

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)¹. This index is available online and is published annually. It can be found at:

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

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 (if wage earner) or B-3 (if self employed) of the Child Support Worksheet.

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

If a parent moves to Alaska, the 2021 RPP for Alaska is 104.4. The 2021 RPP for Kansas is 91.2. If the parent earns \$4000 per month in Alaska, the Cost of Living Differential is:

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

$$CLD = \frac{91.2 - 104.4}{104.4} \times 4000 = \frac{-13.2}{104.4} \times 4000 = -.1264 \times 4000 = -505.74$$

The parent's income of \$4000 is reduced by \$506 for a total of \$3494. Insert this amount (\$3494 in this example) at Line A-1 (if wage earner) or B-3 (if self employed) of the Child Support Worksheet.

¹ 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.

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

If a parent moves to Alabama, the 2021 RPP for Alabama is 88.1, while the 2021 RPP for Kansas is 91.2. If the parent earns \$4000 per month in Alabama, the Cost of Living Differential is:

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

$$CLD = \frac{91.2 - 88.1}{88.1} \times 4000 = \frac{3.1}{88.1} \times 4000 = 0.0352 \times 4000 = 140.75$$

The parent's income of \$4000 is increased by \$141 for a total of \$4141. Insert this amount (\$4141 in this example) at Line A-1 (if wage earner) or B-3 (if self employed) of the Child Support Worksheet.