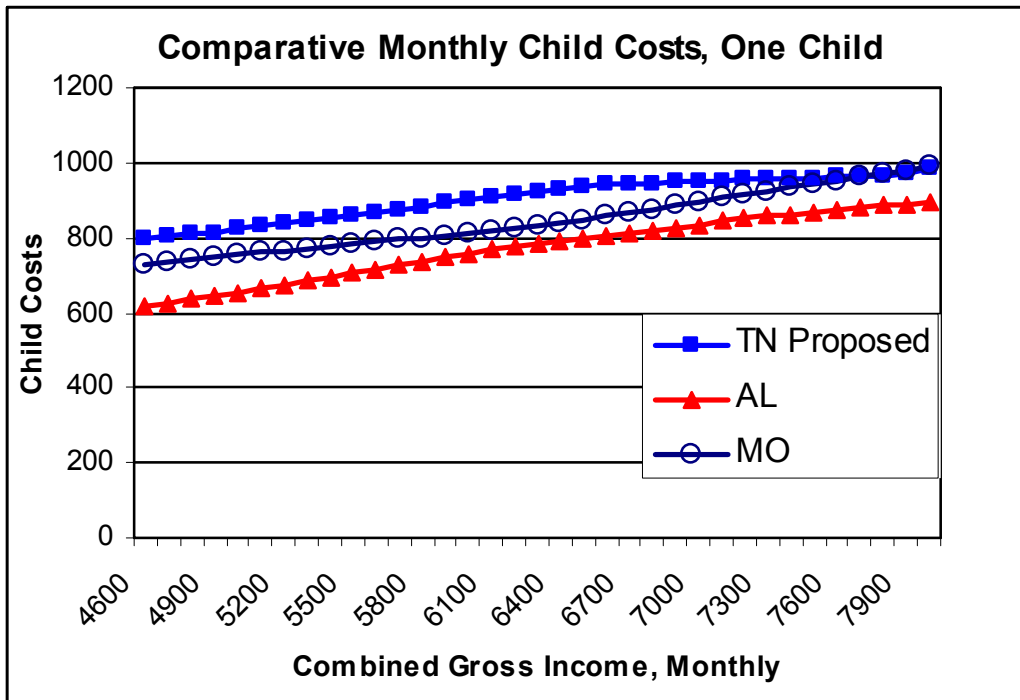
Appendix F One Child Costs

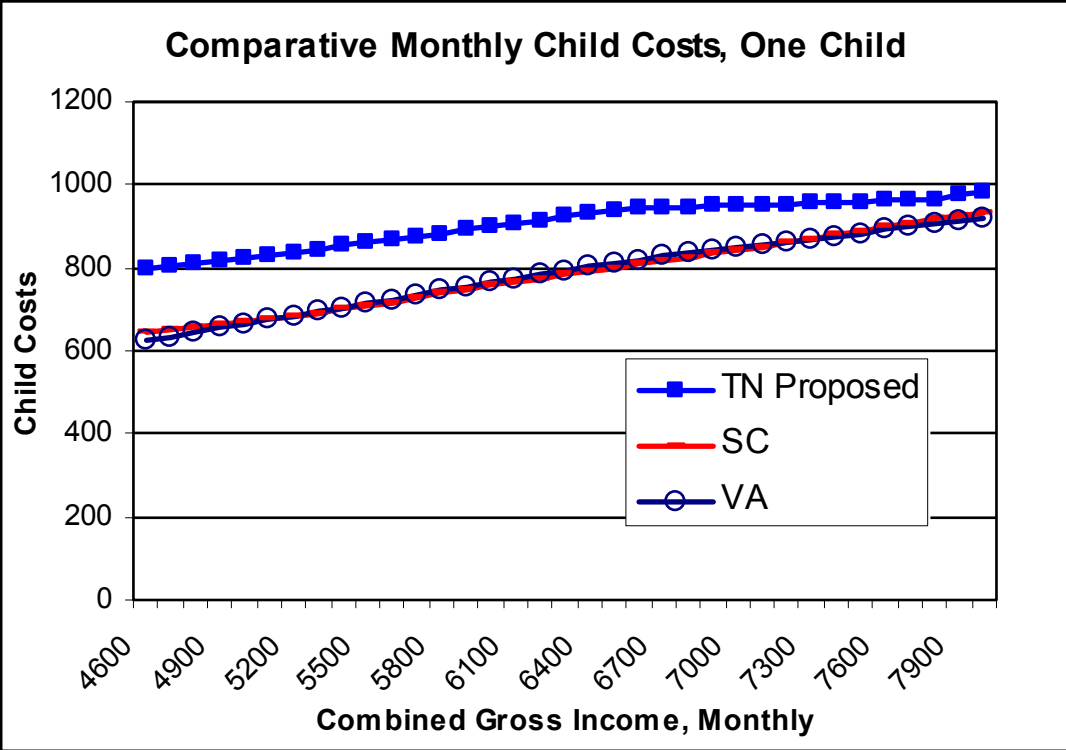
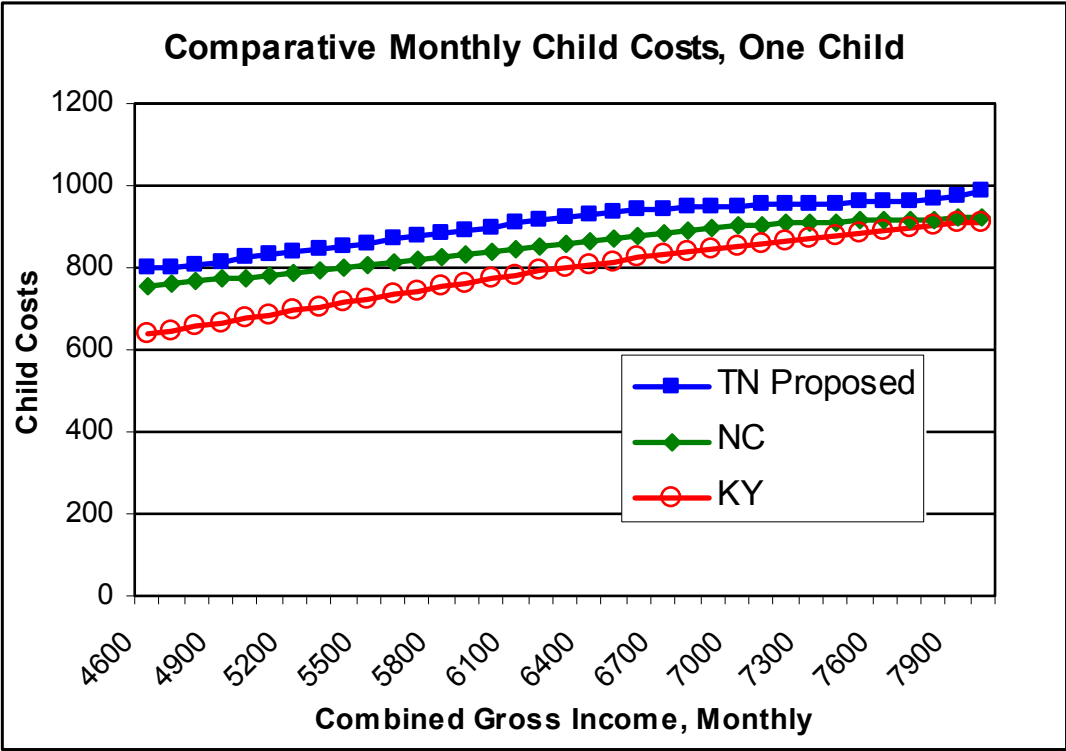
From \$1,500 to \$4,500 Combined Gross Income





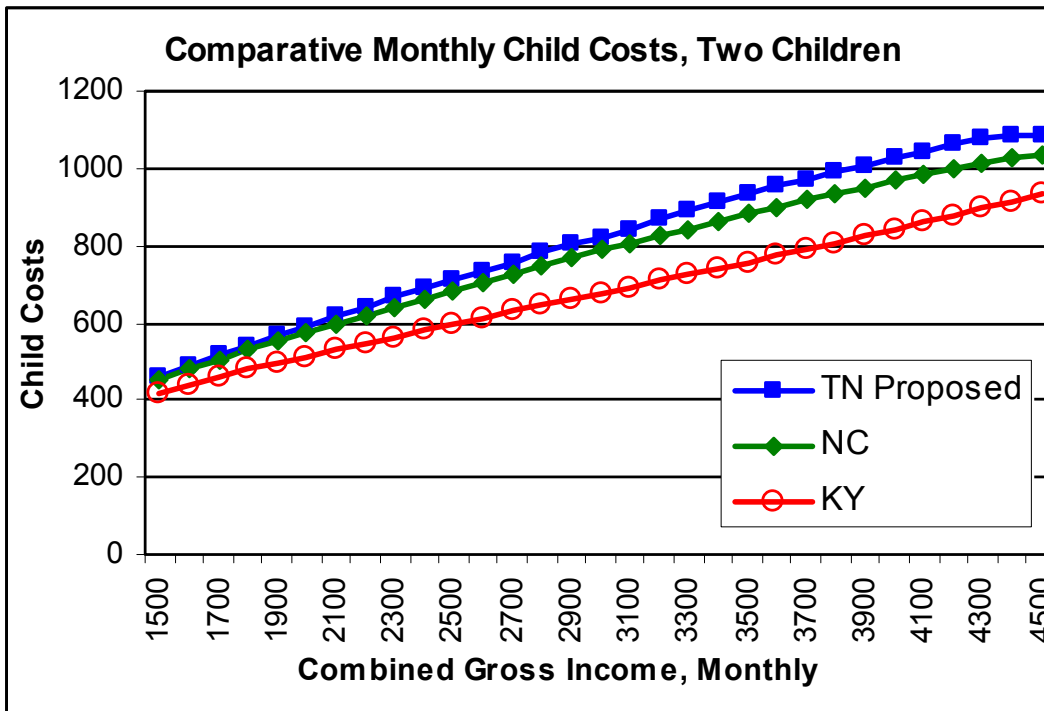
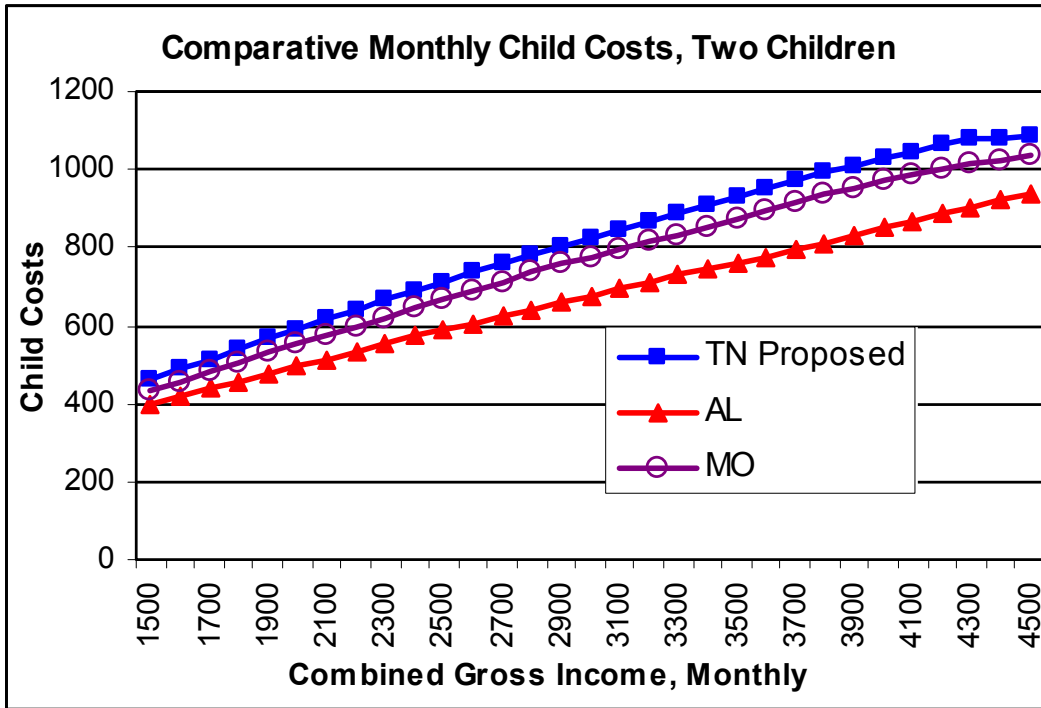
From \$4,600 to \$8,000 Combined Gross Income

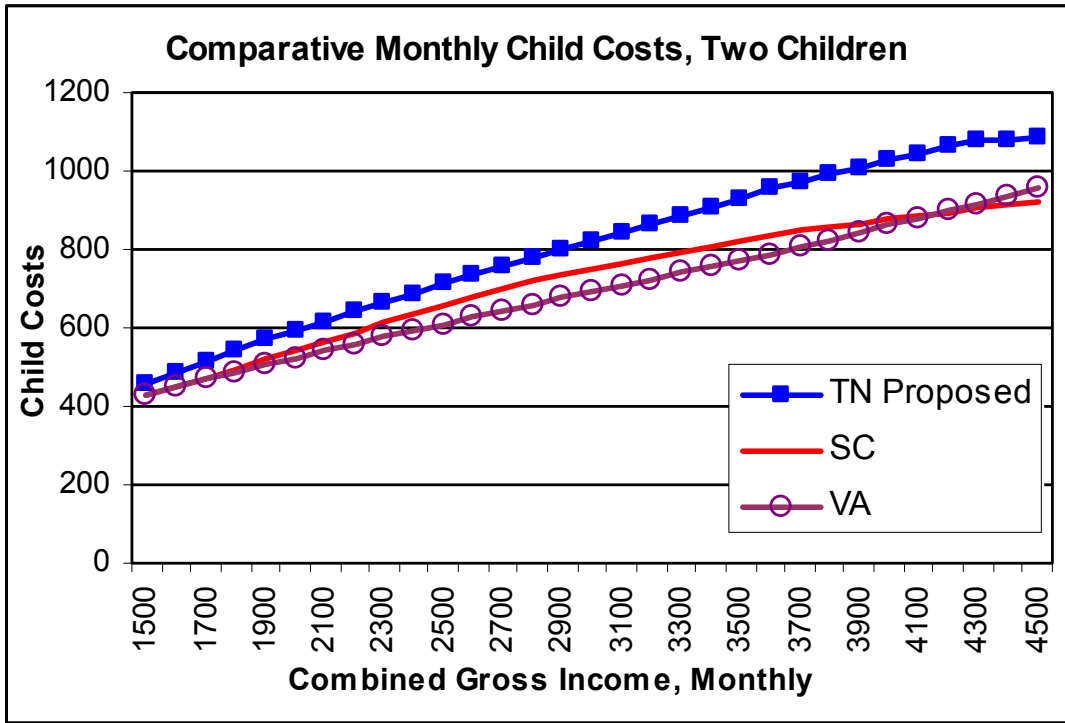




Appendix G Two Child Costs

From \$1,500 to \$4,500 Combined Gross Income





From \$4,600 to \$8,000 Combined Gross Income

