

Child Support Task Force Work Group # 2 Minutes

March 7, 2018

5:30 p.m. to 7:30 p.m.

Hayden Heights Library, Bear Den

1456 White Bear Ave, Saint Paul, MN 55106

Members Present: The following task force work group members were present on Wednesday, March 7, 2018:

<input checked="" type="checkbox"/> Lisa Kontz	<input type="checkbox"/> Jason Smith
<input checked="" type="checkbox"/> Shaneen Moore	<input type="checkbox"/> Senator Melissa Wiklund
<input checked="" type="checkbox"/> Representative Peggy Scott	<input checked="" type="checkbox"/> Mia Wilson

DHS Staff:

<input type="checkbox"/> Tara Borton	<input checked="" type="checkbox"/> Brynn Rhodes
<input checked="" type="checkbox"/> Julie Erickson	<input checked="" type="checkbox"/> Jennifer Sommerfeld
<input checked="" type="checkbox"/> Jessica Raymond	

Welcome:

Introductions of the group and announcement that Shaneen Moore is now the director of the Child Support Division, and will be taking over from Jeff Jorgenson as the DHS representative on the task force.

Reminders, logistics, and announcements:

- a. Task force scope and purpose: Small groups will continue work on updating the basic support table during the 2018 legislative session. In order to complete the table, there are 7 remaining issues that must be addressed: Self-support reserve, minimum orders, adjustments at high incomes, tax adjustments, and adjustment for nonjoint children.

The groups will examine these issues in depth, but will not make any formal decisions. The small groups will report back to the large group when we reconvene on May 30, 2018, and present any recommendations they have at that time.

The focus of the meeting will be on the group's assigned issues. The agendas for the meetings will not have a public comment segment. If the public would like to comment on the issues being discussed, interested individuals should present their testimony to the entire task force on May 30, 2018 to ensure that everyone has the opportunity to hear the feedback.

- b. Topics: Work group # 2 will work on tax adjustments and the adjustment for nonjoint children.

Tax Adjustment Issues, Discussion and Timeline

Due to its complexity, the group will work on the tax adjustment issue first. The group discussed their understanding of what the large group had previously decided on this issue as those decisions will dictate work of the smaller group. After consulting the minutes from the May 2017 meeting, the group confirmed that majority of the task force is in favor of some kind of tax adjustment, but not one based upon an individual's actual paystub. It was noted that when Minnesota was a "net income" state, there was extensive litigation on this issue. Also, the tax code has become much more complex since the child support guidelines made the switch from net to adjusted gross income. The work group also confirmed that the task force previously decided that they would like the tax adjustment to occur in the worksheet rather than in the table to ensure transparency.

The group discussed how the task force's decision to use USDA as the starting point for the basic support table impacts the tax adjustment options. Members stated that the USDA data is based off of families' gross income, but there is an assumption that the amount they spend is what is left after taxes. However, one member questioned this assertion, stating that the USDA data did not necessarily exclude families who may spend more than their after-tax income.

Group discussed briefing prepared by Dr. Venohr and a number of questions emerged. DHS staff will follow up with her before the next and/or see if she would be able to attend the next meeting via telephone. In general, the group would a walk-through the adjustments that occur on lines Xa through Xg of the example on page 4 of the briefing. Specifically, the group would like to know what "actual taxes" refers to in line Xc. A member also expressed interest in seeing multiple examples for various scenarios.

DHS provided the group with a 50 state survey about tax adjustments and the group discussed the wide range of approaches taken by other states. It was noted that most states that purport to use gross income still make a variety of adjustments, i.e. court-ordered support, FICA and other deductions. One member of the group asked for having more information about the methodology used in Alaska, Delaware and New Jersey as they appear to allow the most deductions. Group was interested in learning more about states that use some type of general tax adjustment, whether it is a formula or a "hypothetical tax adjustment", but do not look specifically at each parent's paystub. DHS will gather this information and provide it to the group for the next meeting.

Adjustment for Nonjoint Children, Summary and Timeline

Introduction of second topic assigned to work group, the adjustment for nonjoint children. Minnesota currently allows a deduction for up to two nonjoint children and group will discuss if this should change and if so, how. This issue will be addressed in depth after the group concludes work on the tax adjustment issue.

One member brought up the related issue that the nonjoint child deduction is not taken into account when applying the self-support reserve. There was some discussion about whether or not this is case, after further examination the group concluded that the nonjoint child deduction was not applied in determining the "Income Available for Support". One hypothesis for this is that while the support obligation is reduced by the deduction for nonjoint children, it is not taken out of the income available

for support because unlike the court-ordered support deduction, it is not a finite obligation that must be paid.

Group agreed that this issue should be examined, but it may be more appropriate for the other work group that will be discussing the self-support reserve to address it. DHS staff will bring this up at March 19th meeting of work group #1. Member suggested that work group #2 discuss the number of allowable nonjoint children, but work group #1 focus on the when in the calculation of basic support the nonjoint children deduction is applied.

New Action Items

1. DHS staff will follow up with Dr. Venohr with questions about her tax assumption briefing before the next meeting.
2. Brynn will gather more information about other states with the most comprehensive deductions, i.e. AK, DE, NJ, as well as states that make a FICA deduction for the next meeting on March 21.
3. Brynn will gather information about how other states treat nonjoint children for future meetings when this issue is addressed.

Meeting Adjourned at 7:30 p.m.

Next Meeting:

Wednesday, March 21, 2018 from 5:30 p.m. - 7:30 p.m.

Bear Den

Hayden Heights Library

St. Paul, MN