

1099 Eighteenth Street - Suite 2300
Denver, Colorado 80202
Telephone: (303) 296-2229
Facsimile: (303) 296-3731
www.causeydemgenmoore.com

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March 28, 2023

Ms. Kathryn J. Goff, Esquire
Goff & Goff, LLC
3015 47th Street, Suite E-1
Boulder, CO 80301

Ms. Carol Glassman, Esquire
Carol Glassman, P.C.
1790 38th Street, Suite 300
Boulder, CO 80301

Re: Bell Dissolution of Marriage

Dear Ms. Glassman and Ms. Goff:

At your request, we have prepared the following report to document our conclusions regarding the determination of Mr. Charles Bell and Ms. Alyson Bell's income in the above-referenced matter.

INFORMATION RELIED UPON

- Business Valuation of Tool Studios, LLC
- Form 1040 Tax Return for Mr. and Ms. Bell for 2021 and 2022

BACKGROUND

Charles Bell is the founder of Tool Studios, LLC. Mr. and Ms. Bell receive a salary from the business and report business income on Schedule E of the personal tax return. In 2022, Ms. Bell reported income from Left Hand Valley Courier on Schedule C of the personal tax return.

DETERMINATION OF INCOME

According to Colorado Revised Statutes ("C.R.S.") C.R.S. §14-10-114(8)(a)(II) "income" means the actual gross income of a parent, if employed to full capacity, or potential income, if unemployed or underemployed. Additionally, C.R.S. §14-10-114(8)(c)(III)(A) states that "for income from self-employment, rent, royalties, proprietorship of a business, or joint ownership of a partnership or closely held corporation, "gross income" means gross receipts minus ordinary and necessary expense," as defined by C.R.S. §14-10-114(8)(c)(III)(B).

According to C.R.S. Statutes, ordinary and necessary expenses do not include amounts allowable by the Internal Revenue Service for the accelerated component of depreciation expenses or investment tax credits, or any other business expenses determined by the Court to be inappropriate for determining gross income for purposes of calculating child support or maintenance.

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Further, C.R.S. §14-10-114(8)(c)(I)(X) states that expense reimbursements or in-kind payments received by a parent in the course of employment, self-employment, or operation of a business are included as income if they are significant and reduce personal living expenses.

The calculation of Mr. Bell's income is presented on Schedule 1. Mr. Bell's W-2 Medicare wages, which include medical insurance premiums, was included. Income from Tool Studios was calculated in accordance with the statute by utilizing the reported income from Tool Studios, to which we have added back tax basis depreciation and subtracted a provision for economic depreciation. Personal expenses were also added to income. The difference in the salary paid to Ms. Bell for her bookkeeping services to what a part-time bookkeeper would cost was added back to income. Mr. Bell's income calculated in accordance with the statute was \$93,620 in 2021 and \$115,620 in 2022 (Schedule 1).

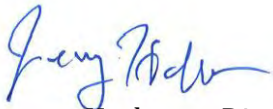
The calculation of Ms. Bell's income is presented on Schedule 1. Ms. Bell's reasonable compensation from Tool Studios was used to estimate her salary. Income from the Left Hand Valley Courier was added, and income from Rebecca Folsom was added, as these two sources of income are likely to continue. Ms. Bell's income calculated in accordance with the statute was \$21,103 in 2021 and \$32,498 in 2022 (Schedule 1).

CONCLUSION

Income in 2022 for Mr. Bell was \$115,620 or \$9,635 per month. Income in 2022 for Ms. Bell was \$32,498 or \$2,708 per month (Schedule 1).

My CRCP Rule 26 (a) (2) disclosures are attached. If you have any questions, please contact me at (303) 296-2229.

Cordially,



Jeremy Harkness, Director
Causey Demgen and Moore, P.C.

**Charles and Alyson Bell
Analysis of Income
2021 and 2022**

Source: Form 1040 Tax Return, Business Valuation of Tool Studios LLC

Reported Tax Income

	<u>2021</u>	<u>2022</u>
Charles Bell Salary from Tool Studios	\$ 127,277	\$ 106,225
Alyson Bell Salary from Tool Studios	43,180	33,250
Interest	25	1,095
Dividends	570	1,081
Capital Gain or Loss		(3,000)
Schedule C Income: Alyson Bell Consulting		10,100
Schedule E Income:		
Tool Studios, LLC	(46,381)	(26,772)
Total Income	\$ 124,671	\$ 121,979
Capital Loss - Tool Studios		\$ (5,482)
Capital Gain - Tool Studios		\$ 605

Business Income Calculation

	<u>2021</u>	<u>2022</u>
Tool Studios Net Book Income	\$ (48,483)	\$ (29,941)
Addback: Tax Depreciation	10,375	156
Less: Economic Depreciation	(4,602)	(5,621)
Difference between Alyson Bell's Salary and Reasonable Compensation	26,827	15,682
Less: Rent Adjustment	(36,439)	
Addback: Personal Expenses	18,071	26,943
Business Income	\$ (34,252)	\$ 7,218

Charles Bell Income Calculation

Salary from Tool Studios	\$ 127,277	\$ 106,225
Interest Income	25	1,095
Dividend Income	570	1,081
Add: Income/(Loss) from Tool Studios, LLC per Statutes (adjusted)	(34,252)	7,218
Total Income in Accordance with Statutes	\$ 93,620	\$ 115,620

Monthly **\$ 9,635**

Alyson Bell Income Calculation

Provision for Reasonable Compensation - Alyson Bell	\$ 18,375	\$ 18,750
Income from Left Hand Valley Courier	-	10,100
Income from Rebecca Folsom	2,728	3,648
Total Income in Accordance with Statutes	\$ 21,103	\$ 32,498

Monthly **\$ 2,708**