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**12TH ANNUAL
BERNARD I. ROSEN
DOMESTIC RELATIONS
INSTITUTE**

**Software & Support
Calculations**

Presented By:
Magistrate Janet Kleckner

Using FinPlan in Domestic Relations Court

Pre-decree and final trial
Taxable and non-taxable

For Temporary Hearing Overhead, or fixed costs:

- Mortgage
- Real estate taxes
- Home insurance
- Homeowner's Association fee
- Rent (actual or reasonable allowance)

More overhead, or fixed costs:

- Car payment
- Auto insurance
- Health insurance
- Union dues
- Student loans (if actually paying)
- Other debts the court orders paid

An example:

- Ozzie and Harriet
- Ozzie earns \$75,000 per year
- Harriet earns \$17,000 per year
- No children

Expenses:

- Mortgage - \$840 per month [W]
- Taxes included in mortgage
- Homeowner's insurance - \$102 per month [W]
- Rent - \$750 per month [H]
- Auto insurance - \$155 per month (all cars) [H]
- Health insurance - \$230 per month (both covered) [H]

Here's how they stack up:

• Ozzie	Harriet
• \$750.00 rent	\$840.00 mortgage
• \$155.00 auto ins.	\$102.00 home ins
• \$230.00 health ins.	
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\$1,135.00	\$942.00

- Enter all that in FinPlan, and here's what we get:

Cash Flow Support

AFTER-TAX CASH - HIGHLIGHTS (Monthly Amounts)

2016

Last Name: Demoes	Ozzie	Harriet
1 Salary	6,250	1,417
2 Self-Employment Income	0	0
3 Interest and Dividends	0	0
4 Other Cash Income	0	0
5 Total Cash Income	6,250	1,417
SUPPORT		
6 Child Support Paid	0	0
7 Spousal Spt (Maintenance/Alimony)	0	0
8 Non-Taxable Maintenance	0	0
DEDUCTIONS FROM CASH		
9 Federal Income Tax	(995)	(55)
10 Soc Sec/Self Employment Tax	(478)	(108)
11 State & Local Income Tax	(309)	(44)
12 Retirement Contributions	0	0
13 Other Cash Items	0	0
14 Cash Before Child Spt Received	4,468	1,210
15 Child Support Received	0	0
16 Cash to Meet Living Expenses	4,468	1,210
17 Required Cash (Budget)	1,135	942
18 Over/Under Budget	3,333	268
19 Share of Total Cash	78.7%	21.3%

To summarize:

- Ozzie has 78.7% of the after tax dollars;
- Harriet has 21.3% of the after tax dollars.
- After fixed expenses, Ozzie has \$3,333 per month . . .
- while Harriet has \$268 per month.

So, something should change



Temporary spousal support

- An equitable and fair amount based upon the Over/Under Budget line.
- Ozzie = \$3,333
- Harriet = \$268

Total \$3601* after tax dollars available after fixed expenses.

*treating support as taxable to Harriet.

Half of \$3601 = \$1800.50

- Harriet needs another \$1532.50 per month to have half of the “over budget” after tax dollars.
- \$1800.50
- -268.00
- \$1532.50

- $\$1532.50 \times 12 = \$18,390$

But

- When we put that amount into FinPlan
- The simple math solution doesn't work

See what happens -

Cash Flow Support			
AFTER-TAX CASH - HIGHLIGHTS (Monthly Amounts)			
2016			
Line Item	Demoes	Ozzie	Harriet
1 Salary		6,250	1,417
2 Self-Employment Income		0	0
3 Interest and Dividends		0	0
4 Other Cash Income		0	0
5 Total Cash Income		6,250	1,417
SUPPORT			
6 Child Support Paid		0	0
7 Spousal Spt (Maintenance/Alimony)		(1,533)	1,533
8 Non-taxable Maintenance		0	0
DEDUCTIONS FROM CASH			
9 Federal Income Tax		(611)	(274)
10 Soc Sec/Self Employment Tax		(478)	(108)
11 State & Local Income Tax		(256)	(88)
12 Retirement Contributions		0	0
13 Other Cash Items		0	0
14 Cash Before Child Spt Received		3,372	2,480
15 Child Support Received		0	0
16 Cash to Meet Living Expenses		3,372	2,480
17 Required Cash (Budget)		1,135	942
18 Over/Under Budget		2,237	1,538
19 Share of Total Cash		57.6%	42.4%

Still unequal -

- Ozzie has \$2,237 per month after taxes and after fixed expenses.
- Harriet has \$1,538 per month after taxes and after fixed expenses.

Why?

Shifting taxes

So back to the drawing board

- Trial and error
- \$1988 per month

Gets to

Cash Flow Support		
AFTER-TAX CASH - HIGHLIGHTS (Monthly Amounts)		
	2016	
Last Name: Comoco	Ozzio	Harriet
1 Salary	6,250	1,417
2 Self Employment Income	0	0
3 Interest and Dividends	0	0
4 Other Cash Income	0	0
5 Total Cash Income	6,250	1,417
SUPPORT		
6 Child Support Paid	0	0
7 Spousal Spt (Maintenance/Alimony)	(1,988)	1,988
8 Non-Taxable Maintenance	0	0
DEDUCTIONS FROM CASH		
9 Federal Income Tax	(498)	(343)
10 Soc Sec/Self Employment Tax	(476)	(108)
11 State & Local Income Tax	(241)	(107)
12 Retirement Contributions	0	0
13 Other Cash Items	0	0
14 Cash Before Child Spt Received	3,046	2,852
15 Child Support Received	0	0
16 Cash to Meet Living Expenses	3,046	2,852
17 Required Cash (Budget)	1,135	942
18 Over/Under Budget	1,911	1,910
19 Share of Total Cash	51.6%	48.4%

To summarize:

- Ozzie has \$1,911 after taxes and after overhead
- Harriet has \$1,910 after taxes and after overhead

But what if . . .

- Non-taxable maintenance

Change to what?

- \$1,690.00 per month in non-taxable maintenance.
- \$298.00 per month less than when it was taxable

The monthly highlights

Cash Flow Support			
AFTER-TAX CASH - HIGHLIGHTS (Monthly Amounts)			
2016			
Last Name: Demoes	Ozzle	Harriet	
1 Salary	6,250	1,417	
2 Self-Employment Income	0	0	
3 Interest and Dividends	0	0	
4 Other Cash Income	0	0	
5 Total Cash Income	6,250	1,417	
SUPPORT			
6 Child Support Paid	0	0	
7 Spousal Spt (Maintenance/Alimony)	0	0	
8 Non-Taxable Maintenance	(1,690)	1,690	
DEDUCTIONS FROM CASH			
9 Federal Income Tax	(602)	22	
10 Soc Sec/Self Employment Tax	(478)	(108)	
11 State & Local Income Tax	(303)	(37)	
12 Retirement Contributions	0	0	
13 Other Cash Items	0	0	
14 Cash Before Child Spt Received	3,177	2,984	
15 Child Support Received	0	0	
16 Cash to Meet Living Expenses	3,177	2,984	
17 Required Cash (Budget)	1,135	942	
18 Over/Under Budget	2,042	2,042	
19 Share of Total Cash	51.6%	48.4%	

Now, let's compare

- The overall tax burden.



At \$1,988 a month

Combined taxes:

Taxable support
Fed: \$10,082
State: \$ 2,026
Local: \$ 2,071
TOTAL \$14,179

While at \$1690 a month

Combined taxes

Non-taxable support

- Fed: \$6,956
- State: \$2,002
- Local: \$2,071
- **TOTAL: \$11,029**

But . . .



Theory vs. practice



And . . .

- **CSEA will NOT collect non-taxable maintenance.**

A new twist



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New expenses

- Marginal cost of health insurance: \$115 per month = \$1,380 per year
- Child care - \$5100 per year

If we still want
Equalized incomes



Residential parent



Parenting time



For non-taxable maintenance

- We assume:
- Filing joint return
- Ozzie claiming both kids

Here it is:

Cash Flow Support			
AFTER-TAX CASH - HIGHLIGHTS (Monthly Amounts)			
2016			
Last Name	Demoes	Ozzie	Harriet
1	Salary	6,250	1,417
2	Self-Employment Income	0	0
3	Interest and Dividends	0	0
4	Other Cash Income	0	0
5	Total Cash Income	6,250	1,417
SUPPORT			
6	Child Support Paid	(1,279)	0
7	Spousal Spt (Maintenance/Alimony)	0	0
8	Non-Taxable Maintenance	(330)	330
DEDUCTIONS FROM CASH			
9	Federal Income Tax	(334)	161
10	Soc Sec/Self Employment Tax	(478)	(108)
11	State & Local Income Tax	(292)	(32)
12	Retirement Contributions	0	0
13	Other Cash Items	0	0
14	Cash Before Child Spt Received	3,537	2,071
15	Child Support Received	0	1,279
16	Cash to Meet Living Expenses	3,537	3,350
17	Required Cash (Budget)	1,135	942
18	Over/Under Budget	2,402	2,408
19	Share of Total Cash	51.4%	48.6%

Now income equalization looks different!

- Non-taxable maintenance \$330.00
- Child support \$1,278.58
- Total Ozzie pays \$1,608.58

Or – taxable spousal support

- Parties file married separate tax returns
- Each party claims one child

The monthly highlights

Cash Flow Support		
AFTER-TAX CASH - HIGHLIGHTS (Monthly Amounts)		
	2016	
Last Name: Domoco	Ozzio	Harriot
1 Salary	6,250	1,417
2 Self Employment Income	0	0
3 Interest and Dividends	0	0
4 Other Cash Income	0	0
5 Total Cash Income	6,250	1,417
SUPPORT		
6 Child Support Paid	(1,297)	0
7 Spousal Sp (Maintenance/Alimony)	(285)	285
8 Non-Taxable Maintenance	0	0
DEDUCTIONS FROM CASH		
9 Federal Income Tax	(826)	33
10 Soc Sec/Sel ² Employment Tax	(178)	(108)
11 State & Local Income Tax	(293)	(45)
12 Retirement Contributions	0	0
13 Other Cash Items	0	0
14 Cash Before Child Spt Received	3,071	1,582
15 Child Support Received	0	1,297
16 Cash to Meet Living Expenses	3,071	2,879
17 Required Cash (Budget)	1,135	942
18 Over/Under Budget	1,936	1,937
19 Change of Total Cash	64,000	15,000

The taxable summary:

- Ozzie - \$1,936.00 after taxes and overhead
- Harriet - \$1,937.00 after taxes and overhead

Kids vs. No Kids (non-taxable)

	<u>• Kids:</u>	<u>No Kids:</u>
• SS -	\$330.00	\$1690.00
• CS -	\$1278.58	
	<hr/>	<hr/>
Total	\$1,608.58	\$1,690.00
Ozzie nets:	\$2402	\$2042
Harriet nets:	\$2408	\$2042

Kids vs No kids (taxable spousal)

	<u>Kids</u>	<u>No kids</u>
• SS -	\$285.00	\$1,988
• CS -	\$1,297.33	
	<hr/>	<hr/>
Total -	\$1,582.33	\$1,988.00
Ozzie nets:	\$1,936	\$1,911
Harriet nets:	\$1,937	\$1,910

At final trial . . .

- Generally speaking, no adjustments for overhead or fixed expenses
- Except sometimes -
- Mortgage
- Health insurance
- Unequal debt division
- Other?

With no children

- Spousal support is taxable to recipient, deductible to payer
- Parties file taxes as single taxpayer
- Still aim to equalize incomes

Final, no kids

Cash Flow Support			
AFTER-TAX CASH - HIGHLIGHTS (Monthly Amounts)			
2016			
Last Name	Demoes	Ozzie	Harriet
1	Salary	6,250	1,417
2	Self-Employment Income	0	0
3	Interest and Dividends	0	0
4	Other Cash Income	0	0
5	Total Cash Income	6,250	1,417
SUPPORT			
6	Child Support Paid	0	0
7	Spousal Spt (Maintenance/Alimony)	(2,115)	2,115
8	Non-Taxable Maintenance	0	0
DEDUCTIONS FROM CASH			
9	Federal Income Tax	(476)	(362)
10	Soc Sec/Self Employment Tax	(478)	(108)
11	State & Local Income Tax	(236)	(106)
12	Retirement Contributions	0	0
13	Other Cash Items	0	0
14	Cash Before Child Spt Received	2,955	2,956
15	Child Support Received	0	0
16	Cash to Meet Living Expenses	2,955	2,956
17	Required Cash (Budget)	0	0
18	Over/Under Budget	2,955	2,956
19	Share of Total Cash	50.0%	50.0%

Final with children -

- Ozzie files as single
- Harriet files as head of household
- Each party claims one child
- Still aiming to equalize incomes

Final, 2 kids

Cash Flow Support			
AFTER-TAX CASH - HIGHLIGHTS (Monthly Amounts)			
	2016		
Last Name: Darnes	Ozzie	Harriet	
1 Salary	6,250	1,417	
2 Self-Employment Income	0	0	
3 Interest and Dividends	0	0	
4 Other Cash Income	0	0	
5 Total Cash Income	6,250	1,417	
SUPPORT			
6 Child Support Paid	(1,327)	0	
7 Spousal Spt (Maintenance/Alimony)	(100)	100	
8 Non-Taxable Maintenance	0	0	
DEDUCTIONS FROM CASH			
9 Federal Income Tax	(002)	540	
10 Soc Sec/Self Employment Tax	(478)	(108)	
11 State & Local Income Tax	(300)	(32)	
12 Retirement Contributions	0	0	
13 Other Cash Items	0	0	
14 Cash Before Child Spt Received	3,243	1,975	
15 Child Support Received	0	1,327	
16 Cash to Meet Living Expenses	3,243	3,252	
17 Required Cash (Budget)	0	0	
18 Over/Under Budget	3,243	3,252	
19 Share of Total Cash	49.9%	50.1%	

Kids vs no kids

- Ozzie pays

- Kids

- SS: \$100.00

- CS: \$1,327.00

- TOTAL **\$1,427.00**

- No kids

- SS: \$2,115.00

- TOTAL **\$2,115.00**

Surprised?



And again

Focus on what Harriet receives:

\$2,956 per month for herself alone

\$3,252 per month with two children in the household

Even though

- Ozzie pays less
- Harriet gets more!

Thank you . . .



An alternative . . .

- Equalize incomes through spousal support
- Then calculate child support

To equalize incomes

- With no children, \$2115 per month equalized incomes
- Different tax filing status
- Now – single and head of household

Now, before child support

Cash Flow Support			
AFTER-TAX CASH - HIGHLIGHTS (Monthly Amounts)			
2016			
Last Name	Demoes	Ozzie	Harriet
1	Salary	6,250	1,417
2	Self-Employment Income	0	0
3	Interest and Dividends	0	0
4	Other Cash Income	0	0
5	Total Cash Income	6,250	1,417
SUPPORT			
6	Child Support Paid	0	0
7	Spousal Spt (Maintenance/Alimony)	(1,985)	1,985
8	Non-Taxable Maintenance	0	0
DEDUCTIONS FROM CASH			
9	Federal Income Tax	(338)	6
10	Soc Sec/Self Employment Tax	(478)	(108)
11	State & Local Income Tax	(235)	(90)
12	Retirement Contributions	0	0
13	Other Cash Items	0	0
14	Cash Before Child Spt Received	3,214	3,210
15	Child Support Received	0	0
16	Cash to Meet Living Expenses	3,214	3,210
17	Required Cash (Budget)	0	0
18	Over/Under Budget	3,214	3,210
19	Share of Total Cash	50.0%	50.0%

And then child support

Cash Flow Support			
AFTER-TAX CASH - HIGHLIGHTS (Monthly Amounts)			
2016			
Last Name	Demoes	Ozzie	Harriet
1	Salary	6,250	1,417
2	Self-Employment Income	0	0
3	Interest and Dividends	0	0
4	Other Cash Income	0	0
5	Total Cash Income	6,250	1,417
SUPPORT			
6	Child Support Paid	(834)	0
7	Spousal Spt (Maintenance/Alimony)	(1,985)	1,985
8	Non-Taxable Maintenance	0	0
DEDUCTIONS FROM CASH			
9	Federal Income Tax	(338)	6
10	Soc Sec/Self Employment Tax	(478)	(108)
11	State & Local Income Tax	(236)	(90)
12	Retirement Contributions	0	0
13	Other Cash Items	0	0
14	Cash Before Child Spt Received	2,380	3,210
15	Child Support Received	0	834
16	Cash to Meet Living Expenses	2,380	4,044
17	Required Cash (Budget)	0	0
18	Over/Under Budget	2,380	4,044
19	Share of Total Cash	37.0%	63.0%

Summary

- Keeping focus on what the parties receive:
 - **Basic equalization** **Equalize first**
- **Ozzie:** **\$3243** **\$2380**
- **Harriet:** **\$3252** **\$4044**

In future . . .



