Xspouse™ 2012
User Manual

Tolapa Inc
e-mail: support@xspouse.com

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1 Mechanics of Data Input.

Most of the data fields in **Xspouse™** are numeric. Some are display toggle fields.

Some of the data entry fields have a raised, button-like appearance. If you press the “D” key or double-click the left mouse button when such a field is highlighted, a “Detail” data entry input window will open. This window will allow you to enter more detailed information for that field. Some of the more important detail windows are illustrated in the section on *Detail Windows*.

Where there are data fields that appear recessed, these are display option fields that can be toggled through available display options by pressing the space bar, the backspace key, or by pressing the right mouse button when highlighting the field. Examples of such fields are the case year, Monthly/Annual figures, the filing status.

1.1 Copy/Paste in *Xspouse™*

You can *copy/paste* from/to numeric input cells (i.e. cells into which you can type numbers) in **Xspouse™** using the standard Windows key combinations *Ctrl+C* (copy) and *Ctrl+V* (paste). You cannot do it with the mouse.

It is helpful to understand how the paste operation in **Xspouse™** works.

If you paste a string of characters, **Xspouse™** will process the characters one-by-one as if they had been typed at the keyboard. Inappropriate characters will be ignored. The following examples illustrate some unexpected results that may occur. (Paste the suggested strings into one of the Wage Income cells in the main screen.)

Example 1

```
Paste 1234.56

The result is 1234

Explanation: Xspouse™ ignores the digits after the decimal point
because the Wage Income cell expects a whole number.
```

Example 2

```
Paste 123456789

The result is 1234567

Explanation: Xspouse™ ignores the last two digits (8 and 9) because
the Wage Income cell accepts a maximum of seven digits.
```

Example 3

```
Paste 12a3b4

The result is 1234

Explanation: Xspouse™  ignores the non-numeric characters `a' and
`b'.
```

1.2 Windows Calculator

The Windows Calculator is available under the Tools menu selection in the main screen of **Xspouse™** (and **Xarrears™**).

The Windows Calculator can be used anywhere in **Xspouse™**. You can copy and paste numbers between the calculator and **Xspouse™** as described above. If you want to use the calculator with one of the **Xspouse™** dialogs, you should start the calculator before opening the dialog. This is because the dialog will disable the main screen of **Xspouse™** (including the main menu) and the Windows Calculator will be inaccessible.

1.3 Present and Future Value Calculators

Suppose that you have calculated a present value and would like to copy it. To do this, you first have to make the Present Value field an input field. You do this by toggling the last field ("*Specify Present Value?*") to *Yes*. You can now high-light the *present value* and copy it with *Ctrl+C*.

2 Xspouse Layout

This section describes the layout of **Xspouse™**. You will find a complete description of the various screens and topics here that are mentioned later in this manual.

In the main screen, the icon labeled *Wiz/Pro* (Wizard/Professional) toggles between the data input Wizard and the Professional screen. Experienced users will prefer the Professional screen. However, even experienced users should take a look at the Wizard. The pages in the Wizard explain what **Xspouse™** does with the data entered on each line.

2.1 Main Screen (Professional Screen)

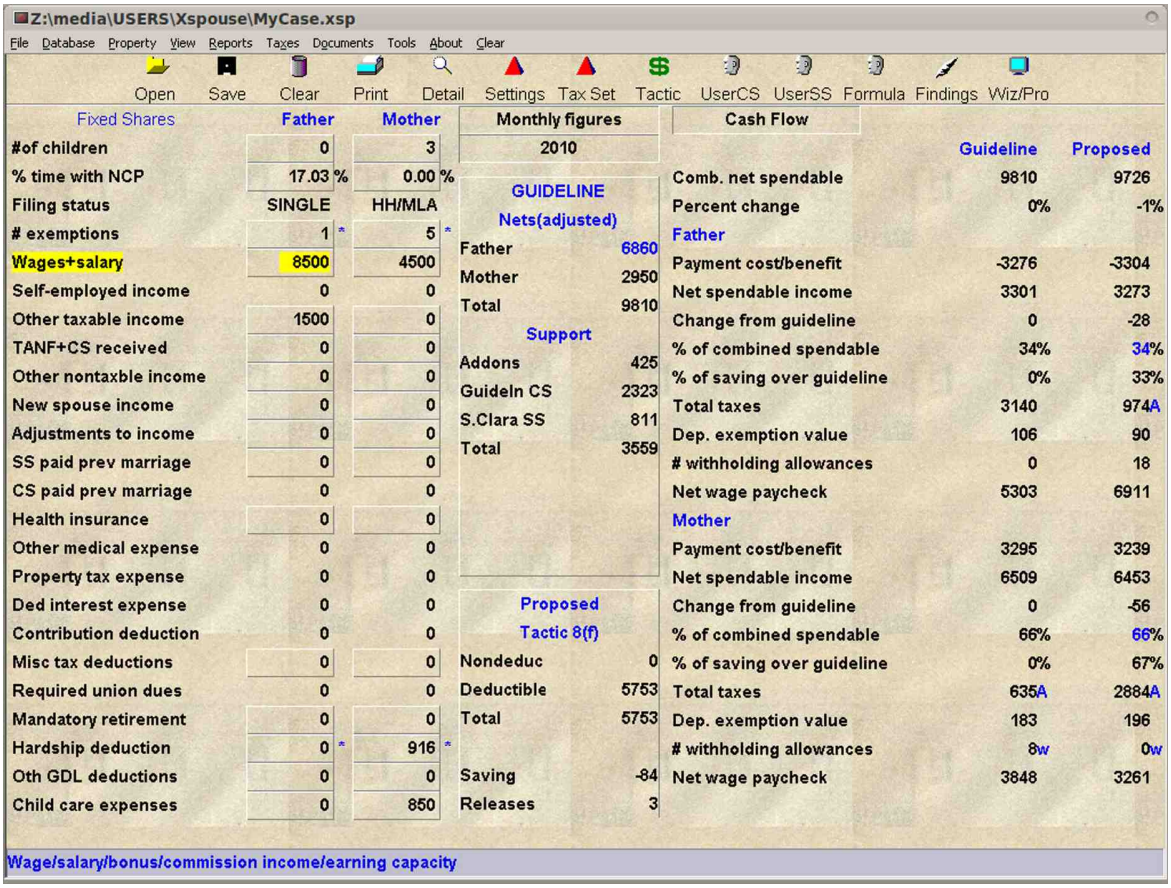


Figure 1 Main screen (Professional screen)

This screen is the operational centre of **Xspouse™**. All other program features are accessible from here, via the menu selections and icons at the top of the screen.

2.2 Wiz/Pro – Data Input Wizard

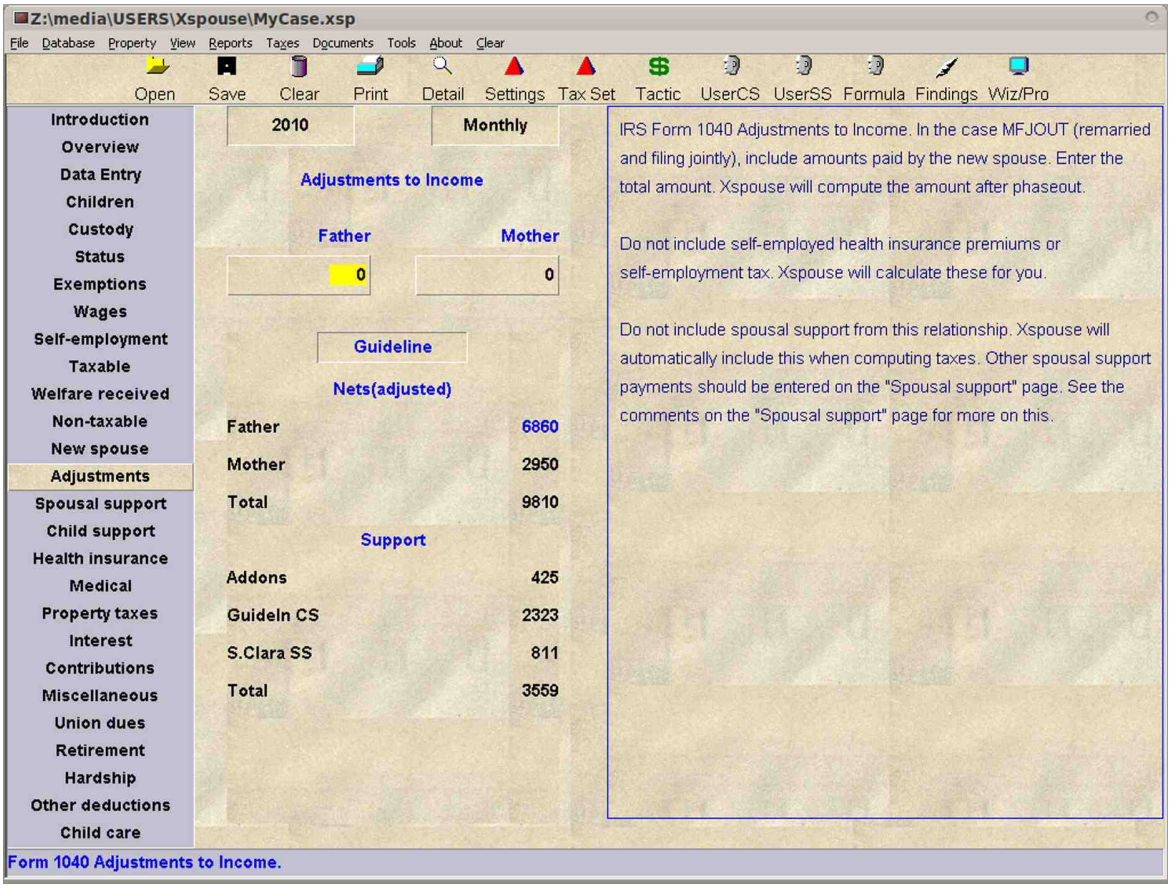


Figure 2 Data input Wizard

The Data Input Wizard is a companion screen to the main (Professional) screen. You can switch back and forth between these two screens by clicking the Wiz/Pro (Wizard/Professional) icon on the extreme right of the icon bar.

The data entry cells in the wizard are the same as in the main screen, but are arranged in pages instead of rows. Each page displays text about the data that should be entered in that page.

Data entry in the main screen and the wizard are completely equivalent. Data that is entered through the wizard will appear in the main screen and vice versa.

2.3 The Professional Screen

As mentioned earlier, the Professional screen is the operational center of **Xspouse™**. The various menu bar selections and tool bar icons lead to a particular program feature. Although we will describe everything later, there are three of these program features that you should look at now. The first is the *View* menu selection. This lets you decide what you want to see in the Professional screen. The other two are the *Settings* and *Tax Settings* icons in the tool bar. These allow you to customize the case environment.

The Professional screen is divided into three parts:

1. The left side of the screen is for data input;
2. the middle displays the child and spousal support for the Guideline and Proposed settlements; while
3. the right displays whatever View you have selected. The default view is "Cash flow".

2.3.1 Data Entry and Display

The left side of the Professional screen is for entering income and expense data for each of the two spouses. Please refer to the data input Wizard for a detailed description of what data should be entered into each cell.

Alternatively,you may choose the *Data Detail* by either selecting via ***View*** on the main menu or by toggling the display view on the right side of the main screen (the default view is *Cash flow*). When the *Data Detail* display option is selected, the detail for the data input fields on left of screen will be displayed on the right of the Professional screen whenever you position the yellow cursor on one of the input fields. You can enter all of your detail data via this "Data detail" field on the right instead of using the individual *Detail* windows for each input field if preferred.

When you type directly into a cell that has a detail window attached, the numbers will be in red text. This is to alert you later that you have not used the detail window. The red text feature may be switched on/off through File > Preferences. If you switch it off (because it is difficult to see on some laptops, for example), **Xspouse™** will remember. When you switch the feature back on later, the appropriate cells will be displayed with red text.

Some of the cells may have an asterisk (*) next to them. This means that **Xspouse™** is automatically calculating the data in such a cell. Please click the Wiz/Pro icon and see the data input Wizard page for such a cell for an explanation of what is happening.

2.3.2 Data Input Categories

Xspouse™ meticulously follows the guideline calculations defined in the Family Code and the tax calculations defined in the federal and state tax forms. To this end, **Xspouse™** allows the user to enter income in all the categories specified in FC 4058, IRS Form 1040 and FTB Form 540; and it allows the user to enter deductions in all the categories specified in FC 4059, IRS Schedule A and FTB Schedule CA(540).

The main screen of **Xspouse™** is modeled on Family Code sections 4058-4059, IRS Form 1040 and Schedule A, and FTB Form 540 and Schedule CA(540).

Detail Windows

As noted previously, all data entry buttons that are raised from the background indicate that a detail window is available for entering data. This can be accessed by double clicking the left mouse button or by pressing the “D” key or using the “Detail” menu item when the particular button is highlighted.

Use the detail windows on the lines where there is one.

FC 4058

You can enter income in all categories specified in FC 4058 on the lines

- Wages+salary Self-employed income
- Other taxable income
- Other non-taxable income
- Use the detail windows on the lines where there is one.

FC 4059

You can enter deductions in all categories specified in FC 4059 on the lines

- SS paid prev marriage
- CS paid prev marriage
- Health insurance
- Required union dues
- Mandatory retirement
- Hardship deduction
- Other GDL deductions

Note on Health Insurance

Health insurance premiums also enter into tax calculations. They are included

among the medical expenses on Schedule A. For self-employed persons, it gives rise to an *Adjustment to Income* (**Xspouse™** calculates this). This ATI may not be equal to the actual premium paid.

- If you do not wish the premiums to be considered in tax calculations, enter them as *Other GDL deductions*.
- If you do not wish the premiums to be FC 4059(d) deductions, enter them as *Other medical expenses*.

IRS Form 1040

You can enter income in all categories specified in IRS Form 1040 on the lines

- Wages+salary
- Self-employed income
- Other taxable income

You can enter all Adjustments to Income specified in IRS Form 1040 on the lines

- Adjustments to Income
- SS paid prev marriage

IRS Schedule A

You can enter deductions in all categories specified in IRS Schedule A on the lines

- Health Insurance
- Other medical expense
- Property tax expense
- Deductible interest expense
- Contribution deduction
- Miscellaneous tax deductions
- Required union dues

FTB Form 540

This form uses the federal amounts from Form 1040 in most cases. If you have a special case that requires a modification of the state AGI, you can do so in the detail windows for *Other taxable income* and *New spouse income*. In both these detail windows, you will see (near the bottom) lines for adding to or subtracting from state AGI.

FTB Schedule CA(540).

This form uses the federal amounts from federal Schedule A.

3 Reconciliation of Differences.

Inevitably, there will often be cases when seemingly the same data produces differing support amounts. This may occur even when counsel for both parties are using **Xspouse™**. The correspondence between the data input fields in **Xspouse™** and the income and deduction categories in Family Code and Tax Codes suggests a standard strategy for discovering the reasons for such differences.

1. Look at *Reports* > I*ncome Declaration*. This report lists all the income and deduction categories specified in FC 4058 and 4059. Is there a difference in any of these categories?
2. Frequently, the difference will be in the deduction for federal and state income taxes paid. If this is the case, look at *Taxes* > *Federal Tax Forms* > *Form 1040* and *Taxes* > *State Tax Forms* > *Form 540*. You need not go through the actual calculations. Just note the line where there is a difference. If necessary, go to the form that calculates that particular line. (For example, if there is a difference in the federal *Alternative Minimum Tax*, look at IRS Form 6251, which computes this tax.)
3. Check that the number of children qualifying for the *Earned Income Credit* and *Child Tax Credit* is correct. These numbers are specified in the *Exemptions* detail window.
4. If there are no differences noted in (1), (2) or (3) above, take a look at the *Settings* screen. Have the program defaults been changed? (If they have, there will be a warning in the Professional screen about this.)

4 Some Special Data.

Exemptions.

If you find it necessary to modify the contents of the *Exemption* detail windows manually, **make sure** that you have first entered all children (both this and other relationships) in the *Detail* window associated with Line 1. If you do not, **Xspouse™** will reason that, since there are no children, there are none qualifying for any of the credits and will override any values that you enter.

Partial Hardships.

These can now be entered in the *Hardship* detail window. They can also be entered through the *Settings* screen, as before. See the next paragraph. The two methods are entirely equivalent.

In the *Settings* screen, towards the bottom, there are two percentages, one for each parent. The default is 100% (full hardship) but these percentages can be changed. Simply divide the desired number of hardships by the number of other supported children with that parent.

Example 4

```
Assume that there are 2 other supported children with father. To award
1.5 hardships to father, change the percentage on father's side to 75%
(1.5 divided by 2).
```

Child Care Expenses

For most calculations, only a knowledge of the total child care expenses is necessary. The one exception is the calculation of per child add-ons in the *Findings and Rebuttals* report.

The child care expenses can be either equally or unequally divided between the children. In the top right corner of the *Findings* screen, there is a toggle that specifies how the total expenses are divided between the children. The default is "Equally".However, this can be changed to "allocated by User" by right mouse button. When this is done, a button labeled "Allocate" pops up. Clicking this button opens a dialog in which per child expenses can be entered for each child and each parent.

Xspouse™ keeps track of events that make it necessary to allocate the expenses *de novo* and posts a warning when appropriate.

4.1 Shortcuts

The following keys have the effect described on the right.

B	[**B**ump] Toggles between adjusted (bumped) and unadjusted (unbumped) spousal support
D	[**D**etail] Opens a detail window when positioned on a data cell that has a detail associated with it.
E	[**E**xemptions] Toggles IRS 8332 releases on/off. This affects only the Proposed settlement. Choosing whether to release or not release exemptions generally has a major effect on Proposed spousal support and the tax savings associated with it.
F	[**F**indings] Displays the Findings and Rebuttals.
I	[**I**nput] Toggles between monthly and annual figures.
P	[**P**rint] Displays the Print menu
R	[**R**ange] Displays the FC 4055 (f)(7) low income range of child support at incomes when this is applicable. When this feature is active, pressing **Ctrl+R** in the Professional screen will toggle the Guideline child support between the high and low ends of the range.
S	[**S**ettings] Displays the Settings screen.
T	[**T**actic] Displays the Tactic dialog.
U	User-specified Child Support.
V	User-specified Spousal Support
W	Formula SS
X	[Ta**x** Settings] Displays the Tax Settings dialog. The yellow cursor must be positioned in either the husband's or wife's data input column.
Ctrl+C	Copy from an input cell.
Ctrl+V	Paste to an input cell.

You can change the child support calculation from *Guideline* to *User CS* (or vice versa) by right-clicking on it. Similarly, you can change the spousal support formula by right-clicking on it.

Note that if you choose *User CS* for child support, FC 4055 Checking will be switched off. Please refer to the manual section on the *Findings and Rebuttals* report for more information on FC 4055 Checking.

4.2 Center of the Screen: Support

There are two boxes in this part of the screen, displaying the support amounts for the *Guideline* and *Proposed* settlements.

Guideline

In the box labeled Guideline, you will see the figures for guideline nets for both spouses and the amounts of child support, spousal support and mandatory add-ons (child care expenses.) The nets will be labeled as either adjusted or unadjusted, depending on whether the tax effects of spousal support are being considered. Please note that the displayed nets are the ones that are used to calculate spousal support. The net to calculate child support may contain an additional amount of new spouse or significant other income; see *View* > *Guideline Summary* for details. The higher of the two nets will be in blue. Because of limited space in the Professional screen, support payments made by the high-earner to the low-earner are displayed as positive numbers. If support is paid by the low-earner to the high-earner, it is displayed as a negative number. (Thus a guideline child support of -1000 (negative 1000) indicates a payment of $1,000 by low-earner to high-earner.) In most other **Xspouse™** screens and printouts, there is sufficient room to explicitly state who pays whom, and you will not have to deal with negative support values.

Proposed

The box labeled Proposed displays the portions of proposed support that have been designated as non-deductible and deductible for tax purposes.

The line labeled *Saving* tells you how much the two parties save compared to the *Guideline* settlement. (These savings are through reduced combined taxes.)

The last line displays the number of exemptions being released by the low-earner to the high-earner. You should always press the `**E**' key to toggle the releases on and off, and compare the savings with and without releases.

4.3 Right of the Screen : The View

This portion of the screen is described under the *View* section below.

5 The Main Menu

5.1 File

Most of the selections in this menu are the standard ones found in most programs. One particular to **Xspouse™** is the Preferences selection. This allows you to customize various features (mainly affecting appearance) in the program.

5.2 View

There are five views in this menu.

5.2.1 Data Detail

This view is for entering data. It displays, and allows you to enter, the detail data as you move from cell to cell. On the lines that have a Detail window (see Section 3.5) associated with them, the Data Detail view replicates the contents of the Detail window. On lines that have no associated Detail window, the Data Detail view is blank. This view is intended for initial data entry and is useful for checking data after it has been entered.

5.2.2 Cash Flow

This view presents cash flow data and compares the Guideline and Proposed settlements.

The first section displays the combined net spendable income under the two settlements.

The next two sections display identical data, one for father and one for mother.

Cost is

CS paid + SS paid - tax saving .....(1)

Tax saving is the saving resulting from the payment of SS.

Note that the amounts for CS and/or SS will be positive for a payor, negative in the case of a recipient. Tax saving will be negative in the case of a recipient of SS, because this results in a tax liability.

Example 5.

Enter 6666 wages for father and 2222 wages for mother. Guideline CS is 976 and Santa Clara SS is 808, both paid by father. Now look at the Total taxes line in father's cash flow (in the Guideline column). We see 1680. Next, go into the Settings screen and exclude spousal support. Now (with no spousal support), we see that the taxes for father are 1957.

Thus, the payment of guideline spousal support results in a tax saving of 1957 - 1680 = 277. Substituting these numbers into formula (1) above, we get

Cost = 976 + 808 - 277 = 1507

Now, go into the Settings screen and switch spousal support back on. The displayed cost for the father is indeed 1507.

Net spendable income is the amount of *unadjusted* guideline net remaining after the cost has been deducted.

Example 6

In the preceding example, father's unadjusted guideline net is 4709. (Press the `B' key to see this. Now press the `B' key again to restore adjusted nets.) If we subtract the cost (calculated above), we get

Net spendable income = 4709 - 1507 = 3202

Increase over guideline is the dollar increase of the net spendable income over the amount in the guideline column.

Example 7

Press the `B' key to make sure that the adjusted nets are displayed (in the Guideline box in the center of the screen). In the Proposed column, father's net spendable income is 3332. The increase over guideline is 3332 - 3202 = 130.

% of combined net spendable is the net spendable income of the spouse expressed as a percentage of the combined net spendable income.

Example 8.

Continuing with the example above, father's net spendable income (Guideline column) is 3202. The combined net spendable income (Guideline column) is 6952. Thus, father's percentage of the combined net spendable is 3202/6952, or 46%.

% of saving over guideline is the increase over guideline expressed as a percentage of the total saving over guideline.

Example 9

```
In the Proposed column, we saw above that the increase in father's net
spendable income over guideline is 130. The total saving over
guideline is 281, which is the sum of the father's and mother's
savings over the guideline (see the Proposed box in the center of the
Professional screen.) The percentage is 130/281 = 46%.
```

Total taxes are the sum of income and employment taxes. In the case married filing jointly, they are the prorated portion for the spouse in question. See the note at the end of the ***Reports*** section below for an explanation of how this proration is done in **Xspouse™**. NOTE: This line may have a blue uppercase **A** next to it. This means that either the Federal or State Alternative Minimum Tax has been triggered.

Exemption value is an estimate of the total value of the exemptions to the spouse.

Number of withholding allowances is the number of allowances that the spouse should claim on his or her W-4 form. NOTE: This line may have a blue lowercase **w** next to it. This means that the spouse in question should arrange for additional withholding (or pay estimated taxes) to avoid having to pay tax at the end of the year.

Net wage paycheck is the paycheck that the spouse can expect with the suggested number of withholding allowances.

5.2.3 Income Tax

This view presents a summary of Federal and State income taxes.

You will find a detailed, line-by-line documentation of the tax calculations under the main menu item *Taxes* > *Tax Forms* and then toggling between *Federal* and *State* tax forms.

5.2.4 Employment Tax

This is a summary of Federal and State employment taxes.

5.2.5 Guideline Summary

This view supplements the *Income Declaration* (see *Reports* > *Income Declaration*). It provides additional details about the guideline support calculations.

Net SS is the spousal support calculated by applying the guideline spousal support formula to the guideline nets. In the case of *Floating Shares*, this is always equal to the actual spousal support paid.

Equalizing payment is the additional payment that is necessary under *Fixed Shares* to restore the ratio of the *adjusted net disposable incomes* to the same value as the ratio of the *unadjusted net disposable incomes*. This payment is always zero under *Floating Shares*.

Note that the *disposable income* is not the same as the *spendable income* in the *Cash Flow* view. To calculate disposable income, we subtract the amount allocated for child support, whereas to calculate spendable income, we subtract (or add) the actual child support paid.

5.3 Reports

5.3.1 Findings and Rebuttals.

This report displays a per-child breakdown of guideline child support. If you have entered child care expenses in the main screen, then you can designate a per child allocation here, or you can choose to let **Xspouse™** allocate these expenses equally between the children.

Mandatory Addons

For most calculations, only a knowledge of the total child care expenses is necessary. The one exception is the calculation of per child add-ons in the *Findings and Rebuttals report*.

The child care expenses can be either equally or unequally divided between the children. In the top right corner of the *Findings* screen, there is a toggle that specifies how the total expenses are divided between the children. The default is "Equally". However, this can be changed to "allocated by User". When this is done, a button labeled "Allocate" pops up. Clicking this button opens a dialog in which per child expenses can be entered for each child and each parent.

Xspouse™ keeps track of events that make it necessary to allocate the expenses de novo and posts a warning when appropriate.

Basic Child Support

There are two modes for the Findings and Rebuttals report. One mode simply displays the same information as the per child information in the printout of the main screen in **Xspouse™**. In the second mode, the Findings and Rebuttals report

becomes a powerful input screen. It is designed to give judicial officers complete control over basic child support in FC 4055(b)(7) and FC 4057 cases.
The mode depends on whether the setting Display FC 4055(b)(7) low-income CS adjustment range is toggled to YES or NO in the Settings screen. The mode should be selected before opening the Findings and Rebuttals report. There is a shortcut in the main screen of **Xspouse™** to do this. Simply press the `R' key on your keyboard to toggle between the two modes.

You can easily see which mode is active by looking at the bottom of the Guideline box in the center of the **Xspouse™** main screen. When the Findings and Rebuttals report is in input mode, you will see either the FC 4055(b)(7) adjustment range or (at higher incomes) a little hyphen there.

When *Display FC 4055(b)(7) low-income CS adjustment range* is toggled to *NO* in the Settings screen.

This is the static display mode. The displayed per child information is identical to that in the printout of the main screen of **Xspouse™**.

When *Display FC 4055(b)(7) low-income CS adjustment range* has been toggled to *YES* in the Settings screen.

Three new columns are displayed under the heading "*Family Information*". The numbers in these columns are NOT per child information - they refer to the child support payable when the child in question is the oldest supported child. The Basic CS may be manually changed to any amount in the range permitted by FC 4055(b)(7). This can be done by typing in the desired amount in any cell; or by pressing [**Ctrl+R**] to toggle the amounts between the high and low ends of the ranges.

There is a calculation aide attached to each of the Basic CS cells. To access it, press the `**D**' key while the yellow cursor is positioned on any of the *Basic CS* cells.

Example 10

Use the Child detail window to enter 3 children with mother. Name the children Huey, Dewey and Louie.

In the main screen, enter 1000 monthly wages for father.

In the main screen, press 'R' to switch on the Low Income Adjustment.

Open the *Findings* screen (*Reports > Findings*).

The Basic CS opposite Huey (the oldest child) is the child support for all 3 children.

The Basic CS opposite Dewey is the child support when only Dewey and Louie are being supported.

The Basic CS opposite Louie is the child support when only Louie is being supported.

In cases where the court decides that child support should be modified in accordance with FC 4057, the automatic checking for FC 4055 compliance in **Xspouse™** can be switched off. Judicial officers have full control over the data in the Findings and Rebuttals report.

There is a toggle in the Findings screen (just above the per-child information, on the right) that allows the user to specify whether basic child support amounts should be checked for compliance with FC 4055.

When FC 4055 checking is ON, the amount in each Basic CS field is checked for FC 4055 compliance. The payor of each of the basic child support figures is automatically calculated and cannot be changed manually.

In contrast, when FC 4055 checking has been toggled to OFF, any amount may be typed into any of the basic child support fields. In addition, the Payor fields (next to the Basic CS fields) are now toggle fields (right-click on them to change them).

Also (when FC 4055 checking has been toggled to OFF), a button labeled "Basic CS" appears near the left margin of the Findings screen. If you click this button, a dialog will open. In this dialog, you can directly specify Basic CS for each child.

Remarks.

1. When FC 4055 checking is toggled back to ON in the Findings screen, all user entered Basic CS amounts and payors revert to guideline. The fields in the Payor column cease to be toggle fields and become simple labels.
2. In the printout of the main screen, an informational message indicating whether FC 4055 checking is ON or OFF is printed.

5.3.2 Income and Expenses

This reports is self-explanatory.

5.3.3 Client Financial Summary

This reports is also self-explanatory.

5.3.4 Settlement Possibilities

The data in this report depend on the tactic that has been chosen in the *Professional* screen. You can study the variation in tax savings and spendable incomes as spousal support goes through a range of possible values. You can specify the number of exemptions that are going to be released via IRS Form 8332. (This release is always from the low earner to the high earner.)

5.3.5 Bonus Income Reports

Taxes are calculated on annual income (taxable income), whereas guideline support is calculated on monthly income (guideline nets). The Professional screen in **Xspouse™** deals with situations in which income is constant from month to month. The Annual Bonus and Variable Bonus Income reports augment the Professional screen by considering cases when income varies from month to month, or has "spikes". The two bonus reports calculate the effect of such spiked income on guideline nets and the resulting child and spousal support.

Bonus income may produce two side effects.

1. Bonus income may trigger a change in child and/or spousal support payments to or from a spouse from a prior relationship.
2. Bonus income has a direct tax consequence because it is taxable income. It may also have an indirect tax consequence if it triggers a change in spousal support payments to or from a spouse from a prior relationship

Xspouse™ deals with such side effects in the following manner.

1. **Xspouse™** makes an appropriate adjustment to "CS paid for a prior relationship" and "SS paid for a prior relationship" when computing guideline net that includes the bonus.
2. **Xspouse™** prorates the additional (annual) taxes between the twelve months, in proportion to the size of the bonus in each month. The taxes are

said to be "Apportioned". Xspouse™ then makes an appropriate adjustment to "Other Nontaxable Income" when computing guideline net that includes the bonus.

One special situation needs mention in connection with the apportionment of taxes. This is the case when the two spouses file MFJIN. In this case, the additional taxes are "apportioned" in proportion to the joint bonus in each month. The taxes are then split between the two spouses in the normal fashion (see below). These splits of the joint taxes between the spouses will generally vary from month to month, because of the unevenness of the bonuses (in some months father may earn more, in others mother may earn more).

5.3.6 Split of Joint Taxes in Xspouse™.

This documentation applies to Xspouse™ calculations generally, not just to the Bonus Income reports.

When two spouses file jointly (either MFJIN or MFJOUT), Xspouse™

1. Splits the income taxes between the spouses in proportion to their respective gross taxable incomes.
2. Attributes the employment taxes (social security, self-employment, state disability insurance) to the spouse who incurred those taxes. (Both spouses may have such taxes.)

Both the *Annual Bonus Income* report and the *Variable Bonus Income* report consist of rows of numbers that have the same format in both reports. It is therefore logical to divide the explanation into three parts—the *report row format*, the *Annual Bonus Income* report and the *Variable Bonus Income* report.

Report Row Format.

We use the *Variable Bonus Income* report (in the next section) to illustrate this discussion.

The first row in each report corresponds to zero bonus. Each subsequent row is compared against this baseline. Let's take a simple case as an illustration.

Example 11

In the Professional screen, let's use the same data as in *Example 5*: give father 6666 per month wages, mother 2222 per month wages, with defaults for everything else. We see that Guideline CS is 976. Now let's open the *Variable Bonus Income* report. Make sure that the display is for father's bonuses (toggle if necessary). The first step is to enter the average bonus per month that we anticipate for father. Let's assume that our best estimate is 5000 per month. You can enter this by first typing 5000 into January, then clicking the "Replicate" button at the top of the screen. Recall that the guideline CS in the main screen is 976.

Now, let's look at the line for 5000 monthly bonus (first column).

Scroll down to the row showing 5000 by clicking on the scroll bar at right of screen. The 5000 bonus line is highlighted in blue.

The Total CS has now gone up to 1393—an increase of 417. This is the additional "cost" to father. It is displayed in the third column from the left.

Expressed as a percentage of the bonus, it is 417/5000, or 8.3%. The numbers for SS are similar.

These data are presented in Figure 3 in the next section.

5.3.7 Variable Bonus Income Report.

This report introduces maximum flexibility. No assumption is made about the relative sizes of the bonuses or about their frequency. The report is quite complex and will be discussed in detail. In particular, the role of the "Anticipated Bonuses" will be explained.

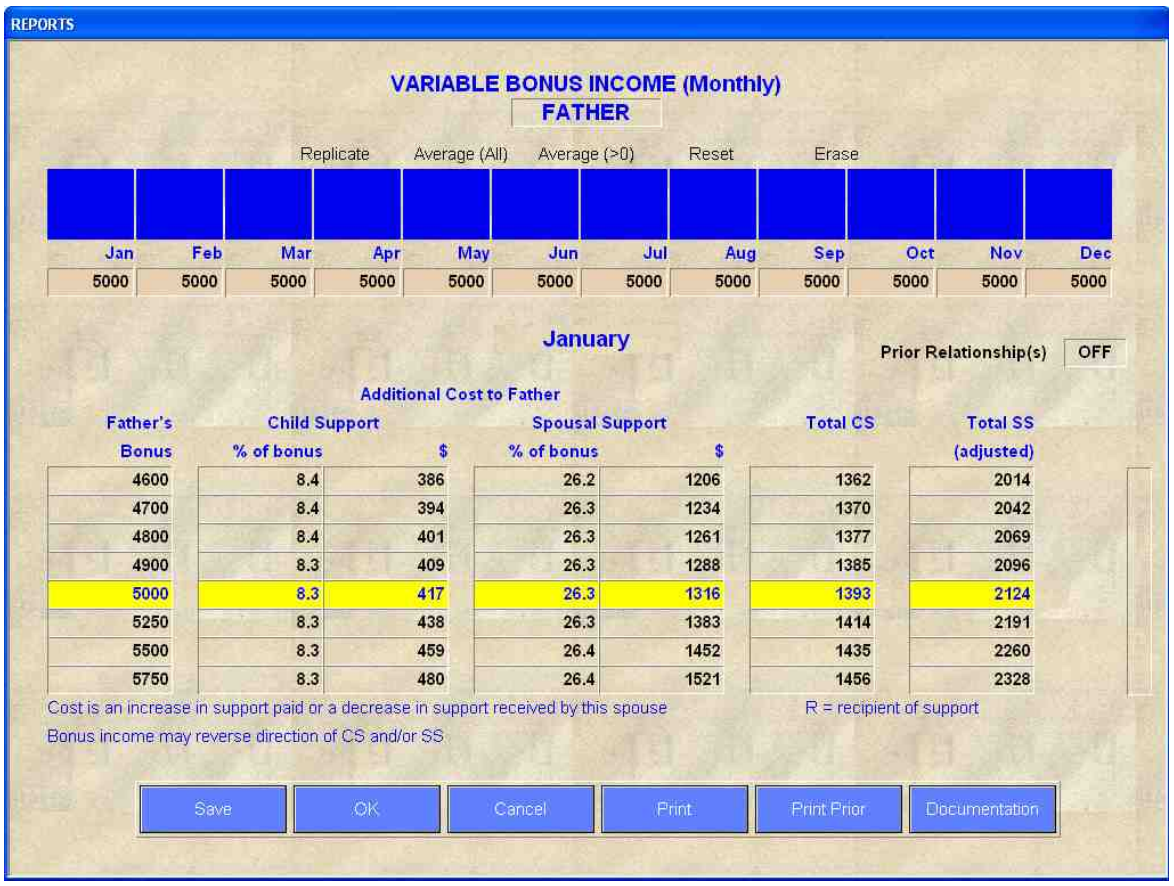


Figure 3 Variable Bonus Income Report.

For the remainder of this section, we will assume that Father is the bonus earner. We will begin by explaining a possible way to use the Variable Bonus Income report. Then, we will take a look at the computational logic behind it.

1. Begin to use this report by entering the anticipated bonus income that father will receive in each of the twelve months. We will see that just a "reasonable" estimate is enough for **Xspouse™** to calculate each line of the Bonus income table very accurately. Note that, if you do not enter any anticipated bonuses, it is equivalent to estimating that the bonus will be

zero in each month.

2. Next, click one of the two averaging buttons at the top of the screen (whichever is appropriate — see below). This ensures that the Bonus income tables for all months are the same.
3. Now, print out the the Bonus income table (for any month — they are all the same). There are several buttons in this report to help you enter bonus income.

At the top of the screen, you will see the following buttons:

- **Replicate** — Enter bonus from the currently selected month (the one with the yellow cursor) into all twelve months.
- **Average (All)** — Enter the average bonus into all twelve months. This type of averaging is appropriate in cases when the bonus income may occur in any month.
- **Average (> 0)** — Enter the average bonus into all months in which the bonus is non-zero. This type of averaging is appropriate in cases when the frequency, though not the size, of the bonuses is known. For example, the bonuses may be paid quarterly.
- **Restore** — Undo all changes and restore the monthly bonuses, as they were when the report was opened.
- **Erase** — Set the bonus to zero in all twelve months.

At the bottom of the screen, there is another set of buttons.

- **Save** — This button saves the currently entered anticipated bonuses as part of the case data in the computer's memory. To save this data to disk, you must return to the main screen and click "Save File".
- **OK** — Same as the preceding button, but also closes the Variable Bonus Income report and returns to the main screen.
- **Cancel** — Abandons all changes and returns to the main screen.
- **Print** — Prints the Bonus income table for the currently selected month. **Note:** When printing the *Variable Bonus Income* table, the default print setting is “Selection”, which comprises 41 rows, beginning with the row highlighted on screen. To print out the desired bonus row so that it Is displayed mid-page, place the highlight on a row approximately 20 rows above. In this way the print out will display how the support changes if the bonus payments are larger or smaller than estimated.

  You can change the print option to “All” if desired in the print dialog box when selecting print.
- **Prnt Prior** — Prints the Approximated Bonus income table for prior

marriage(s). The effect of prior marriages is explained in a separate section below.

- **Documentation**. Clicking this button brings up a dialog that explains, step by step, how the current (highlighted) line in the bonus income table is calculated by **Xspouse™**.

Let's take a look at the methodology behind all this. When **Xspouse™** constructs the Bonus income table, it does a full guideline calculation for each line of the report (the same calculation that recalculates the main screen). All the income and deduction data that are required for the calculation are known in monthly amounts, with one exception — taxes. To compute taxes, it is not enough to know the bonus in a particular month. Taxes are calculated on annual income. This is where the anticipated bonuses come in. They allow **Xspouse™** to estimate the annual income when doing the tax calculation(s).

This raises the following question: What errors are introduced into the guideline calculations (one for each line in the bonus income table) by estimating the bonuses and averaging them? It turns out that the errors are quite small. The reason for this is the apportionment of taxes.

When the tax consequences of bonuses are "apportioned", the additional tax for which the bonus is responsible is attributed to the month in which the bonus is paid. It has very little effect on the other months. Generally, only if our estimates are so poor that the real bonuses push the total income into a different tax bracket than our estimates, do we get an effect that is felt in other months. Thus, even though the total tax depends on the total annual income, the amount of tax apportioned to a particular month depends almost entirely on the size of the bonus that is paid in that month.

5.3.8 Multiple Marriages.

When there have been prior marriages, bonus income received by father or mother may trigger a change in support payments paid to or received from a prior spouse. **Xspouse™** deals with such situations by asking the user to type in a sample of lines from the Bonus income table for the prior marriage(s), then constructing an approximation to the prior Bonus income table. This approximated table may be printed out and compared to the original table for accuracy. This approximation is usually very accurate.

To use this feature, open the Variable Bonus Income report and click on "Display Table". Now, mouse over the "*Prior Relationship(s)*" label to display the button and click on it. The *Prior Relationship(s) Sample Bonus Table* appears.

Some suggestions for filling out the *Sample Bonus* Table.

- Choose more samples in the range in which you expect the bonuses to fall. If you expect father to receive variable overtime income in the range $1,000 to $2,000 per month, there is little purpose in using a $500,000 bonus as one of the samples.
- Choose more samples in a range where the percentages (in the prior marriage Bonus income table) vary rapidly, fewer samples in a range where the percentages vary slowly. You do not have to fill out the whole table at once. Just enter the maximum bonus (currently 750K) on any line. **Xspouse™** will not read the table past this line. (Hold down the '9' key in the bonus field. The entry will automatically top out at the maximum bonus.)
- Begin by entering 3 or 4 samples.
- Print out the approximated table.
- See where more accuracy is needed.
- Insert more lines in this range.
- There is a button to insert a line and a button to delete a line. Pressing the [**Insert**] key will also insert a line.

Please note the following. Bonus income may reverse the direction of support. Suppose that you are in a range of bonuses where the bonus earner is the recipient of support (child and/or spousal) from a prior marriage. In such a situation, "cost" means a reduction in support received from the prior marriage. This causes no problems with spousal support. This is either taxable income (recipient) or an adjustment to income (payor). Either way, it is a dollar for dollar reduction in the AGI. Spousal support is, similarly, either guideline income or a guideline deduction. Once again, dollar for dollar. Child support is different. It is a guideline deduction, but not guideline income. Presumably, you will want to eliminate from consideration a situation where the "cost' is a reduction in child support received from the prior marriage. You can do this by entering zero for "CS %" in the sample bonus table for the pertinent range in the "original" table.

The adjustment for additional support paid for prior marriages as a result of bonus income may be toggled ON/OFF with the right mouse button or by pressing the space bar while the yellow cursor is positioned on any line in the table for the current marriage.

5.3.9 Annual Bonus Income

This report is a companion to the Variable Bonus Income report described above. It allows us to "look back" and calculate what the additional support would have been if we had had the ability to look twelve months into the future and include the bonuses in the annual income.

5.4 Taxes

Most of the selections on this menu apply to either one spouse or the other. In the Professional screen, you must position the yellow cursor on the data input column for father or for mother before accessing these selections.

5.4.1 Tax Settings

The Tax Settings enable you to include or exclude various taxes. All the fields are dual - entry fields: You can include or exclude the highlighted tax (by right-clicking or pressing the space bar) or you can type in a number. The tax in question will be multiplied by that number.

5.4.2 Tax Credit Override

Enables you to manually suppress the credits calculated by **Xspouse™**. All the fields are toggle fields.

5.4.3 Alternative Minimum Tax Data

You can enter appropriate additional data for the calculation of the Alternative Minimum Tax.

5.4.4 MFS Deductions

IRS regulations state that if a spouse chooses the filing status Married Filing Separately, then that spouse must itemize deductions if the other spouse itemizes deductions. This selection opens a dialog that enables you to set the correct deduction method for the spouse in question.

5.4.5 Federal Tax Forms State Tax Forms

These reports document, line by line, the tax calculations that **Xspouse™** performs.

5.5 Tools – Present and Future Value Calculators

The Present Value calculator allows the user to do one of two things:

- Calculate the present value of a stream of payments.
- Structure a stream of payments to produce a desired present value.

The choice between the two functions is made through a toggle at the bottom of the calculator window.

You'll notice that one of the fields (either the *Payment Amount* or the *Present Value*) always has a white background. This is the field that is calculated when data in the other fields is modified.

Analogous comments apply to the *Future Value calculator*.

The *Future Value calculator* has one other feature which needs explanation. In addition to the *Begin* and *End* dates, there is a *Valuation date*. As the name suggests, this is the date on which the future value is calculated. By default, the *Valuation date* will always track the date of the last payment. When this behavior is in effect, there is a blue asterisk '*' next to the *Valuation date*. If you wish to use a *Valuation date* other than that of the last payment, simply type it in. The asterisk will disappear and the *Valuation date* will remain fixed from then on. To restore the automated *Valuation date*, highlight it with the yellow cursor and press the asterisk '*' key.

Comments.
The calculators are available in the Desktop **Xspouse™** and **Xarrears™**.

If the payment frequency is semi-monthly, an additional field labeled *Semi-monthly Day* appears. This is the date of the month on which the second payment is made. It must be a number between **1** and **28**.

The *Present Value* (or *Future Value*) field becomes invisible if an error condition exists.

Some examples are:

- The begin date is before today's date.
- The payment frequency is semimonthly but the Semi-monthly Day is not between 1 and 28.
- One or more of the dates are invalid.

6 Toolbar

6.1 Open

6.2 Save

6.3 Clear

6.4 Print

The function of each of these icons is self-explanatory.

6.5 *Detail*

When the yellow cursor is positioned on one of the raised data input cells on the main screen, this icon will open the associated *Detail* window. Generally, it is simpler to double-click on the cell or press the **D** shortcut key to open the *Detail* window.

Several of the *Detail* windows merit special comment.

6.5.1 Child Detail Window

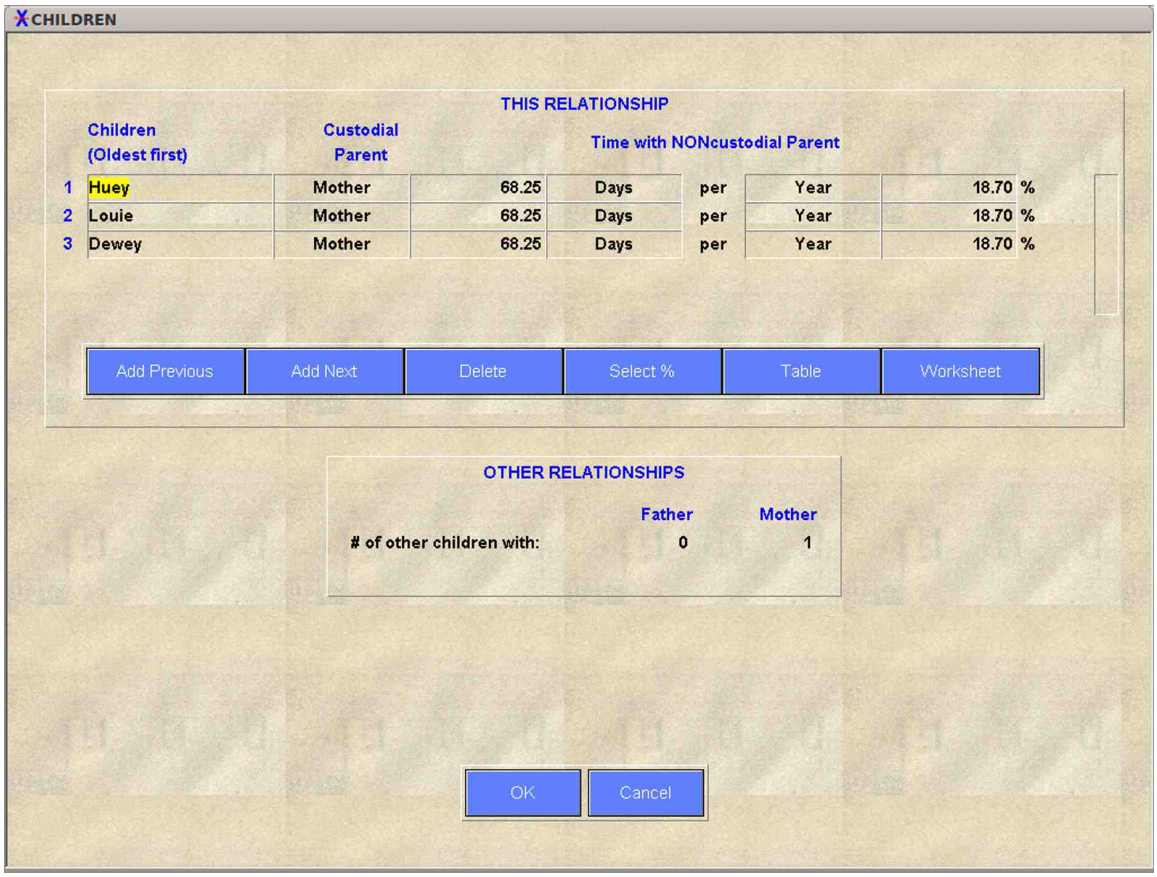


Figure 4 Child detail window.

This detail window must always be used in cases of split custody. This is because **Xspouse™** needs to know the order of the children (by age) for the Findings and Rebuttals report. Entering the total number of children with father and mother in the main screen would not be enough.

In the *Child Detail*, you will see the following fields:

1. The Child's name
2. The custodial parent. This is a "Toggle" field. You can right-click on it to change it.
3. The next three fields work together. The default is 73.0 days per year. However, you can toggle the "days" and the per "year". 4.
4. The last field allows you to set the non-custodial time explicitly.

This *Child Detail* window also has several features to help compute timeshare.

1. Click on the "*Table*" button. The current *Santa Clara Timeshare Table* is displayed.
2. Click on the "*Worksheet*" button. The *Timeshare Worksheet* is displayed (see the following section and the tutorial in **Appendix C**).

Timeshare Worksheet

The timeshare worksheet is available inside the *Child Detail* window (button on the extreme right inside the detail window).

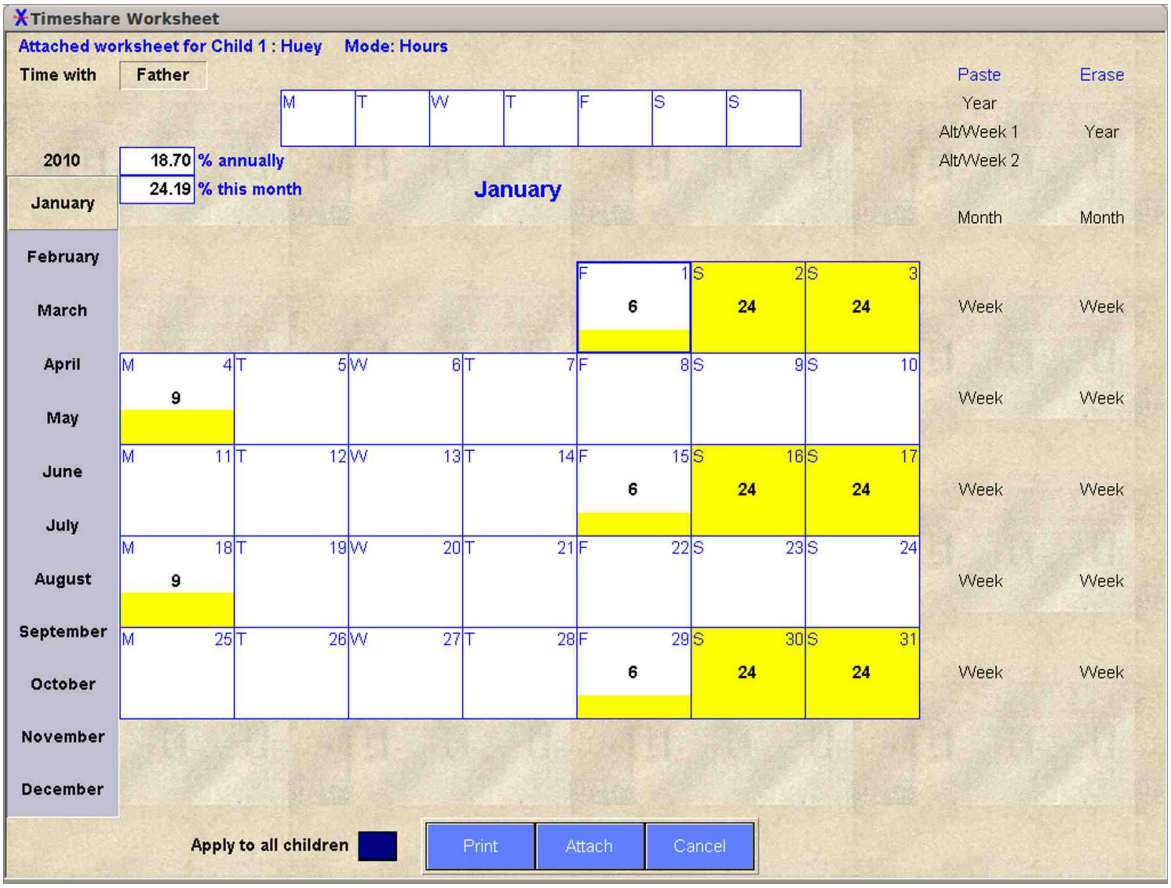


Figure 5 The Timeshare Worksheet.

There are two modes in the worksheet.

1. **Hours mode** – Enter hours into a single day by typing. The whole day can also be selected or deselected by right-clicking the mouse or by pressing the space bar.
2. **Santa Clara mode** – In this mode, the time units are ¼ days, as in the Santa Clara rules on timeshare. Right- clicking the mouse or pressing the space bar adds a ¼ day to the time. Backspace subtracts a ¼ day. The numeric keys **0, 1, 2, 3, 4** enter the corresponding number of ¼ days.

The appropriate mode can be selected in the *Settings* screen. You can also save the mode as the default setting. It will not cause the "*Settings Changed*" warning to go on, since it does not have a direct impact on calculations, just on data input.

In both modes, use the weekly pattern at the top of the worksheet to quickly fill out the worksheet. When mousing over just above each of the cells in the weekly field, a toggle button appears to hide/show that particular day of the week.

When you place the mouse cursor immediately to the right of the weekly pattern (next to Sunday), another button pops up. Clicking this button clears the weekly pattern (the worksheet itself is unaffected).

Similarly, when mousing over the text on the right hand side of the worksheet, these become buttons for data entry or deletion.

To enter time into the worksheet, fill out the weekly pattern at the top of the page. Then use the column of buttons on the right of the worksheet to paste to the *Year*/*Month*/*Week*.

Clicking on "*Year*" in the *Paste* column will paste the weekly pattern to every week in the year. *Alt/Week 1* pastes to alternate weeks, beginning with Week 1. *Alt/Week 2* pastes to alternate weeks, beginning with Week 2. Clicking on "*Month*" in the *Paste* column will paste the weekly pattern to each week of the currently displayed month. Clicking on "*Week*" in the *Paste* column will paste the weekly pattern to the week opposite the button that was clicked. You can also type directly into any day in the worksheet. The buttons in the *Erase* column work in a similar fashion.

By toggling the hide/show buttons above the week day cells at top of screen, permits you to selectively paste or erase selected days, without disturbing any data in the hidden days. The paste/erase procedure can be repeated as many times as is necessary to accommodate visitation plans that change during the year.

At the top left of the worksheet, you can toggle the parent for whom the time is displayed. This toggle is for convenience only. **Xspouse™** will determine the custodial parent when the worksheet is attached.

When you Attach a worksheet, the time calculated by the worksheet is entered into the *Child Detail* window. The text "*Attached worksheet for Child ...*" in the top left of the worksheet means that the timeshare calculated by the worksheet is being used for the child in question. Any manipulation of the timeshare (altering the worksheet, entering the timeshare directly or from the timeshare table, etc.) will detach the worksheet. The timeshare may remain unchanged, but it is no longer certain that it was calculated by the worksheet.

6.5.2 Filing Status Detail Window

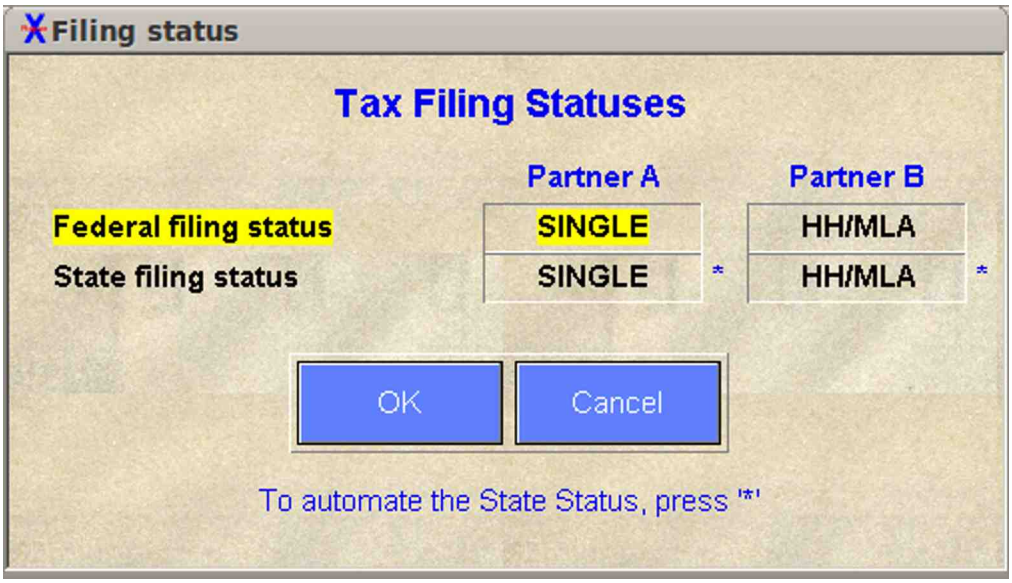


Figure 6 Filing Status Detail.

This window is only available if *Domestic Partnership* has been selected in the *Settings* screen. The detail window allows the user to choose state filing statuses which differ from the federal statuses.

The filing statuses displayed in the main screen of **Xspouse™** are always the federal statuses. An asterisk `*' next to the filing status indicates that the federal status is being used for the state tax calculation. The absence of an asterisk indicates that a different status has been chosen for the state calculation. The asterisk may be restored at any time by pressing `*' on the keyboard.

NOTE: Toggling the status in the main screen will automatically restore the asterisk.

6.5.3 Exemptions Detail Window

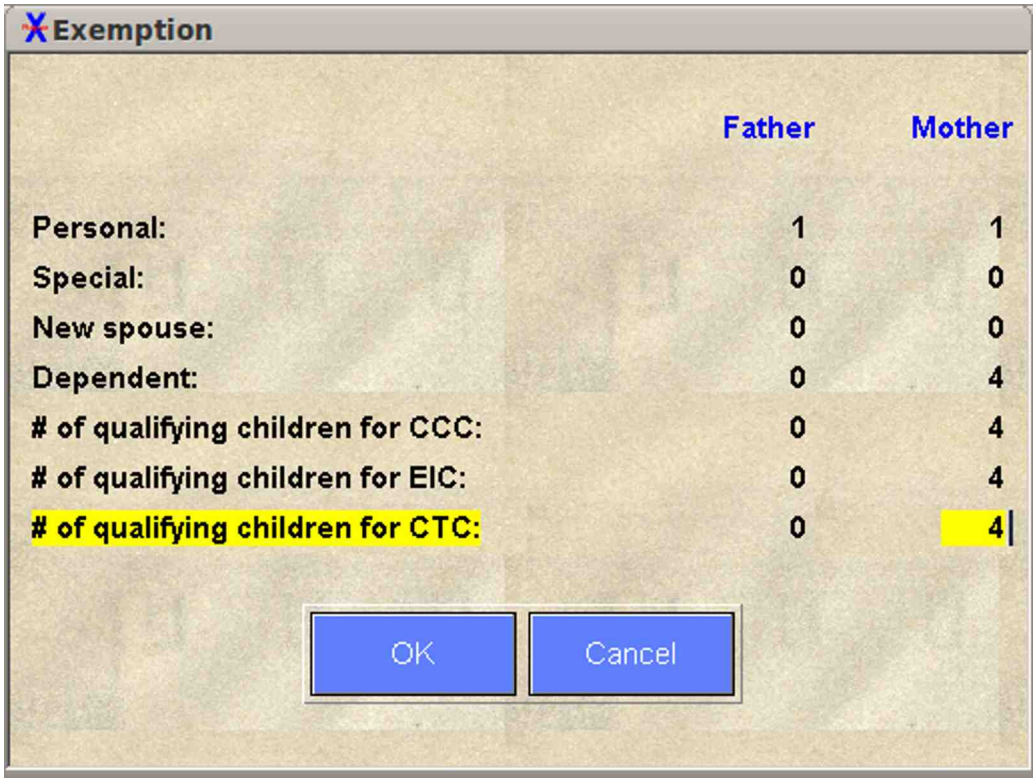


Figure 7 Exemptions detail window.

This detail window is used to enter the number of exemptions and the numbers of children qualifying for the various federal tax credits calculated by **Xspouse™** (Child Care Credit, Earned Income Credit and Child Care Credit).

Xspouse™ will calculate default values for the number of exemptions and the numbers of children qualifying for the above credits. These default values will suffice in many cases. However, if you wish to change these numbers, the changes should be made through the detail windows for both father and mother.

6.5.4 Other Taxable Income Detail Window

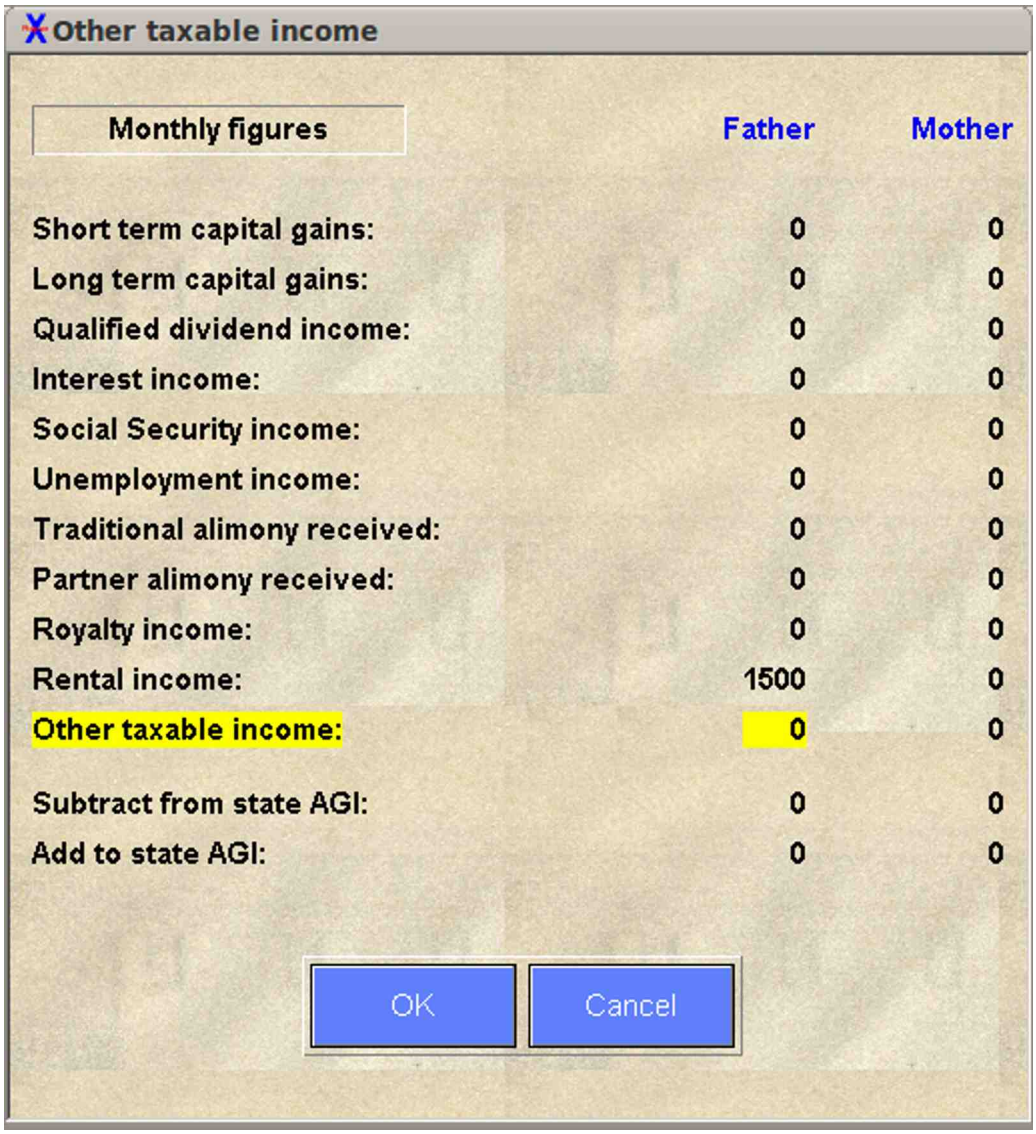


Figure 8 Other Taxable Income detail window.

The most common types of taxable income (wages and self-employment income) can be entered directly into the **Xspouse™** main screen. Other categories of taxable income listed in Form 1040 can be entered in this detail window.

If one of the parties of this relationship has remarried and is filing a joint tax return with the new spouse, there is a similar detail window on the "*New spouse income*" line.

NOTE: Xspouse™ uses the new spouse income only to calculate taxes. It does not count the new spouse income as guideline income.

In the *Other Taxable Detail* and in the *New Spouse Income* detail, the last two lines allow you to directly manipulate *Subtractions* (Line 14) and *Additions* (Line 16) in Form 540. For MFJIN and MFJOUT, the appropriate combined amount is entered into Form 540. This feature allows you to exclude selected categories of income from California income tax, yet allowing other categories (such as wages) to remain subject to the tax.

Note that some income (such as social security income and unemployment benefits) is ALWAYS excluded by **Xspouse™**. You should use the new lines only for other types of income that normally would not be excluded.

For convenience, if you position the cursor on Subtract from state AGI and press '=', **Xspouse™** will enter the sum of all income categories above, with the exception of wages, self-employment and social security.

6.5.5 Hardship Deductions Detail Window

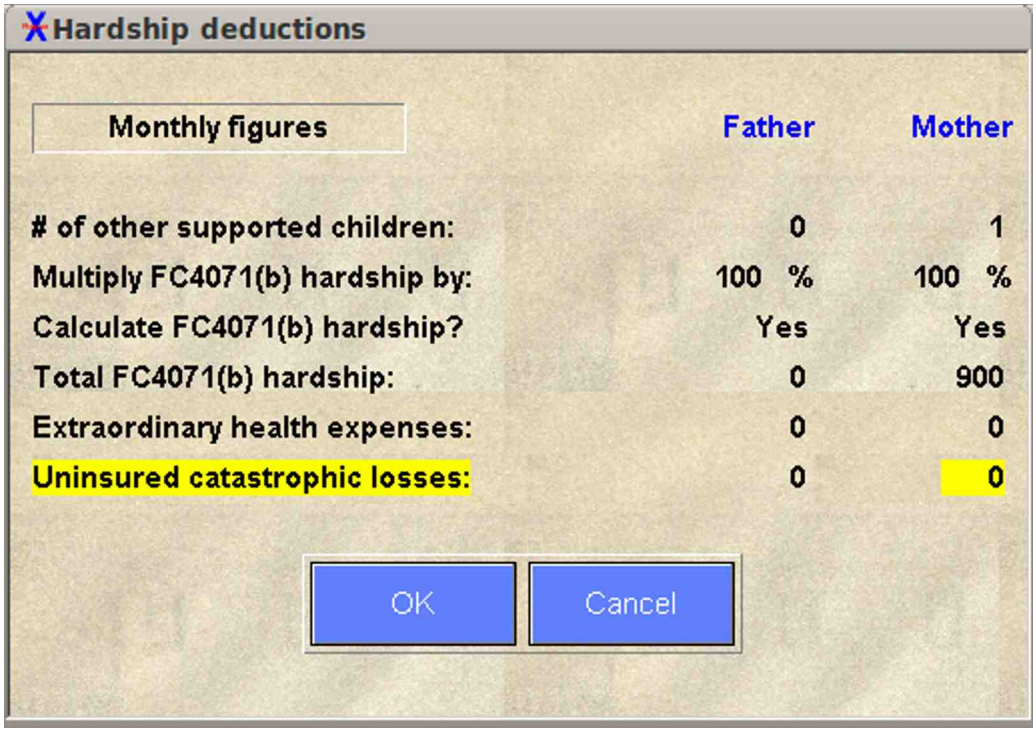


Figure 9 Hardship Deduction detail window.

Partial hardships can be entered here. For example, if you wish to award ½ hardship, you would change the "100%" above to "50%".

7 Settings

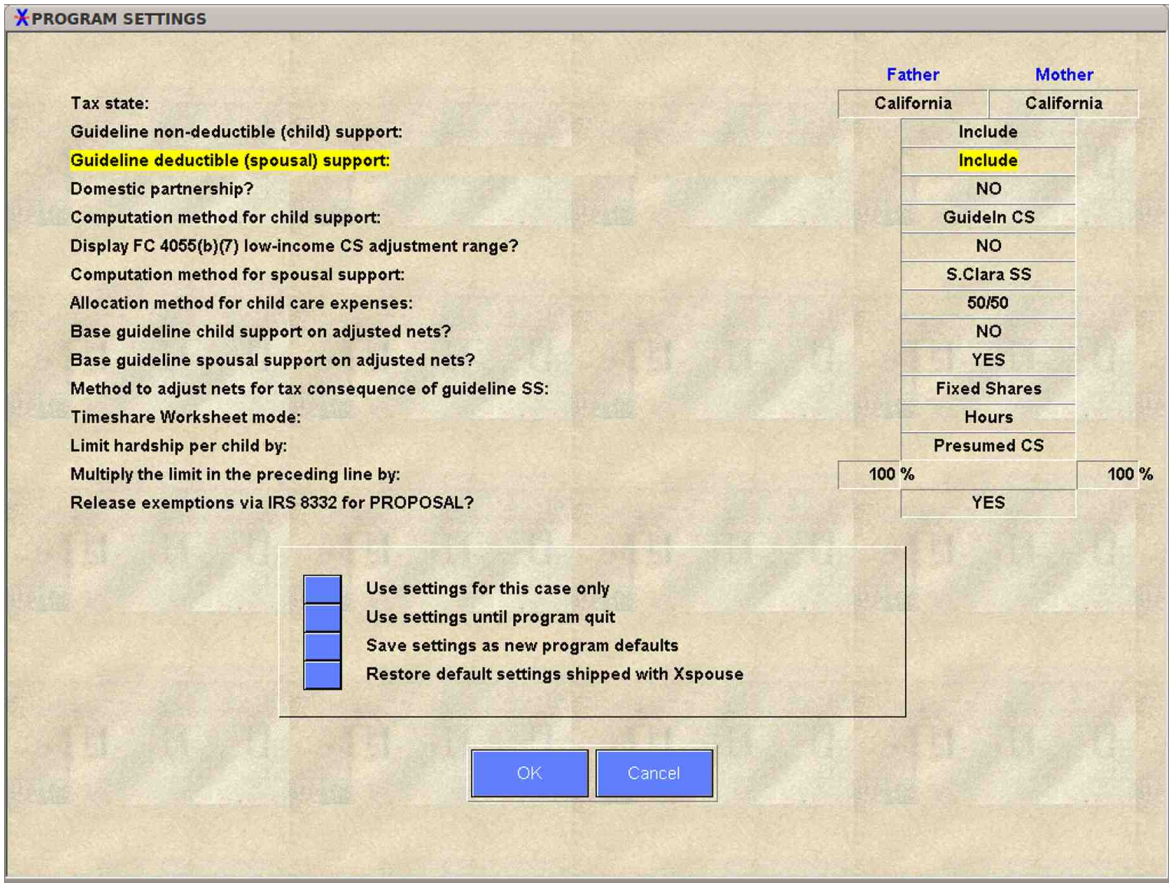


Figure 10 The Settings screen.

Most of the fields in this screen are toggle fields (right-click on them or press the space bar to change the value.) Many of them can be changed directly in the Professional screen by the use of *shortcut keys* (see the section on the Professional screen.)

All of the fields, except the last one, affect only the *Guideline* settlement. The last field (concerning the release of exemptions) affects only the *Proposed* settlement.

Guideline non-deductible (child) support is a dual-entry field: you can include or exclude child support (by right-clicking or pressing the space bar), or you can type a number into this field. The calculated child support will be multiplied by whatever number you have typed in. *Include* is equivalent to typing in 1.0000. *Exclude* is equivalent to typing in 0.0000.

Guideline deductible (spousal) support is also a dual-entry field: you can include or exclude spousal support (by right-clicking or pressing the space bar), or you can

type a number into this field. The calculated spousal support will be multiplied by whatever number you have typed in. *Include* is equivalent to typing in 1.0000. *Exclude* is equivalent to typing in 0.0000.

Computation method for child support is a toggle field with two possible values: *Guideline* and *User CS*. If you choose *User CS*, the *User* icon will be active when you return to the Professional screen.

Display FC 4055 (b)(7) low-income CS adjustment range allows you to decide whether to display (in the Professional screen) the child support range described in the Family Code. The best way to see how this works is as follows.

Example 12

Give father a guideline net below 1000 (900, say). Now go back in this manual to the description of **Shortcuts** (see *Data Input*) and read the description for the shortcut key **R.**

Computation method for spousal support has several possible values:

- Santa Clara
- Alameda Marin
- Kings
- San Diego
- User SS
- Formula SS

If you choose either *User SS* or *Formula SS*, the *User* icon will be active when you return to the Professional screen.

The field *Allocation method for child care expenses* allows you to control how mandatory addons to child support are calculated. See the section on the *Findings* screen for more on this subject.

The next three lines are concerned with adjustment for the tax consequences of spousal support. There is a detailed discussion of this subject in **Appendix A**.

For the explanation of the field labeled "*Timeshare worksheet mode*", see the description of the timeshare worksheet under *Detail Windows > Child Detail*.

The remaining fields in the *Settings* are straightforward. The only ones that require comment are the two lines pertaining to the limitation of hardship. For these settings to have an effect, automatic recalculation must be active on the *Hardship* line in the Professional screen. See *Data Input* for a description of automatic

recalculation. You can use the two lines pertaining to hardship to enter fractional hardships. For example, if father has 2 hardship children and you wish to enter 1.5 hardships for father, type in 75% (1.5 divided by 2) in father's column in the *Settings* screen. However, it is usually more convenient to enter hardships directly in the *Hardship* detail window in the main screen.

8 Tax Settings

The *Tax Settings* enable you to include or exclude various taxes. All the fields are dual-entry fields: you can type in a number. The tax in question will be multiplied by that number. *Include* is equivalent to typing in 1.0000. *Exclude* is equivalent to typing in 0.0000.

To see the effect of changed *Tax Settings*, switch the *View* to either *Tax Summary (income taxes)* or *Tax Summary (employment taxes)*.

9 Tactic

This icon opens dialogs that allow you to manipulate the *Proposed* settlement. The best way to find out what the tactics do is to try them. If the View in the main screen of **Xspouse™** is Cash Flow, then the primary effect of the selected Tactic is displayed in blue among the numbers on the right of the screen.

10 Findings

Opens the *Findings and Rebuttals* report. See the section on *Reports* for a detailed description of this screen.

11 Wiz/Pro

Toggles the input screen between the data input *Wizard* and *Professional* screen.

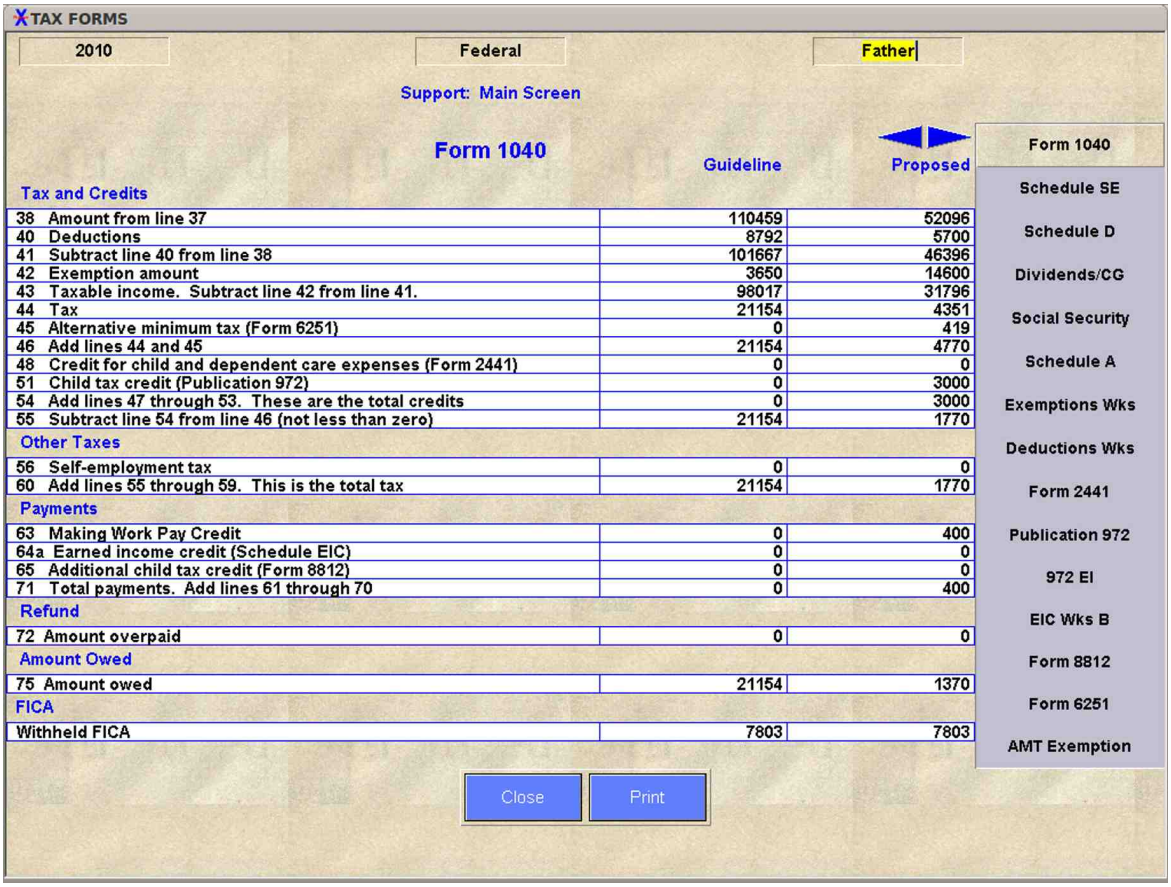
12 Tax Documentation

Xspouse™ calculates taxes by following the federal and state tax forms exactly, line by line. All the tax forms are displayed, wherever taxes are calculated – in the *main screen*, in the *bonus income reports* and in *property division*.

The tax forms display a blizzard of numbers. However, the numbers that count – the federal and state income and employment taxes – are easy to find. They are displayed on the second page of IRS Form 1040 (federal) and the second page of FTB Form 540 (state).

You can see a summary of taxes in the main screen by changing the View to Tax *Summary (income taxes)* or *Tax Summary (employment taxes)*.

The tax forms are extremely useful when trying to reconcile differences in numbers with opposing counsel. In many cases, such differences are the result of different tax calculations. It is much easier to pinpoint the reason for such differences by looking at the tax forms rather than at the data input. Please refer to the section on Data Input at the beginning of this manual.



XTAX FORMS

2010 | Federal | Father

Support: Main Screen

Form 1040

Tax and Credits	Guideline	Proposed
38 Amount from line 37	110459	52096
40 Deductions	8792	5700
41 Subtract line 40 from line 38	101667	46396
42 Exemption amount	3650	14600
43 Taxable income. Subtract line 42 from line 41.	98017	31796
44 Tax	21154	4351
45 Alternative minimum tax (Form 6251)	0	419
46 Add lines 44 and 45	21154	4770
48 Credit for child and dependent care expenses (Form 2441)	0	0
51 Child tax credit (Publication 972)	0	3000
54 Add lines 47 through 53. These are the total credits	0	3000
55 Subtract line 54 from line 46 (not less than zero)	21154	1770
Other Taxes		
56 Self-employment tax	0	0
60 Add lines 55 through 59. This is the total tax	21154	1770
Payments		
63 Making Work Pay Credit	0	400
64a Earned income credit (Schedule EIC)	0	0
65 Additional child tax credit (Form 8812)	0	0
71 Total payments. Add lines 61 through 70	0	400
Refund		
72 Amount overpaid	0	0
Amount Owed		
75 Amount owed	21154	1370
FICA		
Withheld FICA	7803	7803

Form 1040 | Schedule SE | Schedule D | Dividends/CG | Social Security | Schedule A | Exemptions Wks | Deductions Wks | Form 2441 | Publication 972 | 972 EI | EIC Wks B | Form 8812 | Form 6251 | AMT Exemption

Close | Print

Figure 11 IRS Form 1040 (second page).

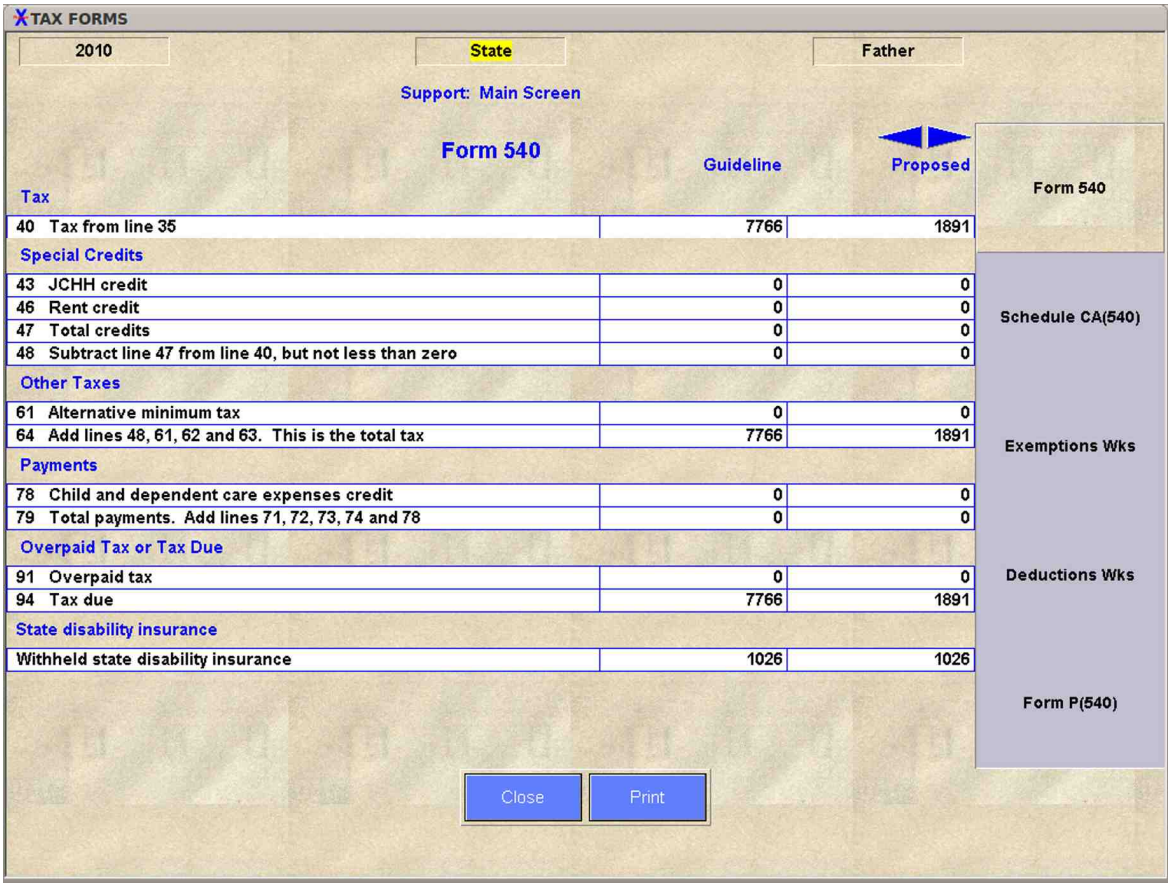


Figure 12 FTB Form 540 (second page).

13 Property Division

The property division module is available via a new main menu selection (next to *File*) in the main screen of **Xspouse™**. The *After Tax* columns in the property module have been integrated with the support module.

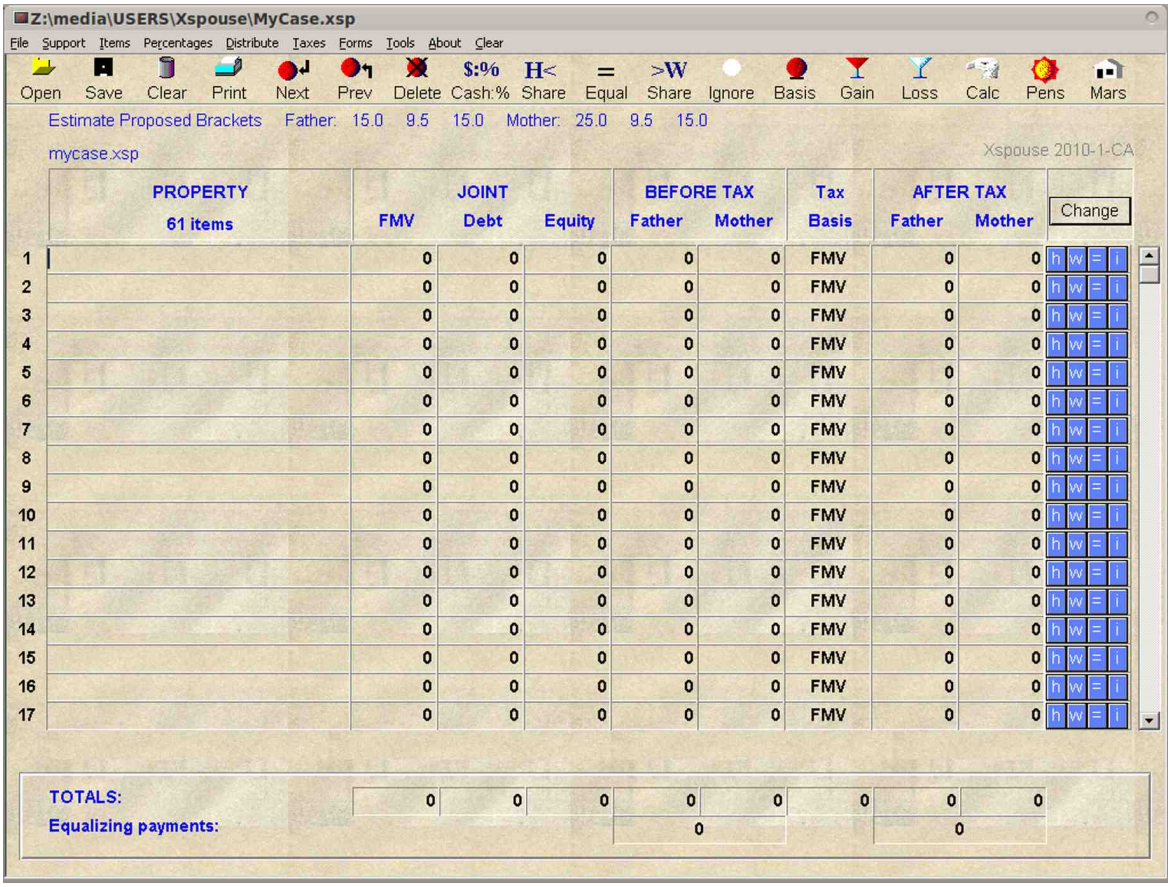


Figure 14 The Property Screen.

Property Module Buttons.

General:

Open	Opens a file
Save	Saves a file
Clear	Clears the property screen
Print	Brings up the property print menu

Insertion/Removal of Items:

Next	Inserts a blank item after the current item
Prev	Inserts a blank item before the current item
Delete	Deletes the current item

Before Tax Columns:

Cash:%	Switches between dollar splits and percentage splits
Husb	Shifts all the equity to Husband
Equal	Splits the equity equally between Husband and Wife
Wife	Shifts all the equity to Wife
Ignore	Removes the item from consideration when computing the Equalizing Payment

After Tax Columns:

Basis	Switches the Tax Basis between the FMV and a user specified number
Gain	Flags the item as a capital gain. Any appreciation is adjusted using the capital gains brackets
Loss	Flags that a loss will be taken for the item if there is a loss. There is no effect in the absence of a loss. Any depreciation is adjusted using the appropriate tax brackets. The overall limitation on capital losses is only applied when computing the Equalizing Payment. It would be misleading if applied to individual items.
Calc[ulation]	Allows the user to select the Guideline settlement or the Proposed settlement as the context in which the after-tax value of property is calculated. The tax forms documenting the calculations are available under Taxes > Tax Forms. Estimates by tax brackets remain available for comparison with earlier versions of **Xspouse™**.

Worksheets:

Pens	Pension worksheet
Mars	Marsden worksheet

The panels of buttons at the extreme right of each item in the desktop version of **Xspouse™**, duplicate the actions of many of the above buttons. Click the *Change* button at the top right of the screen to change the displayed panel. The first panel consists of the buttons [**h**][**w**][**=**][**I**]. These buttons distribute the property item to husband, to wife, equally, or ignore the item. The second panel comprises the buttons [**b**][**g**][**I**]. These buttons duplicate the *After Tax* buttons described above. The third and final panel is informational; it displays blue uppercase letters such as **M** to indicate a Marsden item, **P** to indicate a pension item, **G** to indicate a long term capital gain and **L** to indicate a loss item.

14 Arrearage Calculator

The arrearage calculator **Xarrears™** is a separate program which is installed as part of the **Xspouse™** package of files. After installation, there will be an icon under the **Xspouse™** icon on your *Start* > *All Programs* menu.

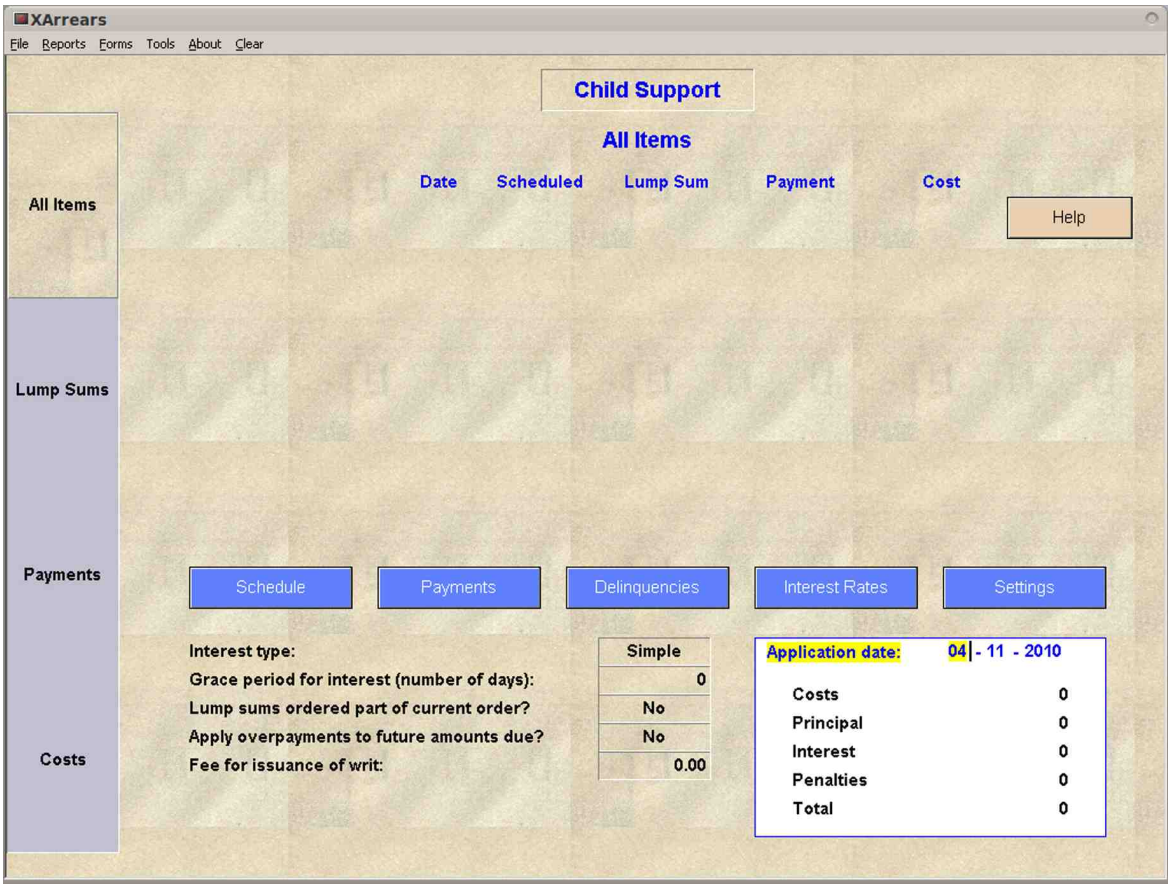


Figure 15 Xarrears™ main screen.

The arrearage calculator contains an online manual. Each screen in the program has a "*Help*" button. Clicking on this button brings up text which explains what that particular screen does. In particular, the "*Help*" button in the main screen describes how to begin a new case. A tutorial example is presented in **Appendix G**.

Notes.

1. When you enter a semi-monthly payment schedule, a field titled "Semi Day" will appear. This means the date of the second payment in the month. This date must be between **1** and **28**.
2. The default interest rate is 10%, effective on January 1, 1980. Click on the "*Interest Rates*" button if you wish to modify this.

15 Appendix A

15.1 Adjusted Nets

The adjective "adjusted" refers to the adjustment for the tax consequences of spousal support. The following discussion applies only to spousal support. Child support is always calculated using unadjusted nets, as defined in FC 4058 and FC 4059.

Spousal support is an adjustment to income for the payor and taxable income for the recipient. This results in a tax saving for the payor and a tax liability for the recipient. Effectively, the guideline net income of the payor is increased by the amount of the tax saving; and the guideline net income of the recipient is reduced by the amount of the tax liability.

If we apply the guideline spousal support formula to these new nets, we get a different spousal support than previously. Once again, this new spousal support results in a (new) tax saving for the payor and a (new) tax liability for the recipient. This can be done indefinitely. More precisely, we begin with the unadjusted nets (FC 4058 and FC 4059) and then repeat the following steps over and over.

1. Apply the spousal support formula to the guideline nets to calculate spousal support.
2. Adjust the nets for the tax consequences of the calculated spousal support. .

It turns out that, after relatively few repetitions (or iterations), the changes in the spousal support become very small (less than $1). Once this happens, we terminate the iterations. The guideline nets in Step 2 above (of the final iteration) are called the adjusted nets. The spousal support calculated by the guideline formula from these nets is called the adjusted support.

15.2 Fixed Shares vs. Floating Shares.

There are two common variations of the above.

First, we recall a definition. Net disposable income (after support) is defined as guideline net, minus amount allocated for child support, minus spousal support paid (or, plus spousal support received, in the case of the recipient of spousal support). Adjustment of the guideline nets for the tax consequences of spousal support, described above, generally results in an increased net disposable income for the payor and a decreased net disposable income for the recipient.

Floating Shares allows the foregoing to occur, without attempting to modify the changes in disposable incomes.

Fixed Shares, on the other hand, restores the ratio of net disposable incomes to the original, unadjusted, value. This is done by adding an additional payment (the equalizing payment) to the spousal support calculated using the guideline formula. The iterations for fixed shares thus have an one more step (Step 3 below).

1. Apply the spousal support formula to the guideline nets to calculate spousal support.
2. Adjust the nets for the tax consequences of the calculated spousal support.
3. Calculate the equalizing payment necessary to restore the ratio of the net disposable incomes to the original value (based on unadjusted nets).
4. Add this equalizing payment to the support calculated in Step 2.

Again, the iterations are repeated until the adjustments become very small.

15.3 Negative Adjusted Nets.

The recipient of spousal support will incur a tax liability because of the spousal support. This will be true even if recipient has little or no income to begin with. In such cases, the tax liability may make the adjusted net negative. This does NOT mean that recipient has "negative income". Adjusted net is NOT the same thing as net disposable income after support. The adjusted nets have been adjusted for the tax consequences of spousal support, but not for the spousal support itself. If spousal support is included, the net disposable income after support will always be positive if the net disposable income before support is positive.

16 Appendix B

16.1 DPRRA in Xspouse™

The Domestic Partner Rights and Responsibilities Act of 2003 (DPRRA) in Xspouse™.

The tax behavior of spousal support (traditional or DPRRA) is handled automatically by Xspouse™.

16.1.1 Tax Treatment.

1. On the recipient's federal tax return, DPRRA spousal support is alimony received.
2. On the payor's federal tax return, DPRRA spousal support is neither an adjustment to income nor a deduction from income.
3. On the recipient's state tax return, there is no change. [DPRRA spousal support is already included in the federal AGI.]
4. On the payor's state tax return, DPRRA spousal support is listed on Schedule CA(540), line 34a, column C (i.e., it is an addition to the federal ATIs).
5. The federal and state tax filing status is the same.

16.1.2 DPRRA-related Fields in Xspouse™.

1. There is a switch in the Settings screen to identify the current relationship as traditional or DPRRA.
2. There are lines in the Other Taxable, New Spouse and Spousal Support Paid detail windows to identify the "base" (recurrent) spousal support received/paid as traditional or DPRRA.
3. There may be bonus income tables associated with prior relationships. Such tables have a major effect on the bonus income table for the current relationship. Once again, it is necessary to identify any additional spousal support that is triggered by a bonus as traditional or DPRRA. There is a column in Reports > Variable Bonus Income > Prior Relationships to allow the user to make this identification.
4. The tax forms are conveniently accessible wherever there is a need for complete tax documentation (e.g. the main screen, bonus income, property division). The user can toggle between federal and state forms. There is a supplemental second page to Schedule CA(540) to document the effect of

DPRRA spousal support on California taxes. [The supplemental second page displays columns B and C (subtractions and additions) of this form. There is not enough room on the screen to display columns A, B, C for both the Guideline and Proposed settlements on one page.]

The tax behavior of DPRRA spousal support is fully documented in the **Xspouse™** tax forms (accessed via *Taxes* > *Tax Forms*). In particular, see Federal Form 1040, State Form 540 and State Schedule CA(540). The last-named has a supplemental Page 2, on which you will see DPRRA spousal support (both current and prior relationships) listed as an *Addition* to Federal Adjustments for the payor. [This Page 2 does not exist in the real Schedule CA(540). It documents pertinent lines of Column B and Column C of the real form.]

17 Appendix C

17.1 Timeshare Worksheet Tutorial

There are two modes of data entry in the timeshare worksheet – Hours and Santa Clara. In the latter mode, the units of time are ¼ days rather than hours. The mode may be selected in the Settings screen. In this example, we will use the Hours mode.

We will enter the following timeshare arrangement (all times are with father).

1. Alternate weekends, with 12 hours on Saturday and 12 hours on Sunday.
2. 6 hours every Tuesday.
3. A 1-week camping trip with father in July.

When entering (3) above, we will deliberately make a "mistake" and initially enter 2 weeks. This will give us an opportunity to show how to erase the "erroneous" week.

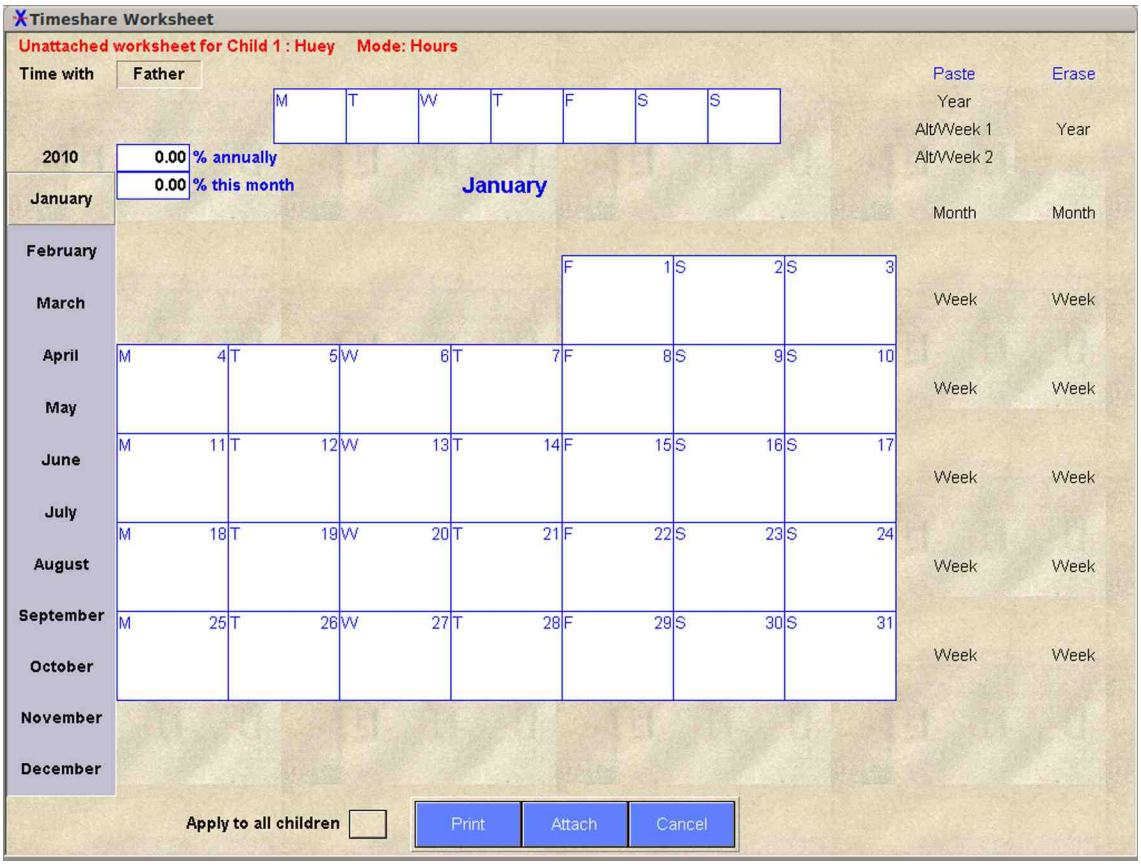


Figure 16 Timeshare Worksheet (no data entered).

The above figure illustrates the appearance of the timeshare worksheet before any data has been entered.

The horizontal arrangement of 7 days near the top of the screen is called the "weekly template". Although hours can be directly typed into any day in the calendar, it is much easier to enter timeshare using the template.

On the right-hand side of the screen, there are two columns of buttons. The columns are labeled "*Paste*" and "*Erase*" and do exactly what the labels suggest. You first enter a timeshare arrangement into the template. Then you click one of the buttons in the *Paste* column to paste the arrangement into the calendar – clicking "*Year*" will paste the template into every week of the year, "*Month*" will paste into every week of the displayed month, "*Week*" will paste into the week opposite the clicked button. The buttons in the *Erase* column work in an analogous manner.

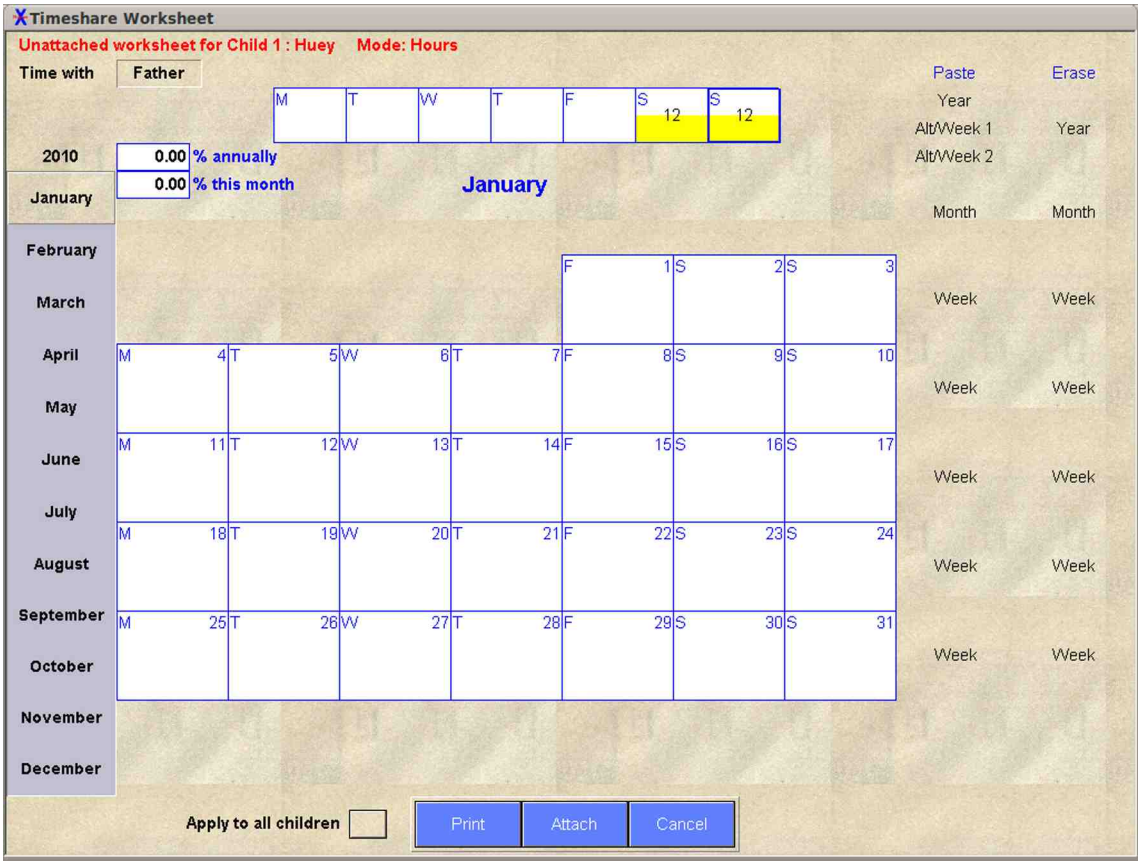


Figure 17 Timeshare Worksheet (weekend entered into template).

Let's now begin the example.

The first step is to enter 12 hours into both Saturday and Sunday in the template.

Template pasted into worksheet (alternate weekends, beginning in Week 1).

We now click the "*Alt/Week 1*" button. This pastes the template into alternate weekends, beginning with Week 1.

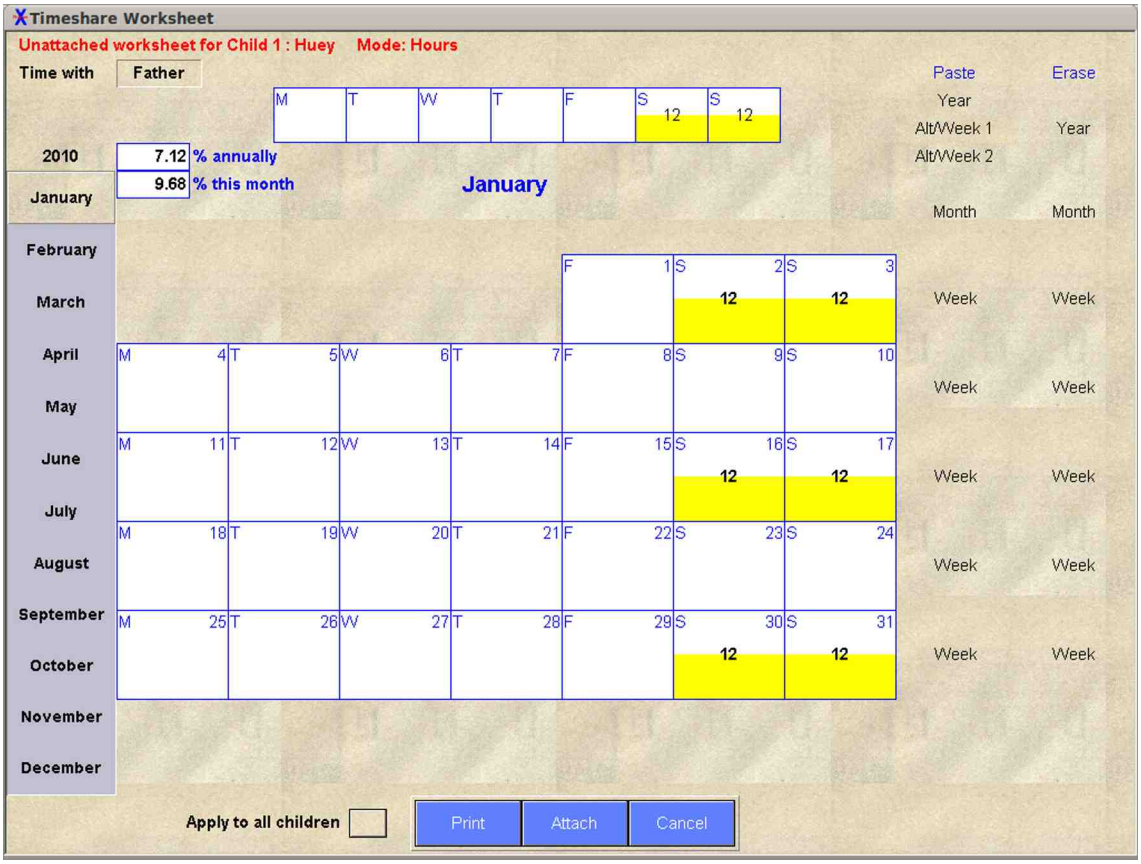


Figure 18 Weekend pasted in to worksheet.

We next turn our attention to entering "every Tuesday". We begin by entering 8 hours into Tuesday in the template.

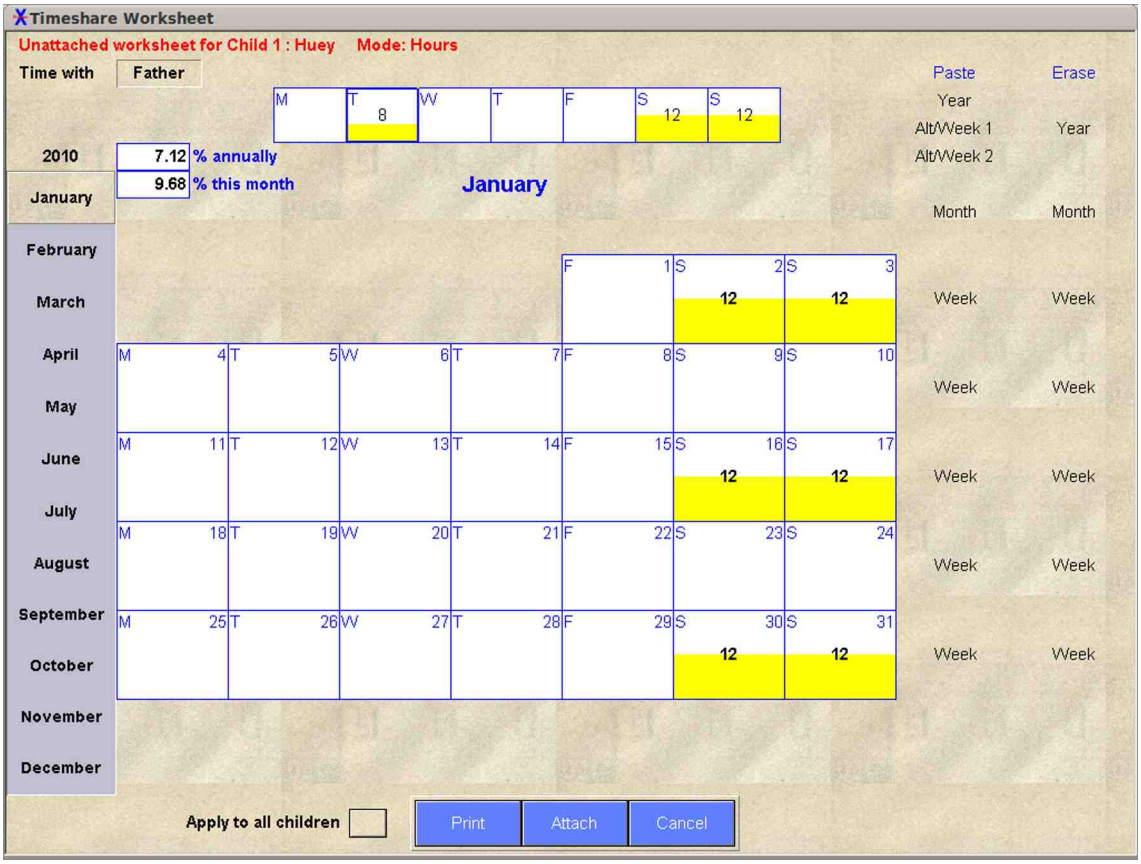


Figure 19 Tuesday entered in to template

However, we now face a problem. If we click the "Year" button, we will paste the template into every week of the year, overwriting the "alternate weekends" that we have previously entered. Go to the next page to see how we handle such problems.

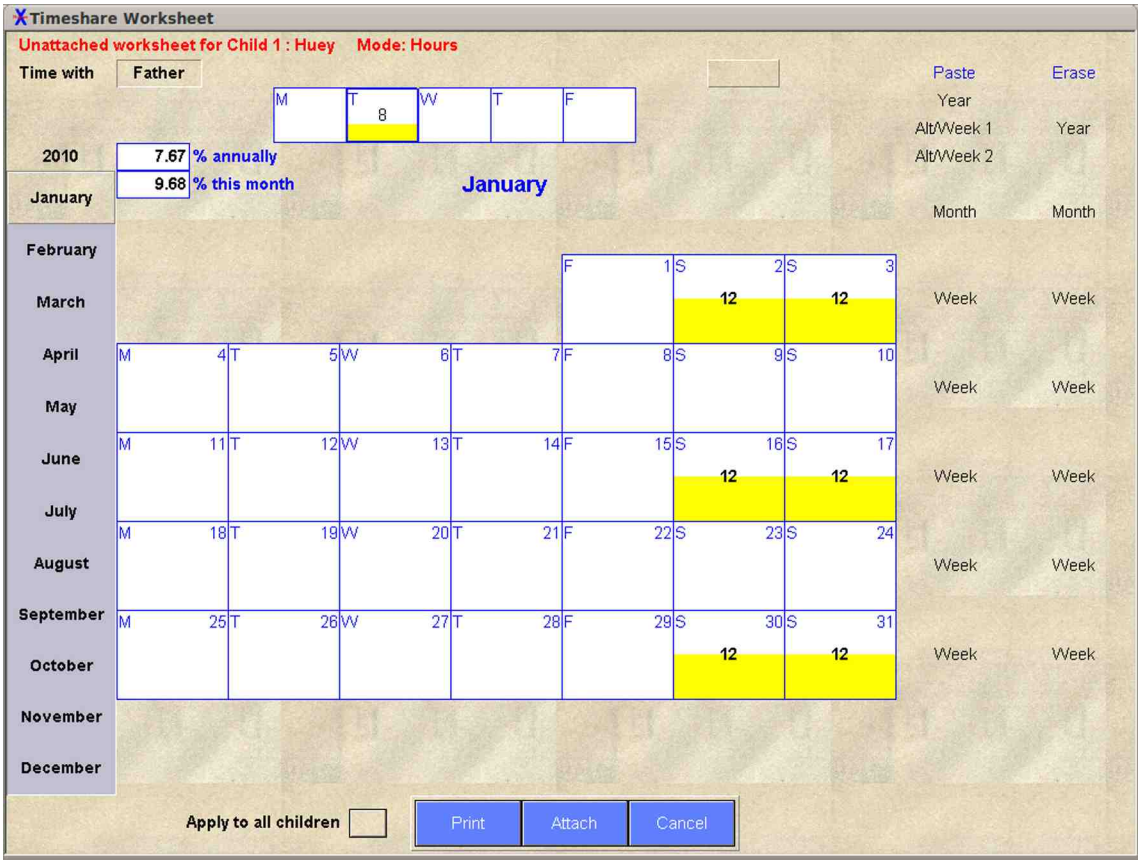


Figure 20 Saturday and Sunday made “invisible” in template.

If we position the mouse pointer immediately above Saturday in the template, a button will appear. Clicking on this button will make Saturday "invisible". We do the same thing with Sunday. Such "invisible" days in the template do not affect pasting or erasing in the calendar. (Clicking the buttons above the template a second time will make the days "reappear" again.)

Now that Saturday and Sunday are safely "invisible" in the template, we can click the "Year" button in the Paste column to paste the 8 hours on Tuesday (in the template) into every week in the calendar.

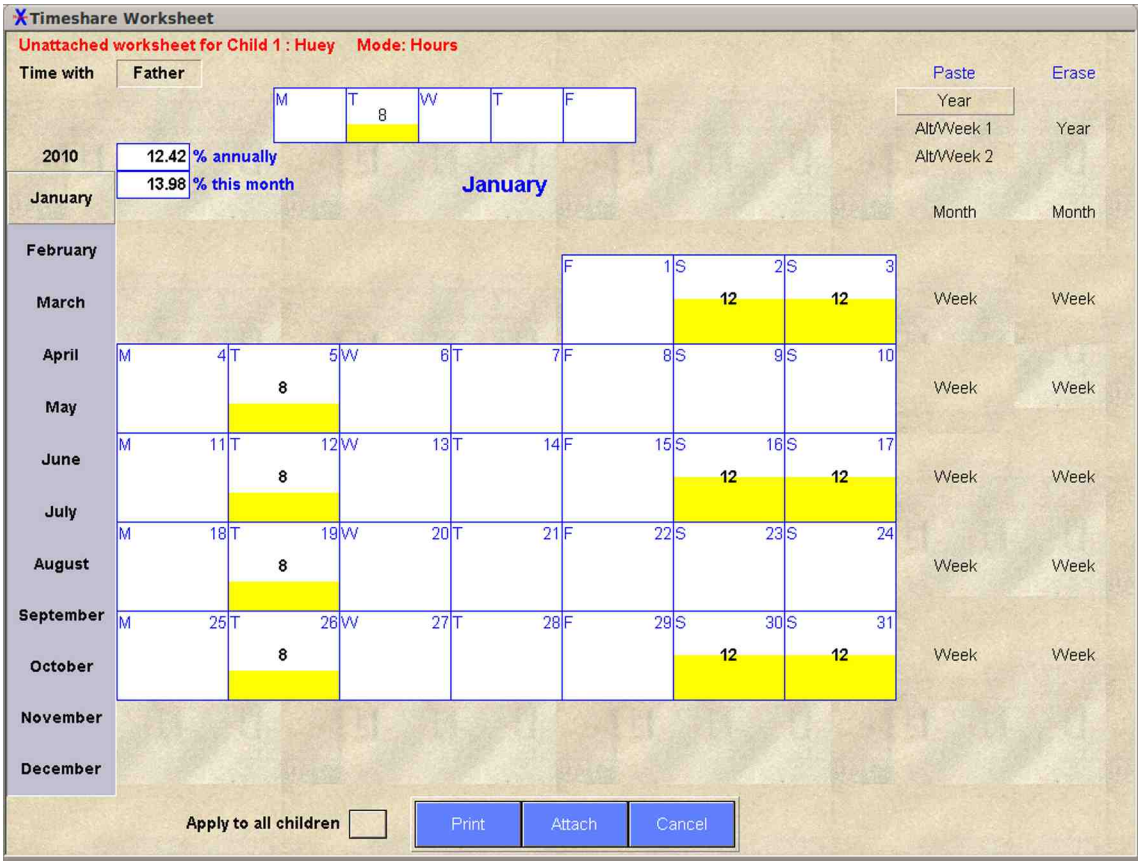


Figure 21 Tuesday pasted into worksheet (every week).

We are now going to enter the camping trip in July.

The first step is to select each entire day in the template. Simply right-click on each day or type in 24 hours in each day in the template.

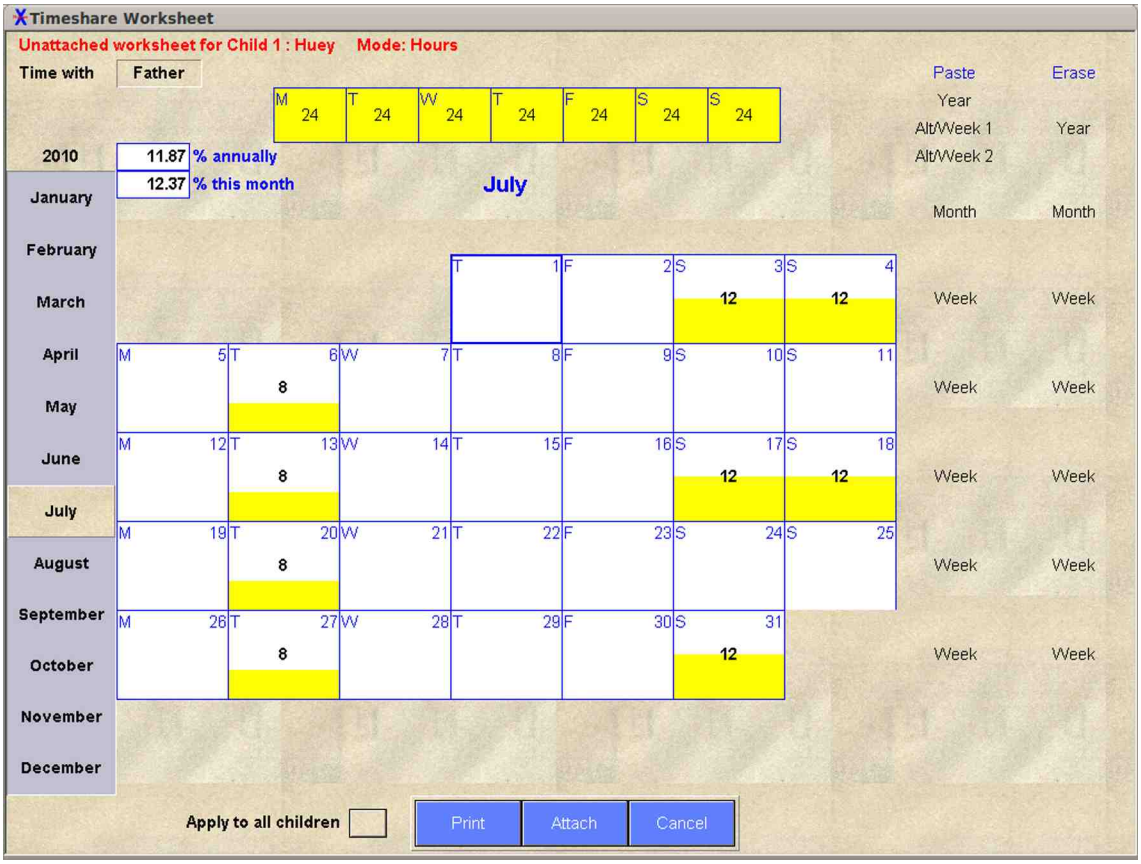


Figure 22 Entire week entered into template.

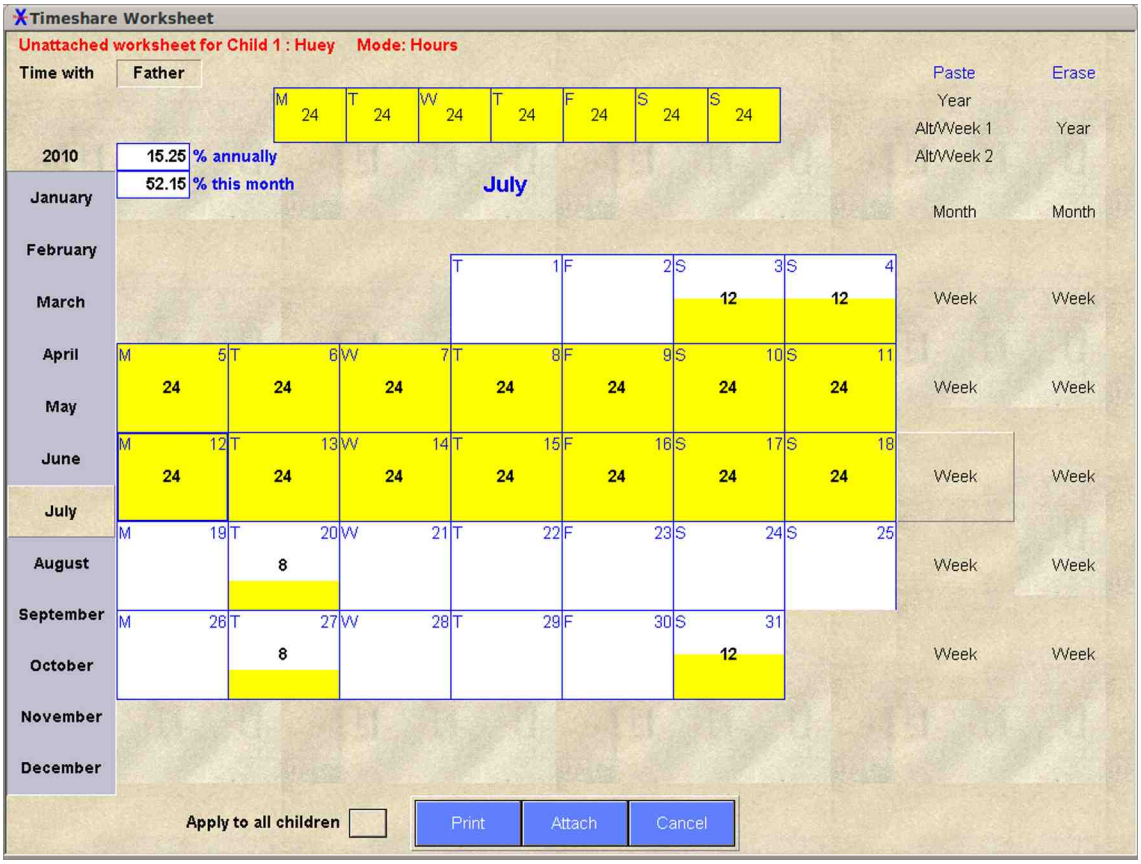


Figure 23 Two weeks camping trip entered in July.

In the Paste column, click the "Week" button opposite July 5 in the calendar.

Now, make a deliberate "mistake" and paste a second week by clicking the "Week" button opposite July 12.

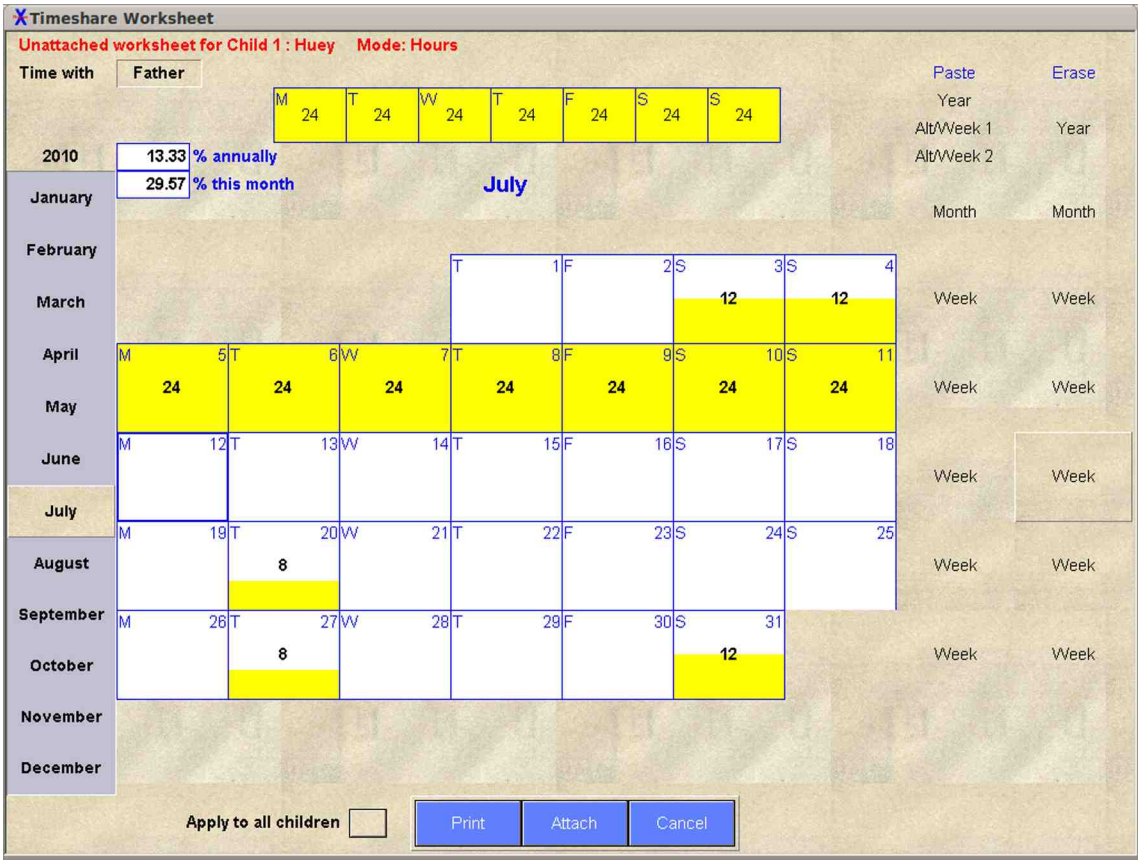


Figure 24 Second week in July is erased.

We correct our "mistake" by clicking the "Week" button in the Erase column opposite the week beginning July 12.

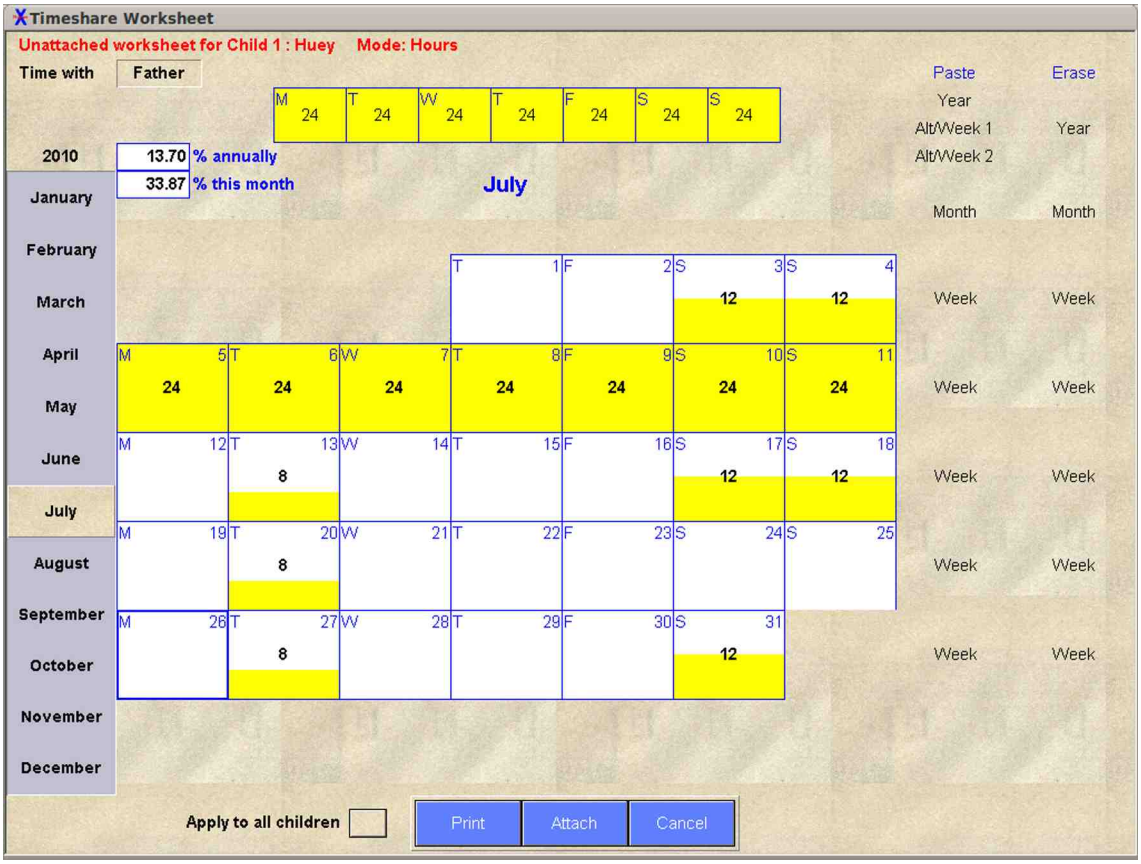


Figure 25 The alternate weekend in the week beginning July 12 has to be reentered manually.

The erasure of the week beginning July 12 has also erased our Tuesday and one of our "alternate weekends". We fix this by directly typing 8 hours into July 13 (Tuesday) and 12 hours into July 17 (Saturday) and July 18 (Sunday).

18 Appendix D

18.1 Creating a Backup Disk

1. Install **Xspouse™** in a empty directory and personalize it (by running it once).
2. Copy all the files from the **Xspouse™** directory onto a blank CD.

If you ever need to restore **Xspouse™** , simply copy all the files from the CD back into the **Xspouse™** directory on your computer.

19 Appendix E

19.1 Uniform Child Support Guideline

The following example describes pictorially the logic behind the Guideline Child Support formula.

Scenario Information

Number of children is 3, all with mother.

Non-custodial percentages (with father)

Huey	30.00%	
Louie	40.00%	**average with father is 30.00%**
Dewey	20.00%	

Non-taxable income per month

Father	$7,000
Mother	$2,000
Total Net	**$9,000**

Step 1 Calculate the K-factor

Look up the K-factor corresponding to the total net of $9000 in the table in FC 4055(b)(3)

K = 0.27444

Now multiply this value of K by the multiplier for 3 children (2.0) listed in the table in FC 4055(b)(4) to get a new value (after rounding)

K = 0.5489

This last value is the fraction of each parent's net that will be allocated (contributed) for the support of the children.

K = 0.5489

Step 2 Allocate amount for support

The amount allocated (contributed) for child support from each parent's net is:

From father: 7000 x 0.5489 = 3842
From mother: 2000 x 0.5489 = 1098

From father	$3,842
From mother	$1,098
Total	**$4,940**

Step 3 Divide between the 3 children

The total amount allocated for child support is now divided equally between the 3 children. Each child gets a third of the $4940, or $1647 (rounding to the nearest dollar).

Huey

$1647

Louie

$1647

Dewey

$1647

Step 4 Distribute to parents

The amounts in Step 3 are now distributed to the parents (on behalf of the children) according to the percentage of time that the children spend with each parent.

Huey

$494	**$1,153**
30%	70%

Louie

$659	**$988**
40%	60%

Dewey

$329	**$1,318**
20%	80%

The total distributions to the parents are:

To father: 494+659+329 = 1482

To mother: 1153+988+1318 = 3459

To father: $1482

To mother: $3459

Step 5 Alternative (but equivalent) distribution

Alternatively, we could have distributed the total amount allocated for child support ($4940) by using the average percentage of the time that the children spend with each parent. The average time with father is 30% and with mother is 70%.

Before distribution

After distribution

The total distributions to parents are the same as in Step 4. (There is a $1 discrepancy for mother because of rounding.)

To father: $1,482

To mother: $3,458

Step 6 Calculate the child support

Father contributes $3,842 for the support of the children (Step 2). He gets back $1,482 for the time that the children are with him (Step 5). Thus his net payment is 3842 - 1482 = $2,360

Father pays $2,360

A similar calculation shows that the mother's net payment is 1098 - 2458 = - $2,360 (mother receives $2,360).

Mother receives $2,360

Now enter the scenario information (at the beginning of this Appendix) into **Xspouse™**. You will see that

Child support is $2,360

19.2 Technical Remarks

The following remarks are for those **Xspouse™** users who are interested in the algebraic expression of the above example.

(1) In the description below, high-earner and low-earner are substituted for father and mother but the logic is unchanged.

Notation is as in FC 4055:

TN = total net

HN = high-earner net

H% = average time with high-earner

and, additionally, analogous notation for the low-earner:

LN = low-earner net

L% = average time with low-earner

The logic of the above example can now be expressed algebraically.

Step 1 Calculate the K-factor

The K-factor K is calculated as before, by looking up the tables in FC 4055(b)(3) and FC 4055(b)(4) for the appropriate number of children. K is the fraction of each parent's net that will be allocated for the support of the children.

Step 2 Allocate amount for support

The amount allocated (contributed) for child support from each parent's net is:

From high-earner: K x HN

From low-earner: K x LN

The total amount allocated (contributed) is the sum of the above contributions from each parent:

(K x HN) + (K x LN)

which may be rewritten as

Total amount allocated is: K x TN (because HN + LN = TN)

Step 3 Distribute total allocation to parents

The total amount (K x TN) allocated in Step 2 is now distributed to the parents by using the average time that the children spend with each parent.

To high-earner: (K x TN) x H%

To low-earner: (K x TN) x L%

Step 4 Calculate the child support

The net payment by high-earner is the amount contributed (Step 2) minus the amount distributed (Step 5):

Net payment by high-earner = (K x HN) – (K x TN x H%)

Net payment by high-earner = K x (HN – TN x H%)

For low-earner, we have a similar result

Net payment by low-earner = K x (LN – TN x L%)

However, if we use the fact that TN = HN + LN and L% = 1 – H%, we can re-write this as

Net payment by low-earner = – K x (HN – TN x H%)

Thus, the net payment by low-earner is the negative of the net payment by high-earner. The low-earner receives what the high-earner pays (or vice versa). Compare these results with the Guideline Child Support formula in FC 4055.

(2) In the example, it was stated that Steps 3 and 4 were equivalent to Step 5. This was assumed in the algebraic explanation above. The equivalence can be established by a straight-forward algebraic argument. It is not presented here.

(3) Strictly speaking, the K-factor is only defined for one child in FC 4055. However, the result is identical (mathematically) whether the child support formula is applied first and then multiplied by the multiplier from FC 4055(b)(4) or the K-factor is multiplied first by the multiplier from FC 4055(b)(4) and then the child support formula is applied. This extended definition of the K-factor allows us to talk about the amount allocated for the support of more than one child.

20 Appendix F

20.1 Database Connectivity

Xspouse™ has the ability to save files to a database. There is a new menu selection Database (next to File). Some of the highlights are:

- **Xspouse™** can connect to a database over both intranets and the Internet.
- Security is entirely under the control of your system/database administrator(s).
- **Xspouse™** supports all major database systems (SQL Server, Oracle, etc.)
- The **Xspouse™** database, being a well-known format, can be read by other programs.

Important Notes:

1. It is not necessary to install the database to run **Xspouse™**. If you have not installed the database but accidentally click on one of the database operations (for example, Save Record), **Xspouse™** will look for the database for 60 seconds. During this time, the program will appear to be frozen. Please be patient. After 60 seconds, it will resume functioning normally.
2. When saving a case to the database for the first time, use *New Record* (under the *Database* menu selection). Subsequently, use *Save Record*. This convention greatly reduces the chances of saving a record with an incorrect case number.

    - If you get an error when trying to retrieve a record from the database with *Get Record*, it is probably because the case number does not exist in the database.
    - If you get an error when trying to save a record with *Save Record*, it is probably because the case number does not exist in the database yet.
    - If you get an error when trying to create a record with *New Record*, it is probably because the case number already exists in the database.

21 Appendix G

21.1 Xarrears Tutorial Example

21.1.1 Input and settings screens

Figure 1 *Xarrears main screen before any payment data has been entered.*

When Xarrears is first opened you will see a set of five blue input buttons aligned horizontally and a set of four tabs arranged vertically along the left border. The buttons are for entering regularly scheduled items that are part of a support order, the tabbed pages are for unscheduled items.

To begin a new case type in the ***Application date*** *in the display box at bottom right of screen.*

You cannot enter other data directly into this screen. To enter regularly scheduled payments due or made, click on the appropriate button in the main screen. To enter lump sums ordered, unscheduled payments made and costs, go to the appropriate tabbed page in the main screen.

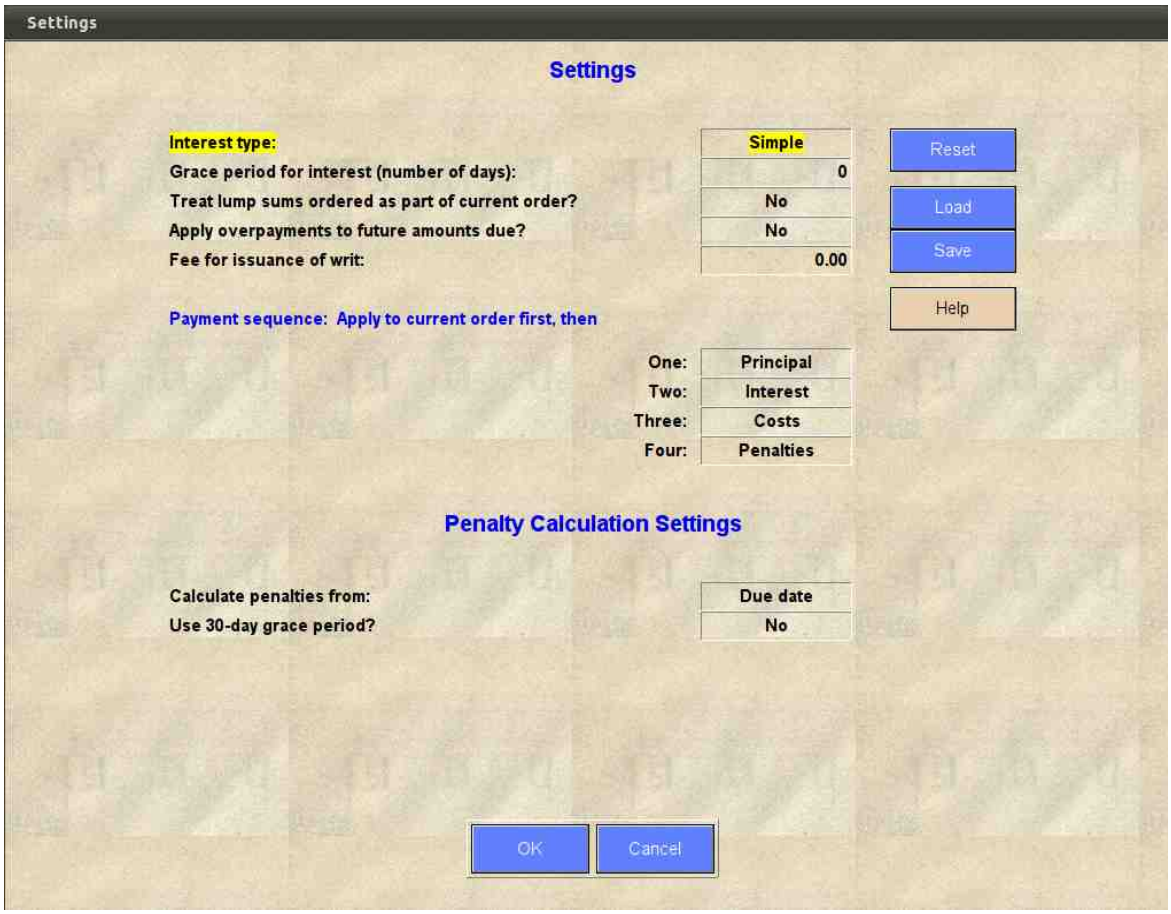


Figure 2 *The **Settings** screen allows you to choose whether simple or compound interest rates are to be used in calculations, whether lump sums ordered should be treated as part of the current order, whether over payments be applied to future amounts due and other parameters as shown above.*

*If you use particular settings regularly you can save them to disk by pressing the **Save** button and retrieve them at any time by pressing the **Load** button. The **Reset** button resets program default values.*

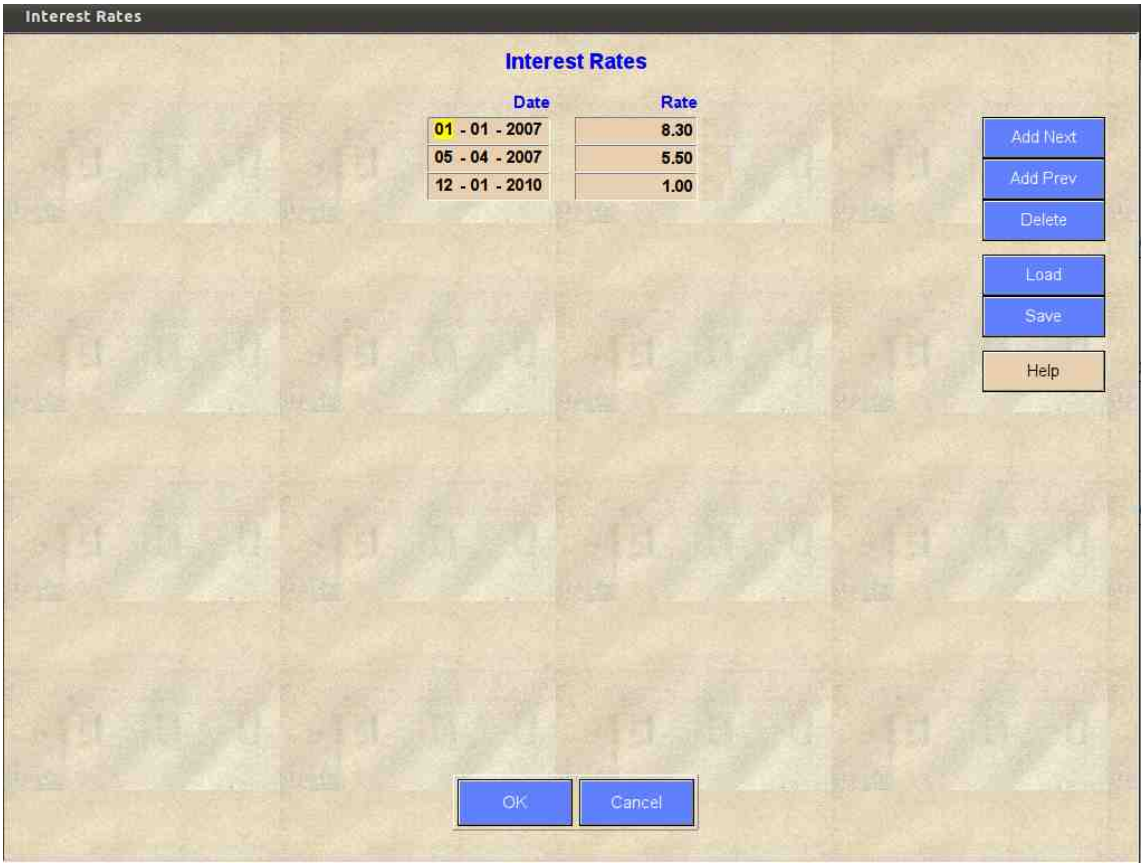


Figure 3 *In the* ***Interest Rates*** *screen you can set the effective date and interest rate for any period(s) within the arrears calculation. The interest rate on each line remains in effect from the date on that line until the date on the next line or if no additional line, then to the* ***Application date****.*

The default interest rate is set at 10% effective from January 1, 1980.

If you use a table of interest rates regularly you can save it to disk by pressing the ***Save*** *button and recall it at any time by pressing the* ***Load*** *button.*

When setting up a table of interest rates use the ***Add Next*** *or* ***Add Previous*** *buttons to continue adding data. When finished, press the Enter key or the OK button to return to the main screen.*

Any item with an invalid date will be discarded when leaving this screen.

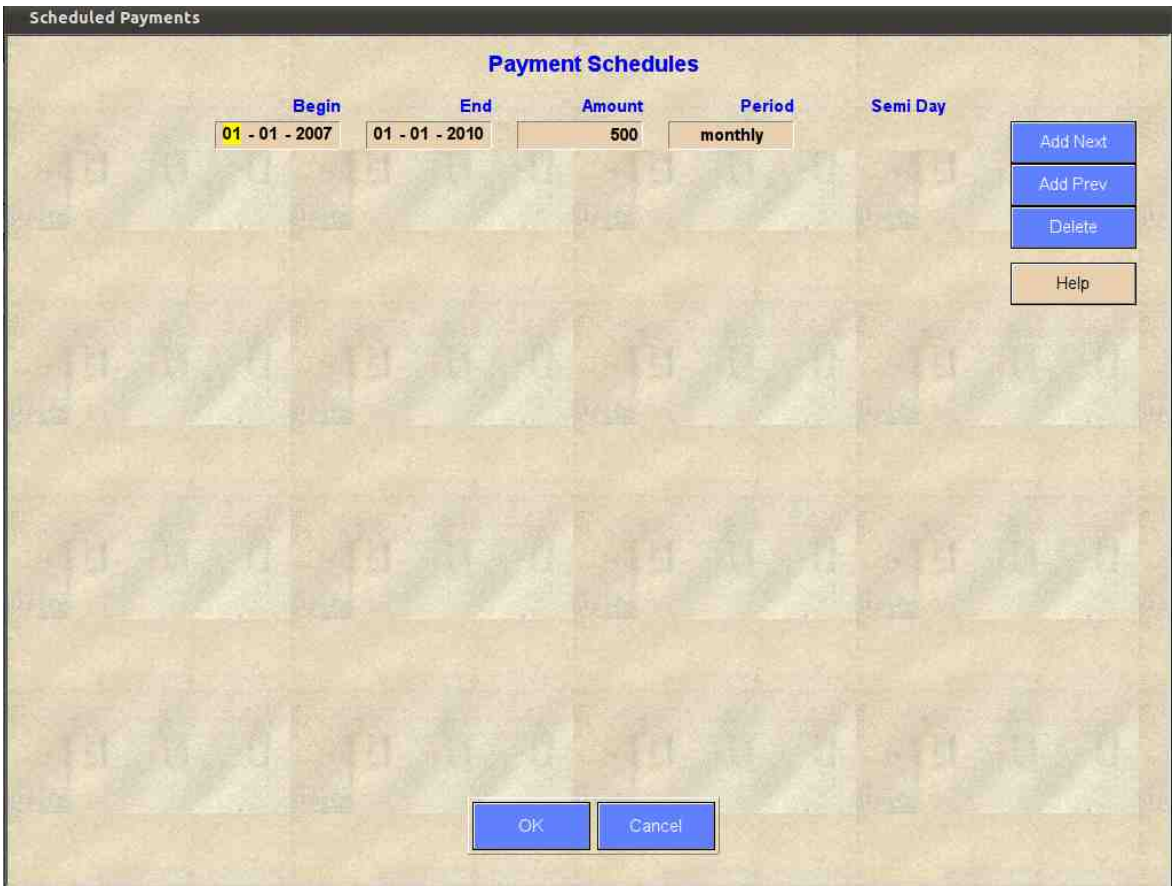


Figure 4 *Commence by entering the scheduled payments. Press the* ***Add Next*** *button to display the first data entery row. At any time a new row can be added above or below the currently selected row by pressing the* ***Add Prev*** *or* ***Add Next*** *buttons. The* ***Delete*** *button deletes the currently selected row.*

The payment period can be changed by right mouse clicking in the ***Period*** *input field or by pressing the space bar when in that field. Available payment periods are: monthly; semi-monthly; weekly; and bi-weekly. When the period is set to semi-monthly, an additional input field is displayed in which the day of the month on which the second scheduled payment for the month is to be paid. Valid input is in the range 1-28.*

A series of regular scheduled payments or payments made, can be entered in a single line entry by selecting appropriate ***Begin*** *and* ***End*** *dates as shown in this figure. The result of the input displayed in this figure is shown in* ***Figure 5****.*

Figure 5 *Scheduled payments table automatically created by Xarrears from the single line of data shown in* ***Figure 4****. Use the scroll bar at right to move up and down in the table to view all of the data.*

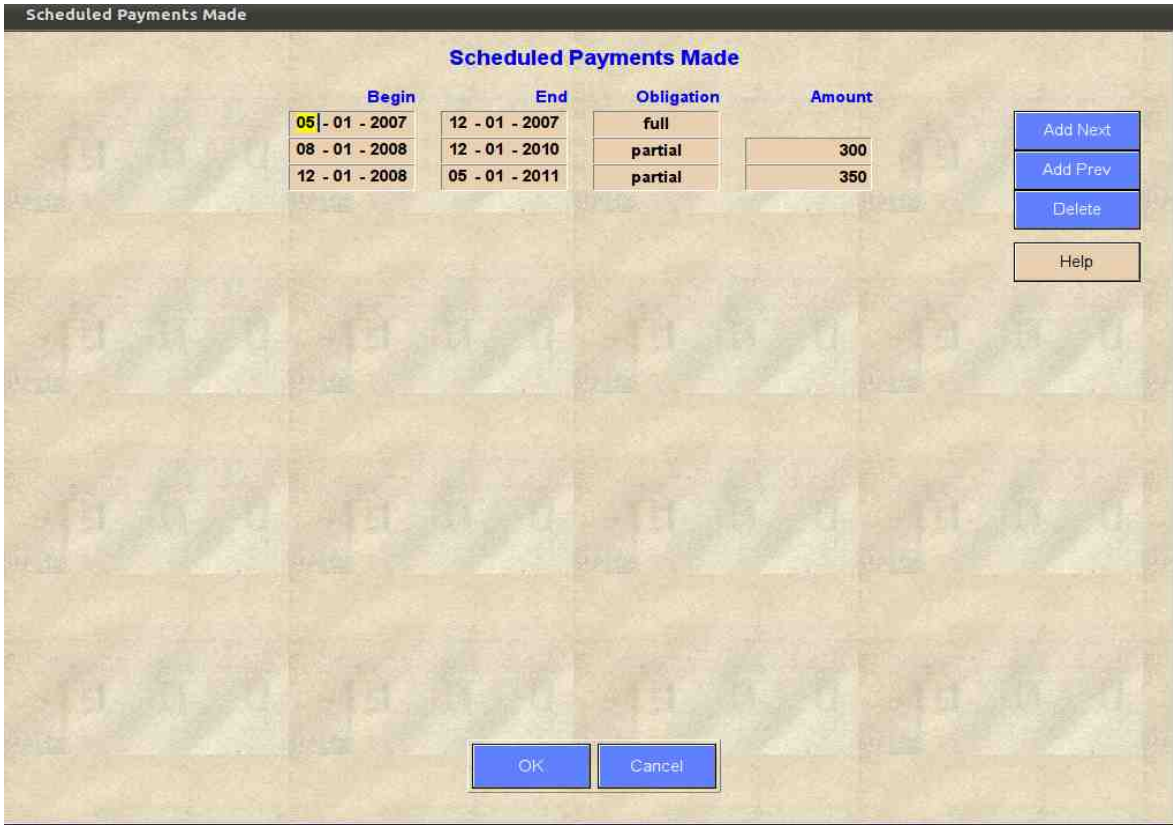


Figure 6 *An example of scheduled payments some of which were fully met, some partially and others not paid at all. To select the partial or full obligation, right mouse click on the input field or press the space bar when the input field is highlighted.*

Figure 7 *To enter unscheduled payments or lump sums ordered use the tabbed windows on left of screen. When finished entering data, select the* ***All Items*** *tab to return to the main screen.*

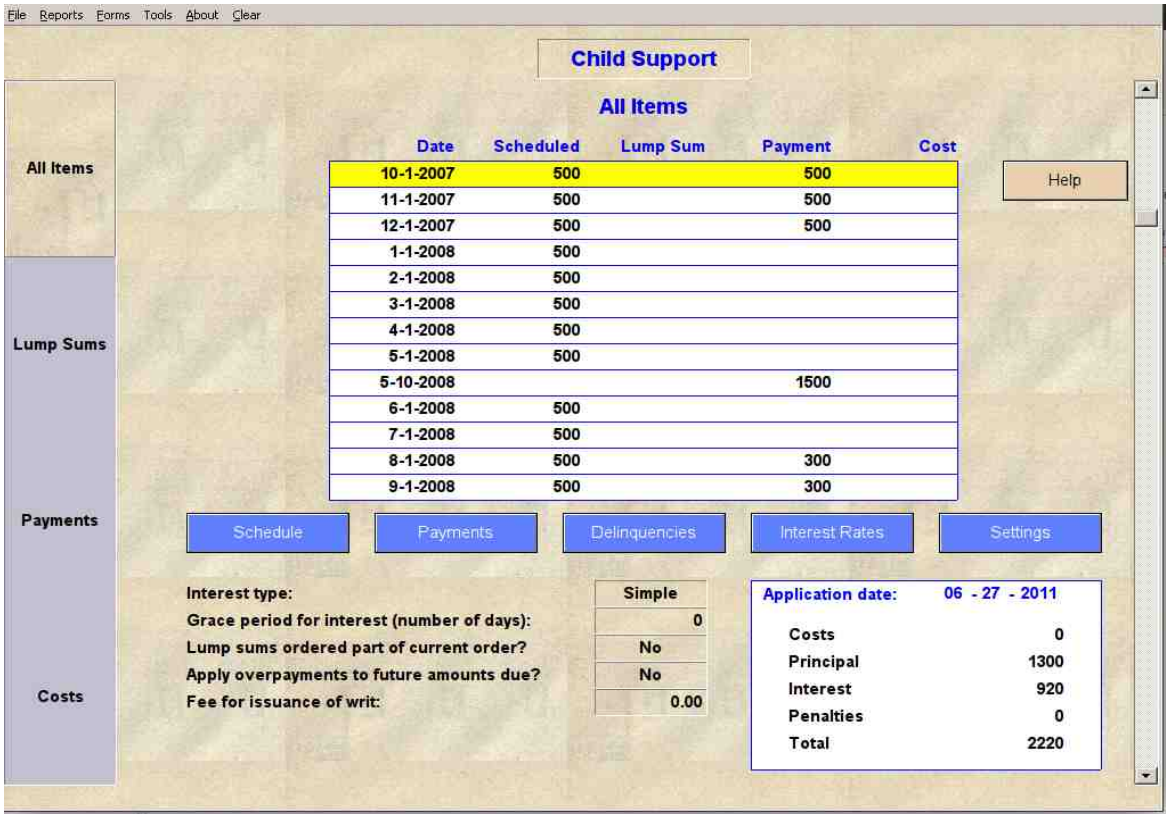


Figure 8 *Showing how Xarrears displays the data presented in the input screens in* ***Figures 6*** *and 7. Note that the gap in scheduled payments and the unscheduled lump sum payment made on 5-1-2008 as per the data entered shown in* ***Figures 6*** *and 7.*

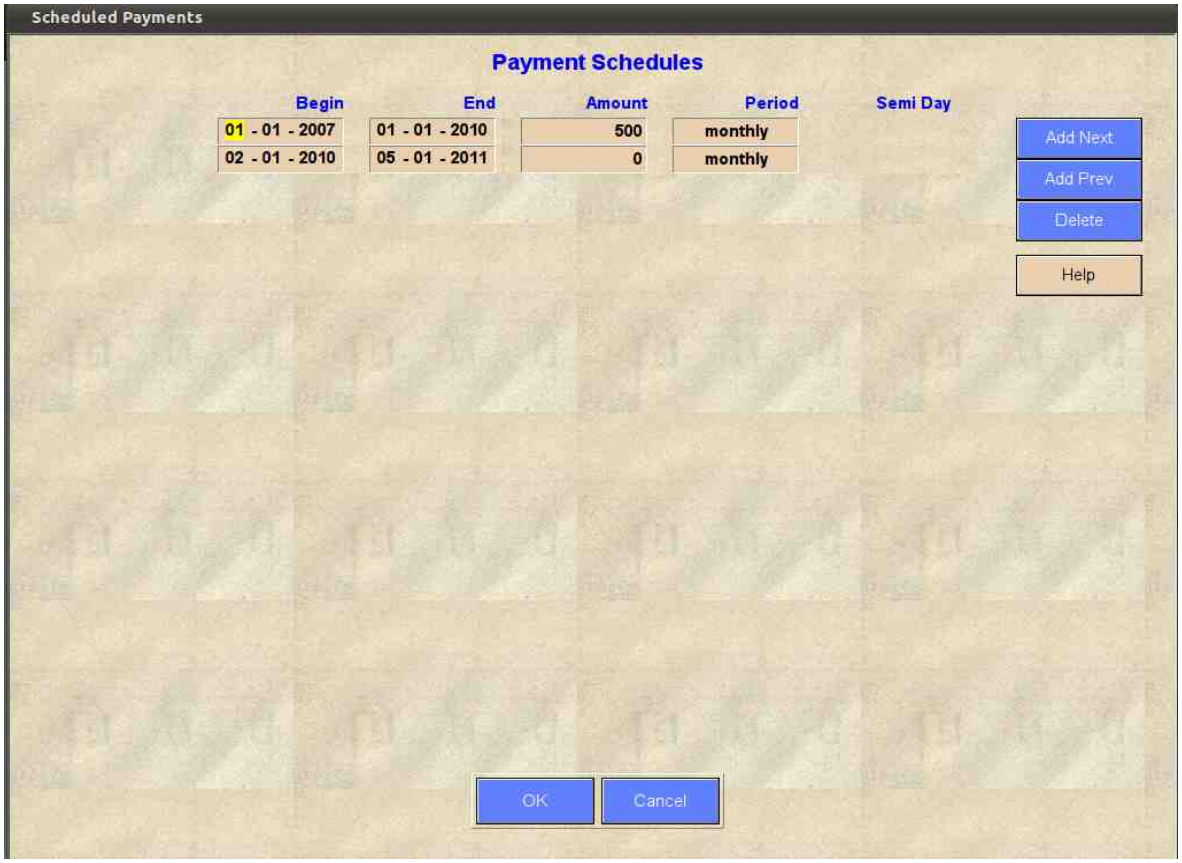


Figure 9 *The print range and calculation range in Xarrears is set by the initial* ***Begin*** *and final* ***End*** *dates in the* ***Payment Schedule*** *screen. So the entered data displayed in* ***Figures 6*** *and 7 would only print and use for calculation data in the date range 1-1-2007 to 1-1-2010 (****Figure 4****) and would not print or use in calculations any of the payments made after 1-1-2010 (****Figure 6****). To incorporate the additional payments made after the last scheduled* ***End*** *date, it is necessary to add an additional line to the* ***Payment Schedule*** *screen with an additional new* ***End*** *date showing a zero scheduled amount for the period covering the additional payments being made, as shown in this figure.*

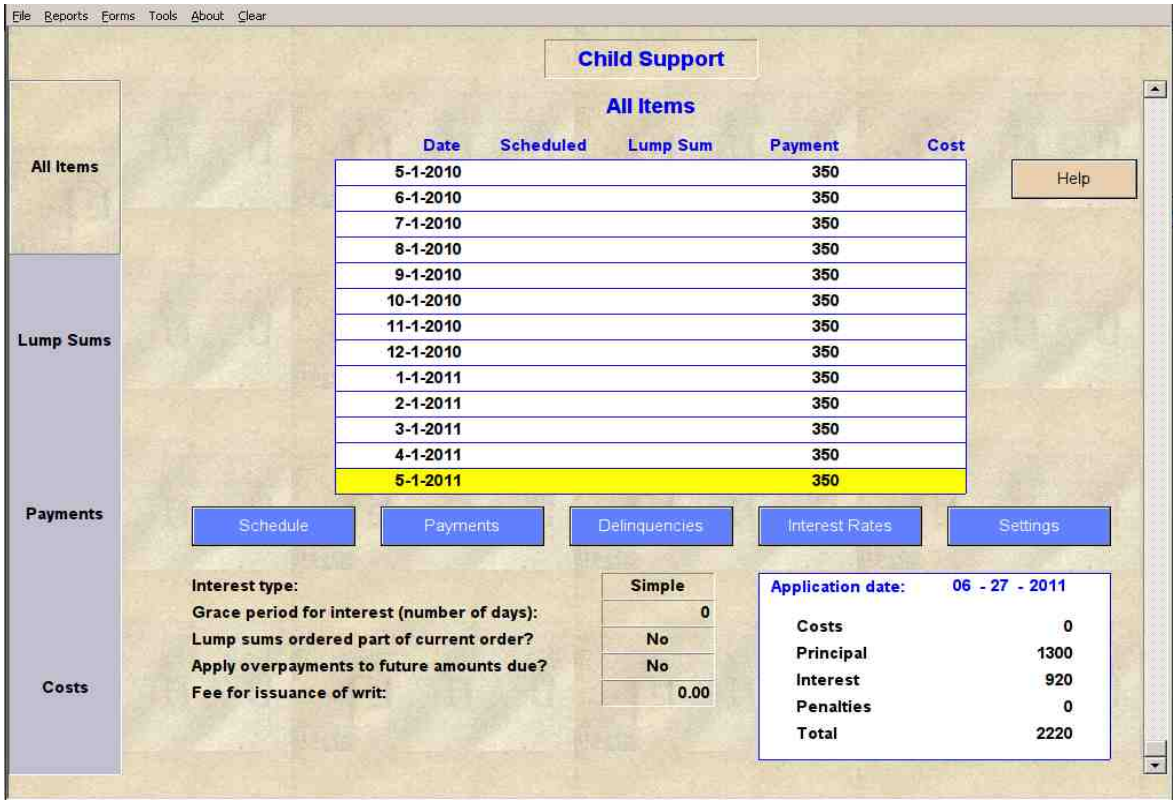


Figure 10 *With the addition of the extra line in the* ***Scheduled payments*** *screen (****Figure 9****) the additional payments beyond the original* ***End date*** *are now able to be printed and used in the Xarrears calculations.*

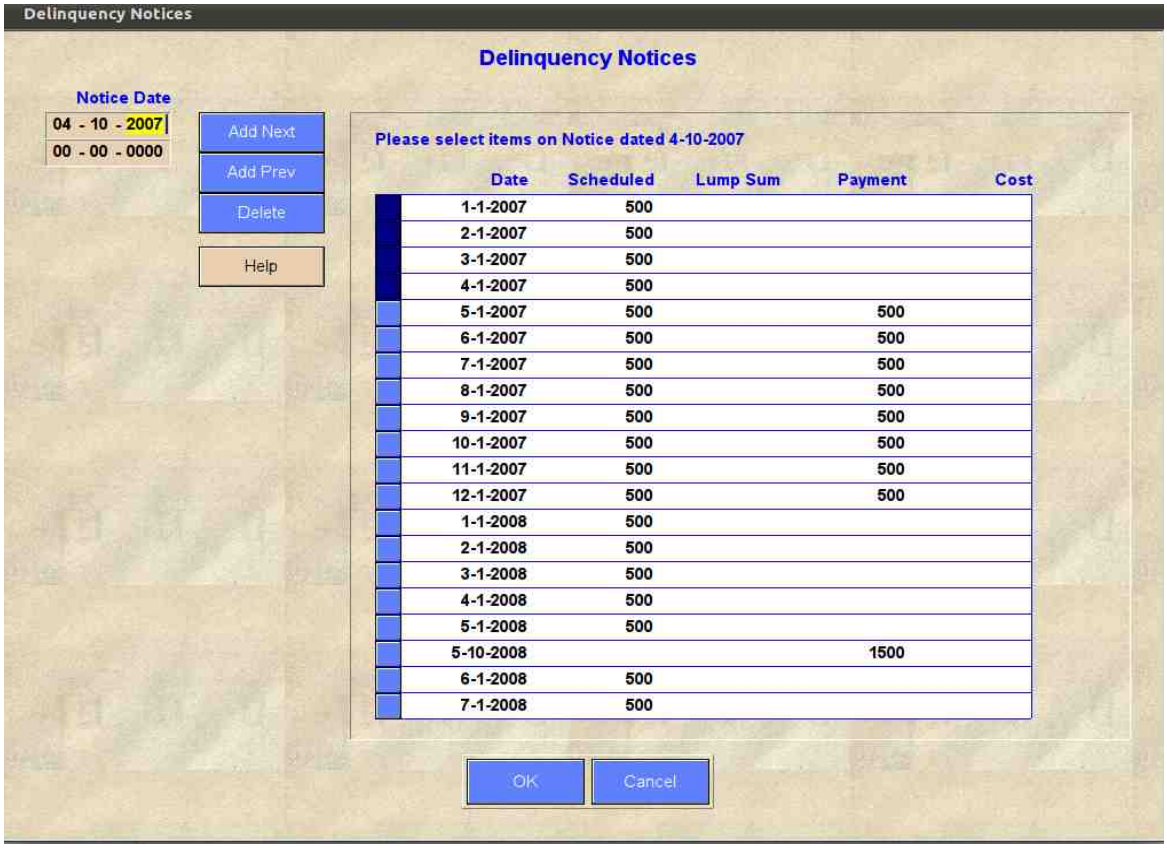


Figure 11 *In the Delinquency screen enter dates of delinquency notices on the left. Then select items that were on the delinquency notices from the list on the right by clicking the push-buttons next to the items. The list on the right contains all the items from the main screen.*

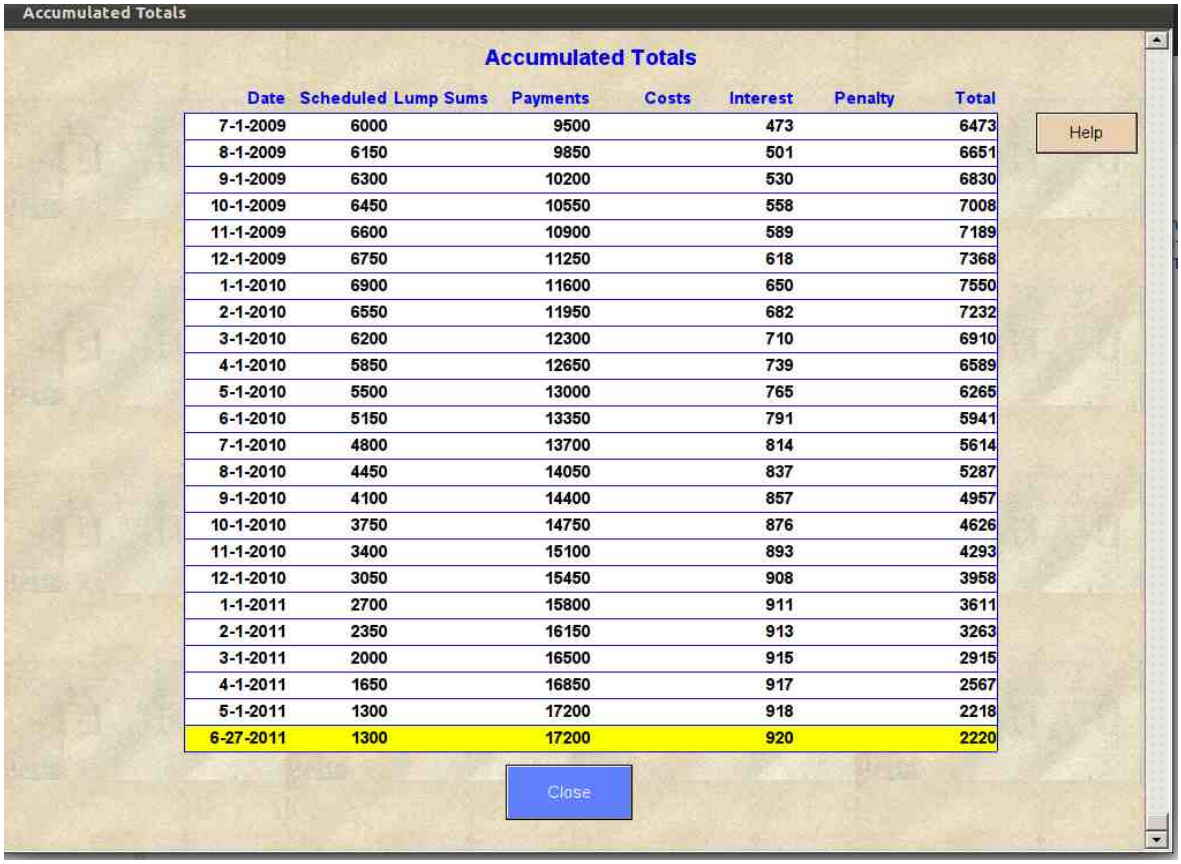
Make sure that you have entered all the scheduled payments ordered and made before entering delinquency notices. If you later change the payment schedule, all delinquency notices will be cleared and you will have to re-enter them.

21.1.2 Reports

Date	Scheduled Lump Sums	Payments	Costs	Interest	Penalty	Balance
1-1-2007	500					
1-1-2007	**500**					**500**
2-1-2007	500					
2-1-2007	**1000**			**4**		**1004**
3-1-2007	500					
3-1-2007	**1500**			**10**		**1510**
4-1-2007	500					
4-1-2007	**2000**			**20**		**2020**
5-1-2007	500	500				
5-1-2007	**2000**	**500**		**34**		**2034**
6-1-2007	500	500				
6-1-2007	**2000**	**1000**		**44**		**2044**
7-1-2007	500	500				
7-1-2007	**2000**	**1500**		**53**		**2053**
8-1-2007	500	500				
8-1-2007	**2000**	**2000**		**62**		**2062**
9-1-2007	500	500				
9-1-2007	**2000**	**2500**		**71**		**2071**
10-1-2007	500	500				
10-1-2007	**2000**	**3000**		**81**		**2081**
11-1-2007	500	500				
11-1-2007	**2000**	**3500**		**90**		**2090**
12-1-2007	500	500				
12-1-2007	**2000**	**4000**		**99**		**2099**

Figure 12 *The* ***Summary*** *table displays the items and balance on all days on which there was activity.*

The lines in boldface type display the accumulated totals to that date. The lines in the lighter font are items scheduled/paid on that date.



Date	Scheduled Lump Sums	Payments	Costs	Interest	Penalty	Total
7-1-2009	6000	9500		473		6473
8-1-2009	6150	9850		501		6651
9-1-2009	6300	10200		530		6830
10-1-2009	6450	10550		558		7008
11-1-2009	6600	10900		589		7189
12-1-2009	6750	11250		618		7368
1-1-2010	6900	11600		650		7550
2-1-2010	6550	11950		682		7232
3-1-2010	6200	12300		710		6910
4-1-2010	5850	12650		739		6589
5-1-2010	5500	13000		765		6265
6-1-2010	5150	13350		791		5941
7-1-2010	4800	13700		814		5614
8-1-2010	4450	14050		837		5287
9-1-2010	4100	14400		857		4957
10-1-2010	3750	14750		876		4626
11-1-2010	3400	15100		893		4293
12-1-2010	3050	15450		908		3958
1-1-2011	2700	15800		911		3611
2-1-2011	2350	16150		913		3263
3-1-2011	2000	16500		915		2915
4-1-2011	1650	16850		917		2567
5-1-2011	1300	17200		918		2218
6-27-2011	1300	17200		920		2220

Figure 13 *The* ***Accumulated Totals*** *report displays the accumulated totals on all days on which there was activity.*

The numbers in the column labeled ***Payments*** *are the total payments to that date. The numbers in the other columns are the amounts owing on that date. The numbers in the* ***Payments*** *column will always increase as you read down. The numbers in the other columns will fluctuate. In this particular example in the* ***Total*** *column, the bottom row value of 2220 is the same as the total shown on the main screen in* ***Figure 8****.*