

Cost of Living Differential

To adjust for differences in costs of living in different states, use the following method.

Use the Regional Price Parities (RPP) measures that are provided by the U.S. Bureau of Economic Analysis (BEA). The BEA produces estimates in the differences in price levels across states and metropolitan areas.

Expenditures on items such as apparel, food, transportation, education, recreation, medical, and rent/housing are factored into the RPPs. RPPs are expressed as a percentage of the overall national price level. A state with an estimated RPP that is greater than 100 indicates price levels that are above the national average. Conversely, a state with an estimated RPP that is less than 100 indicates price levels that are below the national average. This index is available online and is published annually. It can be found at one of the following links:

<https://www.bea.gov/data/prices-inflation/regional-price-parities-state-and-metro-area> or

<https://www.bea.gov/data/economic-accounts/regional>. Use the current release of the Regional Price Parities by State and Metro Area report to find the RPPs for each state.

The Cost of Living Differential (CLD) can be calculated as follows:

$$CLD = \frac{KS\ RPP - NS\ RPP}{NS\ RPP} \times Monthly\ Income$$

CLD is the Cost of Living Differential. *KS RPP* is the RPP value for Kansas. *NS RPP* is the new state RPP value. *Monthly Income* is the monthly income of the parent in the new state.

The Cost of Living Differential can be used to adjust the Gross Income in Line A.1 or B.3 of the Child Support Worksheet. The adjusted income figure is entered on Line A.1 or B.1 of the child support worksheet.

Example 1. New state is a higher cost state than Kansas.

If a parent moves to Alaska, the 2017 RPP for Alaska is 104.4. The 2017 RPP for Kansas is 90. If the parent earns \$4000 per month in Alaska, the Cost of Living Differential is:

$$CLD = \frac{KS\ RPP - NS\ RPP}{NS\ RPP} \times Monthly\ Income =$$
$$CLD = \frac{90 - 104.4}{104.4} \times 4000 = \frac{-14.4}{104.4} \times 4000 = -.1379 \times 4000 = -551.6$$

The parent's income of \$4000 is reduced by the 551.6 amount (round to 552). The net amount of \$3448 is entered on Line Line C.1.

Example 2. New state is a lower cost state than Kansas.

If a parent moves to Alabama, the 2017 RPP for Alabama is 86.7, while the 2017 RPP for Kansas is 90. If the parent earns \$4000 per month in Alabama, the Cost of Living Differential is:

$$CLD = \frac{KS\ RPP - NS\ RPP}{NS\ RPP} \times Monthly\ Income$$

$$CLD = \frac{90 - 86.7}{86.7} \times 4000 = \frac{3.3}{86.7} \times 4000 = 0.038 \times 4000 = 152$$

The parent's income of \$4000 is increased by \$152. The net amount of \$4152 is entered on Line C.1.