

## Child Support Calculations

### **Child Support calculations complex for self-employed and business owners.**

In Indiana, courts and attorneys calculate child support by plugging both parents gross incomes into a formula controlled by statewide guidelines.

The first fact an attorney must ascertain when calculating child support is the gross weekly income of the parties. "Gross income" is the employee's pre-tax salary or wage. If a party receives a paycheck every week from his/her employer, gross weekly income can be determined fairly easily. When one party is self-employed or a principal owner of a business, the child support guidelines differ significantly in how they arrive at gross income.

Actual out-of-pocket business expenses for the self-employed, to the extent that they are reasonable and necessary for the production of income, are permitted to be deducted from gross income. Reasonable deductions for capital expenditures may be deducted as well. While these expenses may be deducted, other expenses, such as those, which reduce living expenses or increase net worth (reimbursed meals, lodging and cars) may be included in weekly gross income. Asset depreciation deductions, while allowable for tax purposes, are generally not permitted to determine gross income for support purposes. The self-employed are permitted to deduct that portion of their FICA tax payment that exceeds the FICA tax that would be paid by an employee earning the same weekly gross income. The self-employed pay 15.3% of their gross income up to a designated maximum in FICA taxes, while employees pay 7.65% to the same maximum. Thus, the self-employed are permitted to deduct one-half of their FICA payment when calculating weekly gross income.

If you are a self-employed business owner and going through a divorce or child support matter, you should be prepared to advise your attorney of the foregoing information so that he/she can calculate your gross weekly income. Sometimes input from an accountant may be helpful to establish that a particular business expense is an appropriate deduction.