

# Recent changes affect Tennesseans

## **Child Support and Bankruptcy laws**

**T**he formula for calculating **child support** obligations has recently changed. Until recently, child support was a flat percentage of the non-custodial parent's income, based on the number of children. Now under a new system called "income shares" both parent's incomes are included in the calculation. Both incomes are combined and a Basic Child Support Obligation (BCSO) is derived. The child support paid by the Alternative Residential Parent (formally the non-custodial parent) is the percentage of the combined income that that parent earns multiplied by the BCSO. Reductions or increases are applied based on how much time the child or children spend with each parent. Other children and prior child support orders are also included in the calculation. This all may sound overly complicated, but the State has provided a Child Support Obligation Calculator on the Tennessee Department of Human Services website (<http://www.state.tn.us/humanserv/>).

The new guidelines will be applied to all cases filed after January 18, 2005. The question for anyone subject to an existing

order of support is whether or not the new guidelines will change the amount of child support they are currently paying or receiving. In order for the new guidelines to be applied, the new calculations must result in a change of more than 15% in the current child support obligation.

Presently about twenty states use the income shares model. There is currently a bill in the state legislature that would revert back to the old guidelines. This would be surprising, but stranger things have happened. Along with the calculator there is a lot of good information regarding child support at the Department of Human Services website.

Another major change on the horizon is the new **Bankruptcy Bill**. The Bill will take effect in a matter of months. The thrust of bankruptcy reform concerns the availability of Chapter 7 bankruptcies to consumers. A bankruptcy under chapter 7 results in a discharge of most, if not all, of the consumer's debts. A discharge is a release of the debtor from any further personal liability for his or her pre-bankruptcy debts. The non exempt assets of the debtor, if any, are liquidated to satisfy the debts.

In most cases, all of the debtors' property is exempt. Exemptions are provided by state law in most states and some states allow debtors to retain significant property and still discharge all of their debts. A Chapter 13 bankruptcy involves a repayment plan of some percentage of the debts followed by a discharge.

The changes are primarily intended to force many people who would have formally filed a Chapter 7 to file a Chapter 13. The new bill would require that a debtor earn less than the median income for his or her state in order to receive a discharge under Chapter 7. It would also require that persons filing a bankruptcy petition pay for debt counseling and for attorneys to verify that the information provided by the debtor is accurate; consequently, the expense of filing a bankruptcy petition will increase greatly.

I will be happy to answer any questions you may have regarding child support, bankruptcy or other legal issues, such as the importance of having a living will, which is simple and easy to prepare. And if you have questions regarding bankruptcy, it is very important that you talk to me before the new changes take affect.



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