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PARENTS TO SHARE MORE EQUALLY WITH CHILD SUPPORT

On 1 July 2008 the law in relation to Child Support will change. The Child Support Agency is already in the process of contacting parents registered with the Agency to ensure that they have up to date details about each parent's income and the amount of time their children spend in each household.

The amendments that come into effect on 1 July 2008 represent the biggest change to the Child Support System in over 15 years. The major change is in relation to the formula used by the Child Support Agency to determine the amount of child support payable. This formula is used in the vast majority of cases managed by the Child Support Agency.

At present the formula takes the gross income of the paying parent, deducts a small allowance for that parent to support themselves and then multiplies that adjusted income by a percentage depending on the number of children. The income of the parent receiving the child



support payments is only taken into account if that parent's income exceeds \$43,654.00. Some further adjustments are made to the amount of child support payable if the paying parent has the children in their care for substantial periods, or has other dependent children.

However, the current formula is quite limited in its ability to take into account the costs that parents have for their children simply because of the amount of time they spend living with them. As a result of this issue, a new formula will be introduced.

Under the new formula the costs of raising children should be shared more evenly.

The new formula attempts to do this through the following stages:

1. The Child Support Agency considers the income of both parents and combines that income for the purposes of



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calculating the costs of supporting the child over the year.

2. The combined income of both parents is then used to determine how much the family would spend raising the child if they were still in the same household. This amount is calculated by reference to a table that has been formulated to estimate the amount that a household would spend on one child in a year. The higher the income in the household, the more that would be spent on the child. The age of the child is also relevant in this stage as the table recognises that the costs of raising an older child are greater.

3. Consideration is then given to the amount of time the child spends living with each parent to determine the percentage of costs each parent is already meeting through their care of the child. Unlike the current formula, the new formula recognises that where children spend more than 52 nights a year living with a parent, that parent meets some of the costs through their care of the child.

4. The percentage of costs already being met by a parent is then deducted from the percentage of the combined income earned by that parent.

5. Any remaining percentage is multiplied by the annual cost of the child and this becomes the amount of child support payable to the other parent.

EXAMPLE

Fred and Wilma each earn \$50,000.00 per year. They have one child, Pebbles, who is 7 years old. Fred and Wilma share the care of Pebbles with Pebbles living with Fred for 60% of the time and with Wilma for 40% of the time. Under the new formula, Fred and Wilma each



get an allowance of \$16,883.00 per year to support themselves and this is deducted from their gross income. The combined child support income of Fred and Wilma is therefore \$66,234.00. The cost of raising Pebbles, for child support purposes, is deemed to be \$9,974.32 per year. As Pebbles lives with Fred for 60% of the time, the new formula, adjusts this amount of care and Fred is deemed to meet 65% of the cost through his care of Pebbles whilst Wilma is deemed to meet the remaining 35% of the cost through her care of Pebbles. Wilma would have to pay child support to Fred because she earns 50% of the combined income but only meets 35% of the cost of Pebbles through the time that Pebbles lives with her. Wilma's child support payments would be equal to 15% of the annual cost of Pebbles, or \$1,496.15 per year. Under the current formula, Wilma would be likely to have a child support liability of \$3,106.00 per year.

There are also many other changes being made to the Child Support System including changes to Child Support Agreements, new minimum levels of child support that must be paid and provisions to allow a child support assessment to be suspended for up to six months if parents are attempting to reconcile their relationship.

The law in this area can be difficult and confusing. It is important that parents seek legal advice if they are unsure about how the new system will affect their situation.



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