

**DEFINING AND MEASURING
MARRIAGE PENALTIES AND BONUSES**

by

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Synopsis

It is easy to define marriage penalties and bonuses, but it can be very difficult to measure them. One contribution of this paper is to consider in detail the implications of alternative assumptions that can be made (and have been made in the literature) in choosing a measure of marriage penalties and bonuses. A second contribution is to show that, while the aggregate amount of marriage penalties net of bonuses is very sensitive to measurement assumptions, the change in this aggregate amount resulting from a proposed policy can be completely insensitive to these assumptions.

I. Introduction

A couple has a marriage penalty if they owe more income tax filing a joint return than the spouses would pay if they were unmarried and each were taxable as a single or head of household filer. Conversely, a couple has a marriage bonus if they owe less income tax filing a joint return than the spouses would pay if they were unmarried and each were taxable as a single or head of household filer. Marriage penalties generally arise because the standard deduction and rate brackets for joint filers are less than twice the corresponding amounts for single filers or head of household filers. Marriage bonuses generally arise because joint filing effectively allows couples to average their incomes, which can reduce the tax rate, and therefore the tax, on the income of the higher-earning spouse. Marriage penalties and bonuses can also arise because of other tax provisions, such as the Earned Income Tax Credit (EITC) and the taxation of Social Security benefits.

Policy debates and legislation dealing with marriage penalties have been driven primarily by considerations of equity among married taxpayers and between married and unmarried taxpayers. Concerns have also been raised about the effect of marriage penalties and bonuses on marriage, divorce, and work effort. This paper addresses methodological issues in defining and measuring marriage penalties, issues which are essential to the analysis of the equity and efficiency effects of marriage penalties. The paper does not, however, directly address these equity and efficiency effects.

Some History

A brief review of the historical development of the federal income tax is helpful for understanding why marriage penalties and bonuses arise under the current income tax, as well as the policy objectives that must be balanced in any proposal to address marriage penalties and bonuses in the future.

Prior to 1948, there was only one rate schedule in the federal income tax which applied to all taxpayers: married taxpayers filing a joint return, married taxpayers filing separate returns, and

unmarried taxpayers. In most circumstances, this pre-1948 income tax structure gave rise to neither marriage penalties nor bonuses, because spouses could choose to file separate returns and pay the same amount of tax they would have paid if they were unmarried.¹ In some circumstances, however, income was considered to be split or could be shifted between spouses, giving couples a marriage bonus. One such circumstance arose in community property states, which considered all earned income and all income from property accumulated in the marriage to be split evenly between the spouses.² In non-community property states, property income could be shifted between spouses through direct gift of the property and by other means.³ Thus, couples with the same combined incomes could pay quite different amounts of federal income tax depending on how their income was split, whether they resided in a community property state, how much of their income was earned rather than unearned (investment) income, and the extent to which they used gifts and other devices to shift property income between spouses.

In response to these perceived inequities, Congress adopted, effective in 1948, a separate rate structure for joint filers with rate brackets that were double the width of the rate brackets for single filers. This rate structure effectively attributed half of the combined income of the couple to each spouse and taxed each half at the single rates. With this “income splitting,” a couple filing jointly paid twice as much tax as a single filer with half the couple’s combined income. There were marriage bonuses, but no marriage penalties, under this rate structure since a couple would pay no more tax (and in many circumstances less tax) filing jointly than the spouses would pay if they each filed a separate return.

In 1951, Congress was concerned that some single individuals could have the same family obligations as a couple, but could have higher income tax liabilities. To address this concern, the Revenue Act of 1951 included a new filing status for heads of households with rate brackets that were larger than the single rate brackets, but smaller than the joint rate brackets. Although the addition of head of household status had no direct effect on the tax liabilities of joint filers, it imposed marriage penalties on some couples with children and decreased marriage bonuses for others. This result follows from the fact that after 1951, some couples with children would have paid less if each spouse could have filed separately, with at least one spouse using head of household status.

The favorable tax treatment accorded couples in 1948 and heads of households in 1951 was at the

¹ Marriage bonuses could arise due to the differential between the personal exemption for married and unmarried taxpayers in some years prior to 1948.

² Property from gifts and inheritances after the marriage and from certain other sources could remain the separate property of one spouse.

³ Among the other means were the use of family trusts, family corporations, and family partnerships. Note that through gifts and other means, income could be shifted to children as well as to spouses, further reducing income tax liability. See U.S. Department of the Treasury (1947).

relative expense of single taxpayers. In 1969, the large disparity between the income tax imposed on some single filers and a joint or head of household filer with the same income led Congress to broaden the single rate brackets, reducing the disparity to no more than 20 percent (effective in 1971). The new single rates, like the addition of head of household status in 1951, had no direct effect on the tax liabilities of joint filers, but imposed marriage penalties on some couples (for the first time childless couples, who were unaffected by the 1951 legislation, faced penalties) and decreased marriage bonuses for others. Again, this is because the tax imposed under the alternative of separate filing by each spouse had been reduced.

Lessons from history

The preceding history can be summarized as follows: marriage bonuses arose in 1948 when joint rate brackets were made double the width of single rate brackets, and these bonuses were reduced, or marriage penalties were imposed, by legislation in 1951 and 1969 which made the rate brackets for unmarried filers more than half the width of the joint rate brackets. This history demonstrates the opposing features of the current income tax which determine whether, on balance, a couple has a net marriage penalty or a net marriage bonus.

One feature is the income splitting allowed couples since 1948. By itself (i.e., if there were only one rate structure, as was true prior to 1948), income splitting can give rise to marriage bonuses, but never marriage penalties. The second feature is that the 1951 and 1969 legislation made joint rate brackets less than double the width of head of household and single rate brackets. Such a relationship between joint and non-joint brackets (and other tax parameters) by itself (i.e., given income splitting) can give rise to marriage penalties, but never to marriage bonuses. Whether a couple has a marriage bonus, a marriage penalty, or neither depends on whether the bonus due to income splitting exceeds, is exceeded by, or is equal to the penalty due to the relationship between rate structures (and other tax parameters).⁴

The historical development of current-law marriage penalties and bonuses also illuminates the policy objectives that must be weighed in future proposals. Pre-1948 law generally gave rise to neither marriage penalties nor bonuses, but it resulted in differential tax burdens on couples with identical incomes. Since 1948, couples with identical incomes have generally been taxed the same,⁵ but the presence of marriage penalties and bonuses has meant that the income tax has not been neutral with respect to marriage. These two objectives, taxing all couples with identical incomes the same and neutrality with respect to marriage, must also be weighed against the desire for a progressive rate structure under the income tax. Advancing any one of these objectives necessarily requires making a sacrifice with respect to one or both of the other two objectives, and produces marriage penalties, marriage bonuses, or both.

⁴ Appendix A contains an algebraic derivation of these results.

⁵ A major exception was the two-earner deduction which was enacted in 1981 and repealed in 1986.

Overview of the paper

Part II of the paper, on the measurement of marriage penalties and bonuses, begins with a discussion of the possible approaches to implementing a measure. The measures used in previous studies are then presented, followed by a description of the measure used by the Office of Tax Analysis (OTA) and the size, distribution, and other characteristics of marriage penalties and bonuses under current law using this measure. A final section discusses “singles penalties,” describes a measure of these penalties, and presents results of applying this measure under current law.

Part III examines the sensitivity of OTA’s measure of marriage penalties and bonuses to alternative assumptions. We demonstrate that although alternative assumptions can greatly affect the measured level of marriage penalties and bonuses, they often have no effect on measured changes in the level due to policy proposals.

Part IV provides a description and analysis of a number of recent proposals for addressing marriage penalties. Part V provides a short conclusion to the paper.

II. Measuring Marriage Penalties and Bonuses

Measuring marriage penalties and bonuses seems simple. The tax liability for a couple is computed as if the couple were not married and each spouse could file a separate return. Their tax liability as a married couple filing a joint return is then subtracted from the combined amount of their separately computed tax liabilities. If this difference is negative, that is, if the couple owes more income tax filing a joint return than the spouses would pay if they were unmarried and each filed separate returns, the couple has a marriage penalty. If this difference is positive, the couple has a marriage bonus.

Marriage penalties and bonuses could also be computed by “marrying” two single individuals. First, two single individuals’ tax liabilities are computed and combined. Then, the two individuals’ tax liabilities are computed under the assumption that they could file a joint return as a married couple. The marriage penalty or bonus is the difference between the two individuals’ tax liability if they had been allowed to file a joint return and their combined tax liability as single filers.

Either approach simply requires subtracting one number from another. The difficulty lies in the fact that one of the numbers is unknown. We do not know how married couples would act, and therefore what their tax liabilities would be, if they were unmarried, or how single individuals would behave, and therefore what their tax liabilities would be, if they were married (or, more fundamentally, whom they would marry).

The size of marriage penalties and bonuses depends on whether we start with married couples and assume that they would divorce, or we start with single individuals and assume that they would marry. Starting with married individuals requires making assumptions about how, if they were no longer married, they would allocate income, expenses, children and other dependents, and living arrangements. Starting with single individuals requires either making even more difficult assumptions about who they would marry, or focusing only on those single individuals for whom something may be known about their prospective spouses.

Divorcing couples

Prior studies based on couples have used two approaches to reorganize the family unit and its financial and living arrangements under the assumption that the couples are no longer married. A “tax minimization” model assumes that if taxpayers could file as single, they would allocate their income, exemptions, adjustments, deductions, and credits in a manner which minimizes their combined tax liability. Under an “empirical” model, the assumptions regarding a married couple’s division of income, living arrangements, and child custody, if they were single, are derived from the actual experiences of couples who have recently married or divorced or who are cohabitating.

Using a sample of married couples filing joint returns, Rosen (1987) estimated marriage penalties and bonuses in 1988 under both pre- and post-Tax Reform Act of 1986 (TRA86) law. Rosen assumed that child exemptions would be allocated “such that the joint tax liability is minimized.” Spouses who did not claim a child exemption were assumed to file as single, while those with one or more child exemptions were assumed to file as heads of households. Itemized deductions were allocated to the spouse with higher earnings. Rosen found that TRA86 reduced net marriage penalties, on average, from \$529 to \$119 (1988 dollars). These net marriage penalties under post-TRA law were the result of 40 percent of couples having an average marriage penalty of \$1,091 and 53 percent having an average bonus of \$609.

Feenberg and Rosen (1995) used a similar sample of joint filers to examine the impact of the Omnibus Budget Reconciliation Act of 1993 (OBRA93) on the level and distribution of marriage penalties and bonuses. As with Rosen’s earlier study, they adopted a strategy of joint tax minimization, although some of the underlying allocation assumptions were changed from the earlier study. Child exemptions were generally allocated to the higher income spouse; but if there were two or more children, the lower-income spouse was assumed to claim one child exemption. Spouses with child exemptions were then given head of household filing status, and if eligible, the EITC. Itemized deductions were allocated to the spouse with higher income, while unearned income was assumed to be divided evenly between the two spouses.

Feenberg and Rosen found that by increasing marginal tax rates for higher-income taxpayers and expanding the EITC, OBRA93 transformed an average net marriage bonus of \$143 into an average net marriage penalty of \$124 (1994 dollars). Under both pre- and post-OBRA93 law, slightly over half of all couples filing jointly had a marriage penalty, while 38 percent had a

marriage bonus. However, OBRA93 increased the average marriage penalty (from \$898 to \$1,244) for couples with penalties while reducing average marriage bonuses (from \$1,577 to \$1,399) for those with bonuses.

Alm and Whittington (1996) examined the change in marriage penalties and bonuses between 1967 and 1994. Using the Panel Survey of Income Dynamics (PSID), they tested two alternative sets of allocation assumptions. The first set of assumptions was similar to the “tax minimization” model used by Feenberg and Rosen. Children were allocated to the higher earner spouse, and the custodial parent was assumed to file as head of household and for the EITC, if eligible. Unearned income was divided evenly between the spouses.⁶ The second set of assumptions was more closely akin to an empirical model. Since most single-parent households are headed by a female, Alm and Whittington suggested that the wife be assumed to claim the child exemptions, head of household filing status, and the EITC. As under the first set of assumptions, unearned income was split evenly between the two spouses.

Between 1967 and 1994, Alm and Whittington found that marriage penalties, on average, initially rose, then fell, and have recently begun to grow again. Changes in both tax laws and family structure, particularly the increase in two-earner families, contributed to this pattern over time. They also found that their choice of allocation assumptions affected the existence and magnitude of a marriage penalty and bonus. During the 1980s, the tax minimization approach resulted in an average net marriage penalty of \$300 (1994 dollars), while the empirical approach generated net marriage bonuses. While both approaches produced similar trends over much of the period, the differences between the two approaches narrowed dramatically in recent years. By 1994, both approaches resulted in an average net marriage penalty of \$375.

CBO (1997) measured marriage penalties and bonuses under 1996 law using a sample of married couples who had filed joint returns. CBO rejected both the empirical and tax minimization approaches, although some of their assumptions, particularly those dealing with the allocation of child exemptions and filing status, are the same as those used by Feenberg and Rosen. In the CBO study, unearned income was prorated on the basis of earned income instead of being evenly split as in the earlier studies, and itemized deductions were divided between the spouses in proportion to their total income. CBO also estimated marriage penalties and bonuses under the assumption (used by Feenberg and Rosen) that itemized deductions were claimed by the spouse with higher income.

Assuming that itemized deductions were split proportionately between the two spouses, 42 percent of couples had an average marriage penalty of \$1,380, while roughly half of couples (51 percent) had an average marriage bonus of \$1,300. If, instead, the higher income spouse was assumed to claim all the itemized deductions, CBO found that 47 percent of couples had a

⁶ Because the PSID does not contain information regarding itemized deductions, Alm and Whittington had to assume that the spouses could only claim the standard deduction.

marriage penalty averaging \$1,750 and 49 percent had an average bonus of \$1,350.

Marrying singles

Starting with a sample of single individuals requires either making assumptions about who they would marry or focusing only on those individuals for whom something may be known about their prospective spouses. Two recent studies have used the latter approach. Feenberg and Rosen (1995) used a National Longitudinal Survey (NLS) of mothers and children to identify cohabiting couples. Tax liabilities for the two cohabiting adults were first computed as single individuals and then under the assumption that they would marry and file a joint return. Using the PSID, Alm and Whittington (1997) created a sample of couples who married for the first or second time during the years under investigation and computed marriage penalties and bonuses based on each spouse's income in the year prior to marriage.

Using the sample of cohabiting adults, Feenberg and Rosen found smaller average net marriage penalties (\$229 in 1994) than they found using the same data to analyze marriage penalties for a sample of married couples (\$556). Marriage penalties derived for both groups from their NLS-based samples were generally much larger than those derived from their PSID sample of married couples. Using the sample of newly-married couples, Alm and Whittington found that marriage increases couples' joint tax liability on average by \$183 (1983-84 dollars); in 1994 dollars, this estimate is not greatly different than their estimates of marriage penalties for the 1980s using a sample of married couples and a tax minimization approach, but is much larger than what they obtained using the empirical approach.

While both studies take a reasonable approach to solving the missing spouse problem, neither may yield results which can be generalized to the population as a whole. Cohabiting couples who choose not to marry may be different than those who do marry, while single people on the verge of marriage may also differ from those who have been married for a longer period of time.

Dickert-Conlin and Houser (1998) took a different approach by identifying potential spouses for a sample of unmarried poor and near-poor women. Using the Survey of Income and Program Participation (SIPP), they calculate how 1990 tax liability and transfer benefits would change for a sample of unmarried women between the ages of 18 and 44 with children if they were married and living with a spouse. They use a selection method to predict the earnings of their potential husbands and simulate their transfers and taxes as unmarried persons and as a married couple. For the median poor woman, they find that transfer payments would fall by 18 percent of a couple's combined unmarried income if she marries, while tax liabilities would decline by 6 percent, and net income would fall by 12 percent. If they marry, near-poor women face smaller declines in transfer payments as a fraction of income than the poor, but most would incur an increase (rather than decline) in their tax liability.

The approach taken by Dickert-Conlin and Houser is promising because it could be generalized to a broader population than cohabiting couples or individuals on the verge of marriage. But, their

analysis is computationally complicated and may not be easily adapted to moderate and higher-income individuals whose income is likely to include unearned income as well as earned income.

What measure has the most desirable characteristics?

To estimate marriage penalties and bonuses, OTA uses the Individual Tax Model (ITM). The current ITM is based on the Statistics of Income (SOI) sample of tax returns for Tax Year 1995 extrapolated to cover the 10-year budget estimating period. The SOI is a cross-sectional file. As a consequence, the ITM does not contain any information regarding the marital history of taxpayers. Without such information, it is not possible to estimate marriage penalties and bonuses using the single filers in the ITM. OTA therefore follows the more conventional approach of using the married couples in the ITM to measure marriage penalties and bonuses.

OTA also considered and rejected the two approaches most commonly used in the literature to allocate income, exemptions, deductions, and credits between the spouses: the “empirical” model and the “tax minimization” model. Our review of the literature found only one study that based any allocation assumptions on empirical evidence. As noted above, Alm and Whittington had examined the impact of assigning the child exemptions to the wife, since most single-parent households are headed by females. We did not find any study that used a more comprehensive empirical approach, in which income and expenses are also allocated in a manner that more closely approximates divorce settlements.

We conclude that there are two reasons why it would be problematic to measure marriage penalties and bonuses using empirical data about the effects of actual life-events -- such as marriage, divorce, or cohabitation -- on individuals’ tax liabilities, even if the empirical data were better. First, many married couples will never divorce, or won’t in their current circumstances, and many single individuals would act differently if and when they did marry. Second, both married couples and single individuals may perceive themselves to be burdened (or benefitted) by the income tax because of its treatment of marriage, even though these taxpayers would not recognize the results of the typical divorce to be applicable to themselves.

Most prior studies adopted a tax minimization strategy, at least with respect to some of their allocation assumptions. A complete tax minimization model would be computationally quite complex because of the simultaneity of many variables. For example, tax liability depends, among other things, on adjusted gross income and tax credits; but eligibility for many tax credits, such as the child credit and the EITC, depends on adjusted gross income. Most studies avoid much of this computational complexity by defining a set of allocation rules that appear to be consistent with tax minimization behavior. But these allocation rules may, in fact, be inconsistent with tax minimization.

To illustrate, Feenberg and Rosen assumed that both spouses could claim at least one child exemption and head of household filing status; that the higher income spouse claimed all itemized deductions; and that unearned income was evenly split between the two spouses. These assumptions, however, will not always yield the minimal tax liability. For example, taxes would be minimized for a couple with two children, little if any unearned income, and a non-working

spouse if the higher income spouse retained both child exemptions. Since the non-working spouse has no taxable income, one of the children's exemptions is effectively wasted by assuming that each spouse claims a child. Even if both spouses have taxable income, their combined tax liability may be minimized if the higher income spouse retains both child exemptions under some assumptions. As another example, if the higher income spouse is in the 28 percent rate bracket while the lower income spouse is in the 15 percent rate bracket regardless of how the child exemptions are allocated, their combined tax liability is minimized if the higher income spouse retains both exemptions.

This approach may also be inconsistent with either compliant or rational behavior by the couple. Under current law, only one taxpayer can be a head of household if the couple lives together. Thus, allowing both spouses to claim head of household filing status implies either that the couple separates or cheats. If there are separate households, then the housing budget should be split between the spouses. But Feenberg and Rosen allocated all of the itemized deductions, including the home mortgage deduction, to the higher income spouse. While it may be possible under some divorce agreements for one spouse to absorb the housing costs for both households, one might then expect some offsetting assumptions about the allocation of income.

If couples were tax minimizers in their personal relationships, tax planning would enter into marriage and divorce decisions. The evidence is mixed. Sjoquist and Walker (1995) do not find a statistically significant relationship between marriage decisions and marriage penalties. Alm and Whittington (1993, 1995a, 1995b) find statistically significant but small effects of marriage penalties, reducing the likelihood of marriage for women. Alm and Whittington (1997) also find a significant but small effect of marriage penalties on the timing of marriage.

Instead of the "empirical" or "tax minimization" models, a variety of considerations lead us to the "resource pooling" model to measure marriage penalties and bonuses. This approach is empirically tractable and produces results that are consistent both internally and with the way that families and policymakers may think about the issue.

Resource pooling approach

The resource pooling model tries to isolate the effects of a marriage on tax liabilities by assuming that married couples could -- through implicit and explicit contractual arrangements -- duplicate the same pooling of assets and expenses that occurs within their marriages without actually being married.⁷ Both spouses are assumed to contribute to the family's expenses, based on their ability to pay. For this model, ability to pay is generally measured by each spouse's share of gross income. In addition, taxpayers are assumed to act honestly and understand the tax laws (or at

⁷ There may be some costs associated with the derivation of this non-marriage contractual arrangement, and an ideal measure would net these costs. This criticism, however, also applies to the first two approaches. In this regard, the resource pooling model is no better or worse than the empirical or tax minimization approaches.

least as well as they currently understand and comply with the tax laws).

Living arrangements: Under the resource pooling model, different assumptions can be made regarding the living arrangements of the couple if they were not married. For example, one could estimate the effect of marriage on tax liability, assuming that the couple would live together even if they were not married. This is the pure penalty (or bonus) associated with the decision to marry. Alternatively, one could estimate the effect of marriage on tax liability assuming that the couple would not live together if they were not married. This approach measures the penalty (or bonus) associated with two decisions: the decision to marry and the decision to share a residence (Holtzblatt, 1996).

The choice of living arrangements most directly affects taxpayers' ability to claim head of household filing status. As noted above, current law allows only one taxpayer (if otherwise eligible) to claim head of household filing status for the household. This means that at most one taxpayer would be allowed to claim head of household filing status if the couple continues to share a residence and pool resources. But if it were assumed the couple no longer shared a residence, neither, one or both spouses might qualify as a head of household.

To qualify as head of household, the taxpayer must provide over half the costs of maintaining the home shared with the taxpayer's children or dependents. While tax return data do not contain much information regarding expenditures on the household or family, it seems reasonable to assume that the individual with the highest income is responsible for most of the costs of maintaining the home and is thus able to claim head of household filing status. Further, we assume that this individual is also most likely to provide over half the support for the couple's dependents and can thus claim the exemptions.⁸

Using income as a proxy for expenditures on the household or family leads to unambiguous and straightforward assumptions regarding the determination of head of household filing status and the allocation of dependents within the one-residence scenario. The spouse with the higher income is assumed to claim head of household filing status (if otherwise eligible) and all dependents, while the spouse with the lower income claims single filing status.

It is less clear which spouse would be able to claim head of household filing status and the dependent exemptions if the alternative of separate residences is assumed. Taxpayers can claim head of household filing status only if they reside with their children or certain dependents. While custodial parents are entitled to claim the dependent exemptions for their children (assuming that both parents, in combination, provide over half the support of the children), they may waive the exemptions to the noncustodial parent, yet still claim head of household filing status. Assumptions also have to be made regarding who is the custodial parent. Is it the higher earner,

⁸ When the eligibility rules for the EITC were simplified in the Omnibus Budget Reconciliation Act of 1990, support and household maintenance tests were replaced, in part, by an income test: when more than one taxpayer lives with the same EITC qualifying child, only the taxpayer with the higher modified adjusted gross income may claim the credit.

because he or she is able to provide most of the support of the children? Or, is the custodial parent the lower-earner spouse, since the opportunity costs of home production are less for this spouse?

Table 1 shows how the allocation of child exemptions, filing status, and certain credits vary based on assumptions regarding living arrangements. In OTA's measure, it is assumed that the couple would still live together if not married (i.e., joint residency). This assumption gives a pure measure of how much the marriage license really costs or benefits the couple, without needing to account for the additional costs of maintaining two homes. Further, this approach leads to less ambiguity regarding the choice of assumptions about living arrangements.

Division of earned income: OTA's measure, like most measures of marriage penalties and bonuses, assumes that returns to human capital are retained by the earner. While some studies have shown that the labor supply of wives is particularly sensitive to marginal tax rates, these second-order effects are generally not accounted for in measures of marriage penalties and bonuses. As a practical matter, it is also usually relatively simple to allocate earnings to the appropriate worker.

OTA uses information from Forms W-2s and the Schedules SE to allocate wages and self-employment income to the appropriate earner. Other studies use information reported by the individual earner to survey interviewers. OTA is also able to use information reports (SSA-1099s) from the Social Security Administration to attribute social security retirement and disability insurance benefits to the appropriate beneficiary. Other studies generally do not have sufficient information to attribute benefits directly to the recipient and must allocate these benefits in the same manner as other forms of unearned income. The definition and allocation of earned income are shown in Table 2.

Division of unearned income: The division of unearned income, such as dividends, interest, and capital gains, presents more challenging issues since it is generally not clear which spouse owns the underlying assets.⁹ We considered two alternatives. Under the first, assets are assumed to be accumulated by each spouse from their own earnings, and each spouse is assumed to retain the property rights to these accumulated assets. Unearned income under this alternative is divided in proportion to earned income. Under the second alternative, both spouses would retain an equal right to the couple's combined assets if they were not married, and unearned income is divided equally between the two spouses.

It is not obvious which of these two alternatives is more appropriate for estimating marriage penalties and bonuses. The second alternative may be consistent with how assets would be allocated between spouses if they have accumulated most, if not all, of their assets together over

⁹ Tax return information could be used to directly allocate certain other forms of unearned income to each spouse. However, even pensions may be considered a marital asset that should be divided when the marriage ends.

the course of their marriage. The first may be consistent for newly married couples, or for couples who have had less equal roles in their marriage, or in which one spouse has inherited sizable wealth. OTA's measure is based on the first alternative, which divides unearned income in proportion to each spouse's share of earned income.

As shown in Table 3, the assumption regarding the ownership of assets affects the division of unearned income, as well as some related items (the adjustment for alimony income, the deduction for investment interest and gambling losses). The assumption regarding the ownership of assets may also affect the division of other itemized deductions or adjustments. OTA assumes that most expenses included in itemized deductions or adjustments are allocated according to ability to pay, and that for this purpose gross income is the appropriate proxy for ability to pay. Changes in the definition of gross income therefore affect the allocation of these deductions and adjustments.

Some deductions and adjustments can only be incurred if the taxpayer has wage or self-employed income. As shown in Table 3, these include deductions for Keogh contributions, self-employment taxes, self-employment health insurance, and moving expenses. Allocation of these items depends, to some extent, on earned income and is invariant to the assumptions regarding the division of unearned income.

Other tax parameters: A small number of items are not dependent on the underlying assumptions regarding living arrangements or the division of income. These are the standard deduction for the disabled and elderly and the elderly and disabled tax credit. The top panel of Table 4 shows the distribution of these items. Alternative minimum tax credit items and preferences are allocated in the same way as they are in the regular tax.

Summary of OTA's measure

OTA's measure is based on the resource pooling model, which tries to isolate the effects of marriage on tax liabilities by assuming that married couples could -- through implicit and explicit contractual arrangements -- duplicate the same pooling of assets and expenses that occurs within their marriages without actually being married. It is assumed that in the absence of marriage, couples would retain the same income, exemptions, eligible expenses for credits and above-the-line and itemized deductions, and other tax characteristics that they have as a married couple. It is also assumed that the couple would continue to maintain a joint residence. The spouse with the higher income is assumed to claim head of household filing status (if otherwise eligible) and all dependents, and the spouse with the lower income to claim single filing status. Credits and deductions associated with dependents (such as the \$500 child credit) therefore will generally be available only to the higher income spouse. All returns to human capital, including wages, self-employment income, Social Security benefits, unemployment benefits, and miscellaneous forms of earned income, are assumed to be retained by the earner. Finally, all unearned income (dividends, interest, capital gains, etc.) and associated expenses are assumed to arise from assets accumulated from each spouse's own earnings, and are generally allocated in proportion to earned income.

Marriage penalties and bonuses by OTA's measure

In 1999, of the 51.4 million joint returns filed, 24.8 million (48 percent) will have a marriage penalty, 21.0 million (41 percent) will have a marriage bonus, and the remaining 5.6 million (11 percent), many of whom have no tax liability, will have neither a penalty or bonus (see Table 5). Aggregate marriage penalties in 1999 will be \$28.3 billion and aggregate marriage bonuses will be \$26.7 billion, resulting in an aggregate net penalty of \$1.6 billion. Average marriage penalties for couples with penalties will be \$1,141 in 1999, and average marriage bonuses for couples with bonuses will be \$1,274. The average net penalty for all couples will be \$31.

As noted above, marriage penalties typically arise when the incomes of the two spouses are more nearly equal, which means that two-earner couples are likely to have marriage penalties whereas

one- and no-earner couples will not have penalties. In 1999, of the 39.0 million two-earner couples, 24.8 million (64 percent) will have marriage penalties while less than half that number, 11.1 million (28 percent), will have marriage bonuses (the remaining 3.1 million (8 percent) will have neither). In contrast, of the 12.4 million one- or no-earner couples, none will have marriage penalties while 9.9 million (80 percent) will have marriage bonuses (the remaining 2.5 million (20 percent) will have neither).

Because two-earner couples tend to have higher incomes, and because the rate brackets for joint and unmarried filers are closer together at higher incomes, marriage penalties predominate at higher incomes, whereas marriage bonuses are more prevalent at lower incomes. For example, 27 percent of couples with AGIs below \$30,000 in 1999 will have marriage penalties and 42 percent will have marriage bonuses (the remaining 31 percent will have neither). Of couples with incomes over \$100,000 in 1999, 61 percent will have marriage penalties and 38 percent will have marriage bonuses (less than 1 percent will have neither).

Aggregate marriage penalties and bonuses are also concentrated at higher income levels. Less than 15 percent of all couples will have AGIs over \$100,000 in 1999, but they will have 42 percent of aggregate marriage penalties, and 30 percent of aggregate marriage bonuses. In contrast, more than 27 percent of all couples will have AGIs under \$30,000 in 1999, but they will have only 8 percent of aggregate marriage penalties and 11 percent of aggregate marriage bonuses.

OTA's measure of singles penalties

Marriage penalties were increased and bonuses reduced in the 1969 legislation by the broadening of the rate brackets for single taxpayers. Congress took this action in response to the great disparity at the time between the income tax imposed on some single filers and a joint or head of household filer with the same income. The 1969 legislation reduced but did not eliminate this disparity, which arises from the smaller standard deduction, lower rate brackets, lower income ceilings for most phaseouts, and related differentials between the tax parameters for single filers

and the parameters for joint filers. Similar (but generally smaller) disparities exist between the parameters for head of household filers and the parameters for joint filers. The “singles penalties” imposed by these disparities are the necessary counterparts to marriage penalties. Thus, singles penalties have been, and will remain, an important element of any legislative consideration of proposals to address marriage penalties.

OTA’s measure of marriage penalties and bonuses attempts to isolate the effect of marriage per se on the amount of income tax paid by couples. The counterpart measure of singles penalties must isolate the effect of not being married, per se, on the income tax liabilities of unmarried individuals. Measuring singles penalties is therefore relatively straightforward: a singles penalty is the difference in tax liability of an unmarried (single or head of household) filer under current law, and their tax liability if they could use the joint standard deduction, joint rate schedule, and other joint tax parameters. Note that this measure avoids making any assumptions about the characteristics of a hypothetical spouse, and does not give the single filer an additional exemption for such a hypothetical spouse. However, this measure gives the maximum penalty possible for a single individual relative to actual marriage, because an actual spouse could have earnings or other income that would reduce the penalty.

Applying this definition to the 60.3 million (non-dependent) single and head of household filers expected in 1999 indicates that 40.5 million unmarried filers will have an aggregate of \$30.2 billion of singles penalties. The average singles penalty for those with penalties will be \$746, and the average for all (non-dependent) unmarried filers will be \$501. As indicated in Section IV, a number of current proposals for addressing marriage penalties would significantly increase singles penalties.

III. Sensitivity of OTA’s Measure to Alternative Assumptions

Sensitivity of measures when applied to current-law penalties and bonuses

To determine the sensitivity of OTA’s measure to alternative assumptions, we first examined the effects of three alternative assumptions on the level of marriage penalties and bonuses under current law. Each of these alternatives varies only one of the key assumptions followed in OTA’s measure.

Separate residences: In this alternative, in the absence of marriage each spouse is assumed to maintain a separate residence and the lower-earner spouse is assumed to maintain custody of the children (as well as their exemptions and child-related credits). This alternative results in an aggregate \$19.1 billion net marriage bonus in 1999, in contrast to the aggregate \$1.6 billion net marriage penalty under OTA’s measure (see Table 6). The large difference in net results arises because head of household status, exemptions, and child-related credits generally provide less tax benefit to the lower-earner spouse than to the higher-earner spouse (who is often in a higher tax bracket and has greater tax liability to absorb credits). Thus, this alternative ascribes higher taxes

to the couple filing separately, and consequently lower marriage penalties and higher marriage bonuses, than does OTA's measure.

Under the separate residence assumption, 24.0 million (47 percent) of all couples filing jointly in 1999 would have a marriage penalty, 24.8 million (48 percent) a marriage bonus, and the remaining 2.7 million (5 percent), many of whom still have no tax liability, would have neither a penalty nor a bonus. Aggregate marriage penalties would be \$36.6 billion and aggregate marriage bonuses \$55.7 billion. Average marriage penalties for couples with penalties would be \$1,528, and average marriage bonuses for couples with bonuses \$2,248. The average net bonus for all couples would be \$371.

Unearned income evenly divided: If unearned income is assumed to be divided evenly if the couple were not married, there would be \$16.7 billion of aggregate net marriage penalties in 1999. The reason for this large increase in the aggregate penalty is that splitting unearned income evenly tends to equalize spouse's incomes, thereby increasing marriage penalties and decreasing marriage bonuses relative to allocating unearned income in proportion to earned income.

Under this alternative, 28.8 million (56 percent) of all couples filing jointly would have a marriage penalty, 16.9 million (33 percent) a marriage bonus, and 5.8 million (11 percent) neither in 1999. Aggregate marriage penalties would be \$36.1 billion and aggregate marriage bonuses \$19.4 billion. Average marriage penalties for couples with penalties would be \$1,254, and average marriage bonuses for couples with bonuses \$1,148. The average net penalty for all couples would be \$324.

No head of household status: If neither spouse were allowed to claim head of household status if the couple were not married, there would be \$15.8 billion of aggregate marriage bonuses net of penalties in 1999, a result similar to the result for the alternative with separate residences. Without the ability to file as a head of household, for many couples one of the spouses would have higher taxes filing separately than under OTA's measure.

Under this alternative, 22.2 million (43 percent) of returns would have a marriage penalty, 23.8 million (46 percent) a marriage bonus, and 5.4 million (11 percent) neither in 1999. Aggregate marriage penalties would be \$20.8 billion and aggregate marriage bonuses \$36.6 billion. Average marriage penalties for couples with penalties would be \$936, and average marriage bonuses for couples with bonuses \$1,537. The average net bonus for all couples would be \$307.

Insensitivity of measures when applied to changes in law

The change in the level of marriage penalties and bonuses due to a change in tax policy is the difference between each couple's penalty (or bonus) under current law and their penalty (or bonus) under the proposed law. Each couple's penalty (or bonus) under current law is the difference between the combined amount of their tax liability computed under current law if they

each filed separately and their tax liability computed under current law filing a joint return. Each couple's penalty (or bonus) under proposed law is the difference between the combined amount of their tax liability computed under proposed law if they each filed separately and their tax liability computed under proposed law filing a joint return. Thus, the change in the level of marriage penalties and bonuses is the difference between two differences, which would appear to be sensitive to alternative measurement assumptions.

However, many proposed changes in law affect tax liabilities on joint returns, but leave tax liabilities on separate (single and head of household) returns unchanged. For such proposals, the difference between the two differences reduces to simply the difference between each couple's joint return tax liability computed under current law and their joint return tax liability computed under proposed law. But, all of the alternative assumptions for measuring marriage penalties and bonuses affect the computation of separate tax liabilities, not joint return tax liabilities. Therefore, for proposals that do not alter tax liabilities on separate returns, the change in the level of marriage penalties and bonuses is completely insensitive to alternative measurement assumptions.¹⁰

All of the proposals analyzed in Section IV, below, would only change the taxation of couples, and not of single or head of household filers. So, these proposals change marriage penalties and bonuses by the same aggregate net amount under any of the alternative measurement assumptions. However, as discussed in Section IV, the alternative assumptions affect how this net amount is split between reductions in penalties and increases in bonuses.

IV. Analysis of Recent Proposals to Address Marriage Penalties

1. Additional deduction for couples with incomes below \$50,000

This proposal, included in an amendment to the tobacco bill, was adopted by the Senate on June 10, 1998. The proposal would give an additional deduction to married couples filing a joint return who have combined incomes below \$50,000. The deduction would be equal to the difference between the sum of the standard deductions for a single filer and a head of household filer, and the standard deduction for a joint filer (this difference is \$3,450 in 1999). It would be available to all such couples, whether or not they itemized deductions (i.e., the deduction would be "above-the-line"). The deduction would also reduce income for purposes of the phaseout of the EITC, so couples with incomes in the phaseout range of the EITC would get a larger credit. The \$50,000 income limit would be indexed for inflation after 2007. The deduction would be phased in over 10 years. When fully phased in, the additional deduction (at the 1999 level of \$3,450) would have a tax value of \$517.50.

¹⁰ Appendix A contains an algebraic derivation of these results.

Example. Using the fully phased in value of the additional deduction at 1999 levels, for a couple with two children and \$30,000 of wage income, taxes would decline by \$1,244. The decline is larger than \$517.50 because this couple would receive a larger EITC. For couples with income above approximately \$35,000 (and not above \$50,000), the tax cut would normally be \$517.50.

Effects. The effects of this proposal (and of other proposals discussed below) are summarized in Tables 7 and 8. Detailed information on the effects of the proposal are shown in Table 9. Fully phased in, at 1999 income levels, this proposal would reduce income tax liabilities of couples by \$7.9 billion. Of this amount, only 35 percent would actually reduce marriage penalties (with the remainder increasing marriage bonuses), because the proposal benefits eligible couples, whether or not the couple has a marriage penalty. All of the benefits of the proposal go to couples with AGIs below \$50,000, with over 60 percent going to couples with AGIs under \$30,000. The proposal would increase singles penalties by \$17.1 billion (56 percent) per year (at 1999 income levels) because the income tax differential between unmarried taxpayers with incomes below \$50,000 and couples with the same income would be even greater than under current law. In addition, the proposal creates a “cliff,” since couples with \$50,000 of income would get a tax cut of \$517.50 (when the proposal was fully phased in), but a couple with only \$1 more of income would get no tax cut at all. Such cliffs create disincentives to work and incentives to underreport income for couples with incomes above the cliff.

2. Make the joint standard deduction double the single amount (included in H.R. 4579)

This proposal would increase the standard deduction for joint filers to double the amount for single filers under current law. H.R. 4579, which was passed by the House on September 26, 1998, would also increase the additional standard deduction for elderly and blind joint filers to the current-law levels for single filers, but this provision is not included in the analysis presented here for comparability with proposal 3, below.

Example. The standard deduction for joint filers would increase under the proposal by \$1,400 in 1999, from \$7,200 to \$8,600. For a couple in the 15 percent bracket, this increase in the standard deduction would reduce taxes by $15\% \times \$1,400 = \210 .

Effects. This proposal would reduce income tax liabilities for couples filing joint returns by \$5.3 billion¹¹ at 1999 income levels, of which a little over half (54 percent) would reduce marriage penalties. Most of the benefit would go to couples with AGIs between \$30,000 and \$100,000; less than 6 percent would go to couples with AGIs over \$100,000. The proposal would increase singles penalties by \$6.5 billion (21 percent). The proposal would also reduce the number of couples who itemize deductions by 2.7 million. Detailed information on the effects of the

¹¹ The proposal as drafted would also increase the standard deduction for married couples filing separate returns. The effect of this change is not included in the cost figures for this proposal or the next proposal (proposal 3).

proposal are shown in Table 10.

3. Make the joint standard deduction and rate brackets double the single amounts (H. R. 3734)

H. R. 3734 would increase the standard deduction for joint filers to double the amount for single filers under current law, and widen the rate brackets for joint filers to double the width of the brackets for single filers under current law.¹²

Example. For the highest-income couples, those with taxable incomes in excess of about \$570,000 (the beginning of the 39.6 percent bracket in 1999 under the proposal) the tax cut would be over \$17,000.

Effects. The addition of increases in the joint rate brackets makes this proposal considerably more expensive than the preceding proposal, reducing income tax liabilities of couples filing jointly \$30.4 billion at 1999 income levels. The rate bracket increase also results in less than half (48 percent) of the cost reducing marriage penalties, and over half (52 percent) of the benefit going to couples with AGIs over \$100,000. The proposal would increase singles penalties by \$11.7 billion (39 percent). The proposal would also reduce the number of couples who itemize deductions by 2.7 million. Detailed information on the effects of the proposal are shown in Table 11.

4. Reinstate the two-earner deduction (H.R. 2593)

This proposal would reinstate the second earner deduction that existed between 1982 and 1986. The deduction is 10 percent of the first \$30,000 of the earnings of the spouse with lower earnings.

Example. A two-earner couple, each with \$25,000 of earnings and no other income, would have a two-earner deduction under the proposal of \$2,500. The deduction would reduce their taxes by \$375. (This couple's marriage penalty under current law is \$210.)

Effects. This proposal would reduce couples' income tax liabilities by \$11.9 billion at 1999 income levels, of which over 78 percent would reduce marriage penalties. Most of the benefit would go to couples with AGIs between \$30,000 and \$100,000, but nearly 32 percent would go to couples with AGIs over \$100,000. This proposal would violate the principle in current law that couples with identical total incomes pay identical total taxes, since only two-earner couples would receive the two-earner deduction. The proposal would also increase filing burdens by requiring an additional worksheet or form for the computation of the two-earner deduction. Detailed information on the effects of the proposal are shown in Table 12.

5. Single filer option (H.R. 2456)

Under this proposal, a married couple could continue to compute their tax using the standard

¹² The bill does not quite achieve these results because of drafting errors in the inflation adjustments for tax parameters.

deduction and rate schedule for joint filers, or could elect to compute each spouse's tax separately using the standard deduction and rate schedule for single filers. The proposal would combine separate filing on one tax return form and lessen some of the inherent complexity of separate filing by arbitrarily prorating deductions and by retaining a joint computation of the EITC and other credits. Each spouse would report their own earnings in computing their separate tax, but could reallocate their unearned income by shifting assets. Dependent exemptions would be allocated in proportion to each spouse's share of their total income (AGI).

Example. Consider two couples, A and B, each with \$50,000 of total earnings (and no other income). If Couple A has two earners, each with \$25,000 of earnings, and Couple B has one earner with \$50,000 of earnings, they will pay identical taxes under current law. Under optional single filing, however, Couple A would pay \$210 less tax in 1999 than under current law (assuming they use the standard deduction and have no children), whereas Couple B would pay the same tax as under current law (i.e., \$210 more than Couple A).

Effects. This proposal would reduce couples' income tax liabilities by \$21.6 billion at 1999 income levels, of which over 65 percent would reduce marriage penalties. Nearly half (47 percent) of the benefit would go to couples with AGIs over \$100,000. This proposal would violate the principle in current law that couples with identical total incomes pay identical total taxes, since couples with the same total income could pay quite different taxes under optional single filing, depending on how their earnings were split. Optional single filing would also substantially increase the income tax filing burdens of married couples. Many, if not most, couples would have to make three, rather than one, federal tax computations (joint, his, and hers) in order to determine which results in the least tax liability. Interaction with state income taxes could further increase the filing burden. Detailed information on the effects of the proposal are shown in Table 13.

6. Income splitting (S.1285)

Under income splitting, half of a couple's income, including their earnings, would be attributed to each spouse. Couples could elect to compute each spouse's tax separately (each reporting half of the couple's combined income) using the standard deduction and rate schedule for single filers.

Example. Consider two couples, A and B, each with \$50,000 of total earnings (and no other income). Couple A has two earners, each with \$25,000 of earnings, and Couple B has one earner with \$50,000 of earnings. Both Couple A and Couple B would receive a tax cut of \$210 under income splitting (assuming both use the standard deduction and have no children), even though Couple B already has a large marriage bonus (of \$3,083.50) under current law.

Effects. This proposal would reduce couples' income tax liabilities by \$35.6 billion at 1999 income levels, with less than half (46 percent) of this amount reducing marriage penalties. Nearly half (49 percent) of the benefit would go to couples with AGIs over \$100,000. The proposal would increase singles penalties by \$13.1 billion (43 percent). Income splitting would also add

some computational complexity to income tax filing, since married couples' incomes would have to be split and separate tax computations (or tax table lookups) done for each spouse. Detailed information on the effects of the proposal are shown in Table 14.

Effect of alternative measures when applied to changes in law

As discussed in Section III, the change in level of aggregate marriage penalties net of bonuses is the same, regardless of the measurement assumptions, for each of the proposals considered above. But the measurement assumptions result in a different allocation of this net change between the reduction in marriage penalties and the increase in marriage bonuses. For example, by OTA's measure the income splitting proposal (proposal 6, above) would reduce marriage penalties by \$16.4 billion and increase marriage bonuses by \$19.2 billion, for a total change of \$35.6 billion. If the alternative assumption of separate residences were used, the proposal would appear to reduce marriage penalties by \$0.3 billion more, or by \$16.7 billion, and increase marriage bonuses by \$0.3 billion less, or by \$18.9 billion (see Tables 7 and 18). The differences are much larger under the alternative assumption that unearned income is evenly divided; marriage penalties would appear to be reduced by \$5.3 billion more, or by \$21.7 billion, and marriage bonuses increased by \$5.3 billion less, or by \$13.8 billion (see Table 19). Under the assumption that there is no head of household status, marriage penalties would be reduced by \$2.4 billion less, or by \$14.0 billion, and marriage bonuses increased by \$2.4 billion more, or by \$21.6 billion (see Table 20). Comparable results for the standard deduction proposal (proposal 2) are shown in Tables 7 and 15-17.

IV. Conclusions

Marriage penalties generally arise because the standard deduction and rate brackets for joint filers are less than twice the corresponding amounts for single filers or head of household filers. Marriage bonuses generally arise because joint filing allows couples to average their incomes, which can reduce the tax rate on the income of the higher-earning spouse. Whether a couple has a marriage bonus, a marriage penalty, or neither depends on which of these two effects dominates.

It is easy to define marriage penalties and bonuses, but it can be very difficult to measure them. We consider three different approaches to allocating income, dependents, and filing status between spouses, assuming they could file as unmarried individuals. We consider and reject empirical and tax minimization approaches; the former because they may not be consistent with how families and policymakers think about the issue, and the latter because they may be based on arbitrary and unrealistic assumptions. Instead, we follow a resource pooling approach that assumes that a married couple would live together and duplicate the same pooling of assets and expenses that occurs within their marriage without actually being married.

Using this approach, we find that 48 percent of joint filers will have a marriage penalty, 41 percent

will have a marriage bonus, and the remaining 11 percent, many of whom have no tax liability, will have neither a penalty or bonus in 1999. Aggregate marriage penalties will be \$28.3 billion, and aggregate marriage bonuses will be \$26.7 billion, resulting in an aggregate net penalty of \$1.6 billion.

These results are very sensitive to the choice of assumptions regarding the allocation of income, dependents, and filing status between the spouses. For example, the OTA measure allocates unearned income according to each spouse's share of earned income. If instead unearned income was split equally, the estimate of net marriage penalties would increase ten-fold, to \$16.7 billion. However, the choice of assumptions generally makes no difference in evaluating the net effects of proposed policy changes that only change the tax liabilities of married couples -- that is, the measured change in the level of aggregate amount of marriage penalties, net of bonuses. For example, increasing the joint standard deduction to double the single amount would reduce aggregate net penalties by \$5.3 billion, regardless of which set of assumptions is used.

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Appendix A

Income splitting, rate structures, and marriage penalties and bonuses

The history of marriage penalties, summarized in the text, leads quite naturally to the following analytical description of marriage penalties and bonuses.

Let:

$T_s(I)$ be the tax on income of I under the single rate structure;¹

$T_j(I)$ be the tax on income of I under the joint rate structure; and

I_1 and I_2 be the income of individuals 1 and 2, respectively.

A couple's marriage penalty (or bonus) is defined as the difference between the couples' tax liability filing jointly and the spouses' liability if they each filed separately. Using the above notation, the symbolic definition of marriage penalties and bonuses is:

$$(1) [T_s(I_1) + T_s(I_2)] - T_j(I_1 + I_2)$$

The effect of the 1948 legislation was to impose on couples filing jointly twice as much tax as a single filer with half the couple's combined income, a tax of:

$$(2) 2 * T_s(\frac{1}{2} * [I_1 + I_2])$$

Further, income splitting meant that a couple never paid more income tax filing jointly than they would pay if they each filed a separate (single) return, hence:

$$(3) T_s(I_1) + T_s(I_2) \geq 2 * T_s(\frac{1}{2} * [I_1 + I_2])$$

In words, equation (3) says that the income splitting allowed joint filers since 1948 can, by itself (i.e., under a single rate structure), give rise to marriage bonuses, but never marriage penalties.

The effect of the 1951 and 1969 legislation was to impose on couples filing jointly more than twice as much tax as an unmarried filer with half the couple's combined income:

¹The tax functions can be thought of as including not only the rate structure, but other tax parameters and rules such as exemptions, standard or itemized deductions, phaseins and phaseouts, and credits except the EITC, which is nonlinear in income. "Income" likewise can be interpreted as all the tax characteristics (number of dependents, itemizable deductions, eligibility for credits, etc.) of the taxpayer.

$$(4) T_j(I_1 + I_2) \geq 2 * T_s(\frac{1}{2} * [I_1 + I_2])$$

Note that while the symbols used in equation (4) are only for a single filer, it and the equations which follow would be valid using a head of household filer(s) as well. In words, equation (4) says that making the width of joint rate brackets less than double the width of single (or, head of household) rate brackets can, by itself (i.e., assuming income splitting), give rise to marriage penalties, but never marriage bonuses.

Equations (3) and (4) can be restated in the following forms:

$$(3') [T_s(I_1) + T_s(I_2) - 2 * T_s(\frac{1}{2} * [I_1 + I_2])] \geq 0$$

and

$$(4') -[T_j(I_1 + I_2) - 2 * T_s(\frac{1}{2} * [I_1 + I_2])] \leq 0$$

Adding the lefthand side of equations (3') and (4') gives:

$$(5) [T_s(I_1) + T_s(I_2)] - T_j(I_1 + I_2)$$

which is the same as (1), the marriage penalty or bonus. Whether the couple has a penalty, a bonus, or neither (i.e., whether (5) is less than, greater than, or equal to zero) depends on whether equation (4'), the penalty due to joint rate brackets being less than double single (or head of household) rate brackets, exceeds, is exceeded by, or is equal to equation (3'), the bonus due to income splitting.

Insensitivity of marriage penalty measures when applied to changes in law

Marriage penalties and bonuses under current law are defined by (1). Correspondingly, under a proposed change in law marriage penalties and bonuses would be defined by:

$$(1') [T'_s(I_1) + T'_s(I_2)] - T'_j(I_1 + I_2)$$

The change in marriage penalties and bonuses from current law due to the proposal is obtained by subtracting (1) from (1'), giving:

$$(6) \{[T'_s(I_1) + T'_s(I_2)] - T'_j(I_1 + I_2)\} - \{[T_s(I_1) + T_s(I_2)] - T_j(I_1 + I_2)\}$$

which can be rearranged to:

$$(6') \{T_j(I_1 + I_2) - T'_j(I_1 + I_2)\} - \{[T_s(I_1) + T_s(I_2)] - [T'_s(I_1) + T'_s(I_2)]\}$$

For proposals which leave the tax treatment of single and head of household filers unchanged,

$T'_s(.) = T_s(.)$, so the right-hand term in equation (6') is zero and equation (6') reduces to:

$$(7) \quad T'_j(I_1 + I_2) - T'_j(I_1 + I_2)$$

Equation (7) is simply the (negative) of the change in tax liability for joint filers. But, alternative assumptions used to measure marriage penalties affect only the computation of spouses' tax liabilities as unmarried (single or head of household) filers. So, for example, if equation (7) is positive (i.e., if tax liabilities for couples decline due to the proposal), net marriage penalties are reduced by the proposal under any set of measurement assumptions.

Table 1
Allocation Rules Under Resource Pooling Model:
Effect of Alternative Assumptions Regarding Living Arrangements

Tax Provision	Joint Residency	Separate Residences
Filing Status	<p>Both must file as single if no dependents or children.</p> <p>Taxpayer may claim head of household filing status if provides over half the costs of maintaining home in which taxpayer resides with children or dependents.</p> <p>Since spouses reside together with children or other dependents, assume that spouse with higher earned income claims head of household status. The other spouse files as single.</p>	<p>Same.</p> <p>Same.</p> <p>If there are children or other dependents, assume custodial parent claims head of household filing status. The other spouse files as single. (See discussion below.)</p>
Dependent Exemptions, \$500 Child Credits, Medical Itemized Deductions	<p>Dependents are allocated to the custodial parent, who has the right to waive exemption to non-custodial parent.</p> <p>Since both parents have custody, assume taxpayer with higher earned income provides over half the support of children and claims the dependents.</p>	<p>Same.</p> <p>Custodial parent could be assumed to be either: a) higher-earner who provides most support; b) lower-earner with lower opportunity costs for home production.</p>
Child and Dependent Care Tax Credit	<p>To claim credit, taxpayer must work, reside with children, and maintain home.</p> <p>Assume claimed by parent who claims head of household status if he or she works.</p>	<p>Same.</p> <p>Assumed claimed by custodial parent if he or she works.</p>

Tax Provision	Joint Residency	Separate Residences
HOPE and Lifetime Learning Credits	<p>May be claimed for self, spouse, or dependents.</p> <p>Same as child dependents if child dependents are between the ages of 17 and 24.</p> <p>Otherwise, allocate to lower earning spouse.</p> <p>If creditable amounts exceed amount for number of child dependents, split evenly between the children and the lower earning spouse.</p>	<p>Same.</p> <p>Same.</p> <p>Same.</p> <p>Same.</p>
EITC	<p>If there are children: eligibility based on which taxpayer has higher AGI. Taxpayer with lower AGI is not eligible for any EITC.</p> <p>If there are no children, both may be eligible for EITC for those without children.</p>	<p>If there are children: eligibility for EITC for those with children based on custody assumptions. The noncustodial, nonresident parent can be eligible for the EITC for those without children.</p> <p>Same.</p>
Kiddie Tax and Related Issues	<p>Same as child exemptions. If no child exemptions, but report taxable children's income, allocate to higher earner spouse.</p>	<p>Same.</p>

Table 2
Allocation Rules Under Resource Pooling Model:
Earned Income

Earned Income	Allocation Rules
Wages and Salaries (including Nontaxable Earned Income for EITC purposes)	Allocate to spouse who earns based on W-2 information.
Income from Sole Proprietorships, SBCs, and Active Partnerships	Use Schedule SE to determine each spouse's share of self-employment income. Taxpayers who have Schedule C income, but do not attach a Schedule SE, are assumed to be statutory employees (e.g., wage and salary), and Schedule C income is allocated to lower earner spouse (or split in proportion to unearned income if neither have earnings).
Social Security Benefits	Allocate to spouse who receives benefits based on SSA-1099.
Unemployment Compensation, Foreign Earned Income Exclusion, and Foreign Housing	Split according to each spouse's share of earned income.
Fellowships	Allocate to spouse with lower earnings.

Table 3
Allocation Rules Under Resource Pooling Model:
Effect of Alternative Assumptions Regarding Division of Unearned Income

Tax Provision	Proportional Split	Evenly Divided
<p>Unearned Income (Income other than earned income described in Table 2 and state and local income tax refunds). Includes dividends, interest, capital gains, rents, royalties, pensions, annuities, IRA distributions, gambling winnings, alimony, and other unearned income.</p>	<p>Prorate on share of earned income. If no earned income, split evenly between spouses.</p> <p>Passive Schedule E income is the residual of self-employment earnings, net of income from Schedules C, F, and E.</p>	<p>Split evenly between spouses.</p> <p>Same.</p>
<p>State and Local Income Tax Refunds</p>	<p>Allocate in proportion to the total of all other gross income before state and local income tax refunds (and excluding social security).</p>	<p>Same. (But actual amount will differ depending on the allocation of unearned income.)</p>
<p>Adjustments</p>		
<p>IRA Deductions</p>	<p>Allocate in proportion to spouse's share of total gross income (including state and local refunds, but excluding social security), but subject to constraint that deduction cannot exceed spouse's wages and salaries or the maximum contribution. Also, do not allocate to spouse if spouse participates in 401(k) plan (as shown on W-2).</p>	<p>Same. (But actual amount will differ depending on the allocation of unearned income.)</p>
<p>Keogh Deduction</p>	<p>Allocate in proportion to spouse's share of total gross income, if both self-employed. Otherwise, allocate to self-employed.</p>	<p>Same. (But actual amount will differ depending on the allocation of unearned income.)</p>

Tax Provision	Proportional Split	Evenly Divided
SECA Deduction	Allocate to spouse with SECA liabilities.	Same.
Self-employed Health Insurance Deduction	Prorate on share of self-employment income. If no self-employment income, prorate on share of earned income (because of exception for wages from S corp in which taxpayer is more-than-2% shareholder).	Same.
Moving Expenses	Prorate on share of earned income.	Same.
Other Adjustments (Alimony paid, interest penalties)	Allocate in proportion to earned income. If no earned income, split evenly.	Split evenly.
Itemized Deductions		
Investment Interest and Gambling Losses	Allocate in proportion to earned income. If no earned income, split evenly.	Split evenly.
Other Deductions	Allocate in proportion to separate gross incomes (use proxy that excludes social security benefits).	Same. (But actual amount will differ depending on the allocation of unearned income.)

Table 4
Miscellaneous Allocation Rules

Tax Provision	Allocation Rules
Standard Deduction for Blind	If two are claimed, split. Otherwise, allocate to lower-earner spouse.
Elderly Standard Deduction	If two are claimed, split. Otherwise, allocate to older spouse.
Elderly and Disabled Credit	If both 65 or older, calculate eligibility for each spouse. If both under 65 and both disabled, calculate eligibility for each spouse (and split disability income). If both under 65 and only one disabled, assume lower-income spouse is disabled (and give this spouse the disability income). If one spouse 65 and older and other spouse disabled, calculate eligibility for each spouse (and give disability income to younger spouse). If one spouse 65 and older and other spouse able, calculate eligibility only for older spouse.
Other Credits	Allocate in proportion to spouse's share of total gross income.
AMT Items	
AGI, Deductions, Credits	Allocate in same manner as for regular tax.
AMT Carryforward Credits	Allocate in proportion to separate AMTI.
Other "Preference" Items	Split equally between spouses.

Table 5
Marriage Penalties and Bonuses under Current Law by Number of Earners Using Standard Assumptions

(1999 law and income levels)

Adjusted Gross Income Class (000)	All Couples Who under Current Law Have:				No Earner and One Earner Couples Who under Current Law Have:				Two Earner Couples Who under Current Law Have:			
	Penalties	Bonuses	Neither	Total	Penalties	Bonuses	Neither	Total	Penalties	Bonuses	Neither	Total
	----- Number of Returns (000) -----											
Loss	25	18	439	482	0	4	256	260	25	14	184	223
0 - 15	387	1,741	3,082	5,210	0	484	1,604	2,088	386	1,256	1,480	3,122
15 - 30	3,397	4,177	868	8,442	0	2,142	610	2,752	3,394	2,034	261	5,689
30 - 40	2,846	2,478	94	5,418	0	1,514	33	1,547	2,845	964	63	3,872
40 - 50	3,218	2,248	150	5,616	0	1,179	10	1,189	3,217	1,069	141	4,427
50 - 60	2,560	2,324	361	5,245	0	992	5	997	2,561	1,332	356	4,249
60 - 75	3,477	2,846	545	6,868	0	1,030	2	1,032	3,477	1,815	542	5,834
75 - 100	4,325	2,292	49	6,666	0	965	2	967	4,325	1,327	46	5,698
100 - 200	3,787	2,035	3	5,824	0	1,001	0	1,001	3,787	1,033	3	4,823
200 & over	811	836	26	1,673	0	561	25	586	811	275	2	1,088
Total	24,834	20,994	5,617	51,445	0	9,875	2,546	12,421	24,826	11,119	3,079	39,024
	----- Amount of Penalty (-) or Bonus (+) (\$ millions) -----											
Loss	-15	37	0	21	0	18	0	18	-15	19	0	4
0 - 15	-117	727	0	611	0	263	0	263	-117	465	0	348
15 - 30	-2,061	2,204	0	142	0	1,356	0	1,356	-2,062	848	0	-1,214
30 - 40	-2,253	1,641	0	-612	0	1,183	0	1,183	-2,253	457	0	-1,796
40 - 50	-1,859	2,139	0	279	0	1,376	0	1,376	-1,859	762	0	-1,097
50 - 60	-1,370	3,020	0	1,650	0	1,876	0	1,876	-1,370	1,144	0	-226
60 - 75	-2,776	4,373	0	1,597	0	2,518	0	2,518	-2,776	1,855	0	-921
75 - 100	-5,987	4,492	0	-1,494	0	2,856	0	2,856	-5,987	1,636	0	-4,351
100 - 200	-7,293	5,251	0	-2,042	0	3,435	0	3,435	-7,293	1,816	0	-5,477
200 & over	-4,613	2,866	0	-1,747	0	2,173	0	2,173	-4,612	692	0	-3,920
Total	-28,344	26,749	0	-1,594	0	17,053	0	17,053	-28,341	9,696	0	-18,645

Table 5 - Continued
Marriage Penalties and Bonuses under Current Law by Number of Earners Using Standard Assumptions

(1999 law and income levels)

Adjusted Gross Income Class (000)	All Couples Who under Current Law Have:				No Earner and One Earner Couples Who under Current Law Have:				Two Earner Couples Who under Current Law Have:			
	Penalties	Bonuses	Neither	Total	Penalties	Bonuses	Neither	Total	Penalties	Bonuses	Neither	Total
	----- Percentage Distribution of Returns (%) -----											
Loss	0.1	0.1	7.8	0.9	N/A	0.0	10.1	2.1	0.1	0.1	6.0	0.6
0 - 15	1.6	8.3	54.9	10.1	N/A	4.9	63.0	16.8	1.6	11.3	48.1	8.0
15 - 30	13.7	19.9	15.5	16.4	N/A	21.7	24.0	22.2	13.7	18.3	8.5	14.6
30 - 40	11.5	11.8	1.7	10.5	N/A	15.3	1.3	12.5	11.5	8.7	2.0	9.9
40 - 50	13.0	10.7	2.7	10.9	N/A	11.9	0.4	9.6	13.0	9.6	4.6	11.3
50 - 60	10.3	11.1	6.4	10.2	N/A	10.0	0.2	8.0	10.3	12.0	11.6	10.9
60 - 75	14.0	13.6	9.7	13.4	N/A	10.4	0.1	8.3	14.0	16.3	17.6	14.9
75 - 100	17.4	10.9	0.9	13.0	N/A	9.8	0.1	7.8	17.4	11.9	1.5	14.6
100 - 200	15.2	9.7	0.1	11.3	N/A	10.1	0.0	8.1	15.3	9.3	0.1	12.4
200 & over	3.3	4.0	0.5	3.3	N/A	5.7	1.0	4.7	3.3	2.5	0.1	2.8
Total	100.0	100.0	100.0	100.0	N/A	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	----- Average Amount of Penalty (-) or Bonus (+) (\$) -----											
Loss	-600	2,056	0	44	N/A	4,500	0	69	-600	1,357	0	18
0 - 15	-302	418	0	117	N/A	543	0	126	-303	370	0	111
15 - 30	-607	528	0	17	N/A	633	0	493	-608	417	0	-213
30 - 40	-792	662	0	-113	N/A	781	0	765	-792	474	0	-464
40 - 50	-578	952	0	50	N/A	1,167	0	1,157	-578	713	0	-248
50 - 60	-535	1,299	0	315	N/A	1,891	0	1,882	-535	859	0	-53
60 - 75	-798	1,537	0	233	N/A	2,445	0	2,440	-798	1,022	0	-158
75 - 100	-1,384	1,960	0	-224	N/A	2,960	0	2,953	-1,384	1,233	0	-764
100 - 200	-1,926	2,580	0	-351	N/A	3,432	0	3,432	-1,926	1,758	0	-1,136
200 & over	-5,688	3,428	0	-1,044	N/A	3,873	0	3,708	-5,687	2,516	0	-3,603
Total	-1,141	1,274	0	-31	N/A	1,727	0	1,373	-1,142	872	0	-478

NOTE: Detail may not add to totals due to rounding.

Table 6
Marriage Penalties and Bonuses under Current Law Using Alternative Assumptions

(1999 law and income levels)

Adjusted Gross Income Class (000)	Alternative 1: Separate Residences (All other assumptions are Standard)				Alternative 2: Unearned Income Evenly Divided (All other assumptions are Standard)				Alternative 3: No Head of Household Status (All other assumptions are Standard)			
	All Couples Who under Current Law Have:				All Couples Who under Current Law Have:				All Couples Who under Current Law Have:			
	Penalties	Bonuses	Neither	Total	Penalties	Bonuses	Neither	Total	Penalties	Bonuses	Neither	Total
	----- Number of Returns (000) -----											
Loss	30	58	394	482	26	37	418	482	25	18	439	482
0 - 15	229	3,369	1,613	5,210	609	1,216	3,384	5,210	383	1,832	2,995	5,210
15 - 30	2,594	5,679	170	8,442	4,498	3,232	713	8,442	3,306	4,355	782	8,442
30 - 40	2,687	2,695	36	5,418	3,291	2,039	88	5,418	2,727	2,604	87	5,418
40 - 50	3,142	2,388	86	5,616	3,519	1,919	179	5,616	3,055	2,413	148	5,616
50 - 60	2,609	2,476	160	5,245	2,831	2,039	375	5,245	2,132	2,702	411	5,245
60 - 75	3,657	3,004	207	6,868	3,767	2,535	566	6,868	2,668	3,691	509	6,868
75 - 100	4,283	2,359	24	6,666	4,677	1,929	60	6,666	3,739	2,887	40	6,666
100 - 200	3,838	1,983	3	5,824	4,300	1,521	3	5,824	3,439	2,382	4	5,824
200 & over	884	766	24	1,673	1,246	418	9	1,673	734	916	23	1,673
Total	23,952	24,777	2,716	51,445	28,764	16,887	5,794	51,445	22,209	23,799	5,437	51,445
	----- Amount of Penalty (-) or Bonus (+) (\$ millions) -----											
Loss	-29	88	0	59	-27	54	0	26	-15	37	0	21
0 - 15	-73	5,296	0	5,223	-212	584	0	372	-116	747	0	630
15 - 30	-1,502	9,049	0	7,548	-2,528	1,711	0	-818	-1,935	2,511	0	576
30 - 40	-2,899	4,284	0	1,385	-2,581	1,244	0	-1,337	-2,009	1,864	0	-145
40 - 50	-3,749	5,230	0	1,481	-2,153	1,650	0	-502	-1,509	2,754	0	1,245
50 - 60	-2,780	6,143	0	3,363	-1,745	2,360	0	616	-978	4,214	0	3,236
60 - 75	-3,105	7,643	0	4,538	-3,505	3,484	0	-21	-1,917	6,335	0	4,419
75 - 100	-5,572	6,796	0	1,223	-6,675	3,351	0	-3,325	-3,827	6,245	0	2,418
100 - 200	-8,499	7,599	0	-900	-8,380	3,369	0	-5,011	-4,737	7,602	0	2,865
200 & over	-8,381	3,565	0	-4,815	-8,253	1,573	0	-6,680	-3,744	4,262	0	519
Total	-36,588	55,693	0	19,105	-36,060	19,381	0	-16,679	-20,787	36,571	0	15,784

Table 6 - Continued
Marriage Penalties and Bonuses under Current Law Using Alternative Assumptions

(1999 law and income levels)

Adjusted Gross Income Class (000)	Alternative 1: Separate Residences (All other assumptions are Standard)				Alternative 2: Unearned Income Evenly Divided (All other assumptions are Standard)				Alternative 3: No Head of Household Status (All other assumptions are Standard)			
	All Couples Who under Current Law Have:				All Couples Who under Current Law Have:				All Couples Who under Current Law Have:			
	Penalties	Bonuses	Neither	Total	Penalties	Bonuses	Neither	Total	Penalties	Bonuses	Neither	Total
	----- Percentage Distribution of Returns (%) -----											
Loss	0.1	0.2	14.5	0.9	0.1	0.2	7.2	0.9	0.1	0.1	8.1	0.9
0 - 15	1.0	13.6	59.4	10.1	2.1	7.2	58.4	10.1	1.7	7.7	55.1	10.1
15 - 30	10.8	22.9	6.3	16.4	15.6	19.1	12.3	16.4	14.9	18.3	14.4	16.4
30 - 40	11.2	10.9	1.3	10.5	11.4	12.1	1.5	10.5	12.3	10.9	1.6	10.5
40 - 50	13.1	9.6	3.2	10.9	12.2	11.4	3.1	10.9	13.8	10.1	2.7	10.9
50 - 60	10.9	10.0	5.9	10.2	9.8	12.1	6.5	10.2	9.6	11.4	7.6	10.2
60 - 75	15.3	12.1	7.6	13.4	13.1	15.0	9.8	13.4	12.0	15.5	9.4	13.4
75 - 100	17.9	9.5	0.9	13.0	16.3	11.4	1.0	13.0	16.8	12.1	0.7	13.0
100 - 200	16.0	8.0	0.1	11.3	14.9	9.0	0.1	11.3	15.5	10.0	0.1	11.3
200 & over	3.7	3.1	0.9	3.3	4.3	2.5	0.2	3.3	3.3	3.8	0.4	3.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	----- Average Amount of Penalty (-) or Bonus (+) (\$) -----											
Loss	-967	1,517	0	122	-1,038	1,459	0	54	-600	2,056	0	44
0 - 15	-319	1,572	0	1,002	-348	480	0	71	-303	408	0	121
15 - 30	-579	1,593	0	894	-562	529	0	-97	-585	577	0	68
30 - 40	-1,079	1,590	0	256	-784	610	0	-247	-737	716	0	-27
40 - 50	-1,193	2,190	0	264	-612	860	0	-89	-494	1,141	0	222
50 - 60	-1,066	2,481	0	641	-616	1,157	0	117	-459	1,560	0	617
60 - 75	-849	2,544	0	661	-930	1,374	0	-3	-719	1,716	0	643
75 - 100	-1,301	2,881	0	183	-1,427	1,737	0	-499	-1,024	2,163	0	363
100 - 200	-2,214	3,832	0	-155	-1,949	2,215	0	-860	-1,377	3,191	0	492
200 & over	-9,481	4,654	0	-2,878	-6,624	3,763	0	-3,993	-5,101	4,653	0	310
Total	-1,528	2,248	0	371	-1,254	1,148	0	-324	-936	1,537	0	307

NOTE: Detail may not add to totals due to rounding.

**Table 7
Summary of the Impacts of Recent Proposals to Address Marriage Penalties**

(1999 law and income levels)

Proposed Law	Penalties and Bonuses Under the Proposal		Change from Current Law in Penalties and Bonuses						Would Couples with the Same Incomes Pay the Same Tax?	Would Singles Pay the Same "Singles Penalty" as Currently?
	Penalties (\$ millions)	Bonuses (\$ millions)	Reduction in Penalties	Increase in Bonuses	Total Change	Reduction in Penalties as Percent of Total	Percent of Total to Couples with AGIs:			
							Under \$30,000	Over \$100,000		
----- Impacts Using Standard Assumptions -----										
1. Additional Deduction for Couples with Incomes Below \$50,000*	-25,603	31,908	2,741	5,159	7,899	34.7%	61.6%	None	Yes	No -- Greater Penalties
2. Make Joint Standard Deduction Double Single	-25,494	29,181	2,850	2,432	5,281	54.0%	22.5%	5.7%	Yes	No -- Greater Penalties
3. Make Joint Standard Deduction and Rate Brackets Double Single	-13,762	42,609	14,582	15,860	30,440	47.9%	3.9%	52.0%	Yes	No -- Greater Penalties
4. Reinstate the Two-Earner Deduction	-19,011	29,319	9,333	2,570	11,902	78.4%	2.1%	31.9%	No	Yes
5. Single Filer Option	-14,256	34,228	14,088	7,479	21,566	65.3%	4.2%	47.0%	No	Yes
6. Income Splitting	-11,935	45,901	16,409	19,152	35,559	46.1%	4.0%	48.9%	Yes	No -- Greater Penalties
----- Impacts Using Alternative 1 Assumptions (Separate Residence) -----										
2. Make Joint Standard Deduction Double Single	-33,861	58,244	2,727	2,551	5,281	51.6%	22.5%	5.7%	Yes	No -- Greater Penalties
6. Income Splitting	-19,913	74,575	16,675	18,882	35,559	46.9%	4.0%	48.9%	Yes	No -- Greater Penalties
----- Impacts Using Alternative 2 Assumptions (Unearned Income Evenly Divided) -----										
2. Make Joint Standard Deduction Double Single	-32,658	21,258	3,402	1,877	5,281	64.4%	22.5%	5.7%	Yes	No -- Greater Penalties
6. Income Splitting	-14,322	33,200	21,738	13,819	35,559	61.1%	4.0%	48.9%	Yes	No -- Greater Penalties
----- Impacts Using Alternative 3 Assumptions (No Head of Household Status) -----										
2. Make Joint Standard Deduction Double Single	-18,232	39,295	2,555	2,724	5,281	48.4%	22.5%	5.7%	Yes	No -- Greater Penalties
6. Income Splitting	-6,798	58,138	13,989	21,567	35,559	39.3%	4.0%	48.9%	Yes	No -- Greater Penalties

NOTE: Detail may not add to totals due to rounding.

* Effects are shown for the the proposal when fully phased in, but at 1999 income levels.

Table 8
Summary of Marriage Penalties and Bonuses under Current Law and Under Recent Proposals Using Standard Assumptions

(1999 law and income levels)

Current or Proposed Law	All Couples Who Have:				Change in Status or Amount from Current Law:			
	Penalties	Bonuses	Neither	Total	Penalties	Bonuses	Neither	Total
	----- Number of Returns (000) -----							
Current Law	24,834	20,994	5,617	51,445				
<u>Proposals:</u>								
1. Additional Deduction for Couples with Incomes Below \$50,000*	20,825	25,753	4,868	51,445	-4,009	4,759	-749	0
2. Make Joint Standard Deduction Double Single	21,983	22,408	7,054	51,445	-2,851	1,414	1,437	0
3. Make Joint Standard Deduction and Rate Brackets Double Single	17,317	28,029	6,099	51,445	-7,517	7,035	482	0
4. Reinstate the Two-Earner Deduction	20,247	26,495	4,703	51,445	-4,587	5,501	-914	0
5. Single Filer Option	16,754	25,374	9,318	51,445	-8,080	4,380	3,701	0
6. Income Splitting	15,041	27,269	9,136	51,445	-9,793	6,275	3,519	0
	----- Amount of Penalty (-) or Bonus (+) (\$ millions) -----							
Current Law	-28,344	26,749	0	-1,594				
<u>Proposals:</u>								
1. Additional Deduction for Couples with Incomes Below \$50,000*	-25,603	31,908	0	6,305	2,741	5,159	0	7,899
2. Make Joint Standard Deduction Double Single	-25,494	29,181	0	3,687	2,850	2,432	0	5,281
3. Make Joint Standard Deduction and Rate Brackets Double Single	-13,762	42,609	0	28,846	14,582	15,860	0	30,440
4. Reinstate the Two-Earner Deduction	-19,011	29,319	0	10,308	9,333	2,570	0	11,902
5. Single Filer Option	-14,256	34,228	0	19,972	14,088	7,479	0	21,566
6. Income Splitting	-11,935	45,901	0	33,965	16,409	19,152	0	35,559
	----- Percent of All Joint Returns (%) -----							
Current Law	48.3	40.8	10.9	100.0				
<u>Proposals:</u>								
1. Additional Deduction for Couples with Incomes Below \$50,000*	40.5	50.1	9.5	100.0	-7.8	9.3	-1.5	0.0
2. Make Joint Standard Deduction Double Single	42.7	43.6	13.7	100.0	-5.5	2.7	2.8	0.0
3. Make Joint Standard Deduction and Rate Brackets Double Single	33.7	54.5	11.9	100.0	-14.6	13.7	0.9	0.0
4. Reinstate the Two-Earner Deduction	39.4	51.5	9.1	100.0	-8.9	10.7	-1.8	0.0
5. Single Filer Option	32.6	49.3	18.1	100.0	-15.7	8.5	7.2	0.0
6. Income Splitting	29.2	53.0	17.8	100.0	-19.0	12.2	6.8	0.0
	----- Average Amount of Penalty (-) or Bonus (+) (\$) -----							
Current Law	-1,141	1,274	0	-31				
<u>Proposals:</u>								
1. Additional Deduction for Couples with Incomes Below \$50,000*	-1,229	1,239	0	123	-88	-35	0	154
2. Make Joint Standard Deduction Double Single	-1,160	1,302	0	72	-18	28	0	103
3. Make Joint Standard Deduction and Rate Brackets Double Single	-795	1,520	0	561	347	246	0	592
4. Reinstate the Two-Earner Deduction	-939	1,107	0	200	202	-168	0	231
5. Single Filer Option	-851	1,349	0	388	290	75	0	419
6. Income Splitting	-793	1,683	0	660	348	409	0	691

NOTE: Detail may not add to totals due to rounding.

Table 9
Additional Deduction for Couples with Incomes Below \$50,000*

(1999 law and income levels)

Adjusted Gross Income Class (000)	Couples Affected by the Proposal (Status under Current Law to Status under the Proposal)						Total Changes from Current Law in Couples With and Amounts of:				All Couples Who under the Proposal Have:			
	Penalty to Lower Penalty	Penalty to Bonus	Penalty to Neither	Bonus to Higher Bonus	Neither to Bonus	Total Affected	Penalties	Bonuses	Neither	Total	Penalties	Bonuses	Neither	Total
	----- Number of Returns (000) -----													
Loss	7	5	1	2	11	26	-6	16	-10	0	19	34	429	482
0 - 15	115	120	100	667	439	1,441	-220	559	-340	0	167	2,300	2,742	5,210
15 - 30	1,042	2,202	103	3,891	553	7,791	-2,305	2,756	-450	0	1,092	6,933	418	8,442
30 - 40	1,484	1,254	82	2,394	53	5,267	-1,336	1,307	29	0	1,510	3,785	123	5,418
40 - 50	86	113	29	141	11	381	-142	122	20	0	3,076	2,370	170	5,616
50 - 60	0	0	0	0	0	0	0	0	0	0	2,560	2,324	361	5,245
60 - 75	0	0	0	0	0	0	0	-1	1	0	3,477	2,845	546	6,868
75 - 100	0	0	0	0	0	0	0	0	0	0	4,325	2,292	49	6,666
100 - 200	0	0	0	0	0	0	0	0	0	0	3,787	2,035	3	5,824
200 & over	0	0	0	0	0	0	0	0	0	0	811	836	26	1,673
Total	2,732	3,694	316	7,096	1,067	14,905	-4,009	4,759	-749	0	20,825	25,753	4,868	51,445
----- Changes in Penalties and Bonuses** (\$ millions) -----														
Loss	4	2	***	1	4	12	5	6	0	12	-10	43	0	33
0 - 15	28	36	20	106	107	296	66	232	0	296	-51	959	0	907
15 - 30	764	1,237	38	2,163	356	4,559	1,404	3,154	0	4,559	-657	5,358	0	4,701
30 - 40	815	674	41	1,277	26	2,832	1,168	1,664	0	2,832	-1,085	3,305	0	2,220
40 - 50	44	59	15	73	6	198	89	107	0	198	-1,770	2,246	0	477
50 - 60	0	0	0	0	0	0	1	-1	0	0	-1,369	3,019	0	1,650
60 - 75	0	0	0	0	0	0	0	-1	0	0	-2,776	4,372	0	1,597
75 - 100	0	0	0	0	0	0	2	-1	0	0	-5,985	4,491	0	-1,494
100 - 200	0	0	0	0	0	1	2	-1	0	1	-7,291	5,250	0	-2,041
200 & over	0	0	0	0	0	2	4	-2	0	2	-4,609	2,864	0	-1,745
Total	1,655	2,008	114	3,619	500	7,899	2,741	5,159	0	7,899	-25,603	31,908	0	6,305

NOTE: Detail may not add to totals due to rounding.

* Effects are shown for the the proposal when fully phased in, but at 1999 income levels.

** All changes are reductions in penalties or increases in bonuses, so are shown as positive.

*** Less than \$500,000.

Table 10
Make the Joint Standard Deduction Double the Single Amount under Current Law

(1999 law and income levels)

Adjusted Gross Income Class (000)	Couples Affected by the Proposal (Status under Current Law to Status under the Proposal)						Total Changes from Current Law in Couples With and Amounts of:				All Couples Who under the Proposal Have:			
	Penalty to Lower Penalty	Penalty to Bonus	Penalty to Neither	Bonus to Higher Bonus	Neither to Bonus	Total Affected	Penalties	Bonuses	Neither	Total	Penalties	Bonuses	Neither	Total
	----- Number of Returns (000) -----													
Loss	0	0	0	0	0	0	0	0	0	0	25	18	439	482
0 - 15	27	25	10	308	0	370	-35	25	10	0	352	1,766	3,092	5,210
15 - 30	1,560	552	258	3,203	31	5,604	-810	584	227	0	2,587	4,761	1,095	8,442
30 - 40	1,713	206	458	1,863	13	4,253	-664	219	444	0	2,182	2,697	538	5,418
40 - 50	1,689	161	561	1,434	10	3,854	-722	169	554	0	2,496	2,417	704	5,616
50 - 60	1,326	123	206	1,277	7	2,940	-328	130	199	0	2,232	2,454	560	5,245
60 - 75	1,457	210	4	937	6	2,614	-214	215	-1	0	3,263	3,061	544	6,868
75 - 100	962	57	3	457	0	1,480	-60	57	3	0	4,265	2,349	52	6,666
100 - 200	422	14	1	239	0	676	-15	13	1	0	3,772	2,048	4	5,824
200 & over	62	2	0	54	0	118	-2	1	0	0	809	837	26	1,673
Total	9,218	1,350	1,501	9,773	67	21,908	-2,851	1,414	1,437	0	21,983	22,408	7,054	51,445
----- Changes in Penalties and Bonuses* (\$ millions) -----														
Loss	0	0	0	0	0	0	0	0	0	0	-15	37	0	21
0 - 15	4	4	1	38	0	45	6	40	0	45	-111	767	0	656
15 - 30	317	116	53	652	6	1,144	431	712	0	1,144	-1,630	2,916	0	1,286
30 - 40	355	44	99	389	2	889	477	412	0	889	-1,776	2,053	0	277
40 - 50	342	34	121	294	2	794	478	315	0	794	-1,381	2,454	0	1,073
50 - 60	285	33	47	299	1	665	349	315	0	665	-1,021	3,335	0	2,315
60 - 75	511	81	2	318	2	914	556	358	0	914	-2,220	4,731	0	2,511
75 - 100	345	22	1	162	0	530	361	170	0	530	-5,626	4,662	0	-964
100 - 200	155	6	**	84	0	247	161	86	0	247	-7,132	5,337	0	-1,795
200 & over	26	1	0	25	0	54	31	23	0	54	-4,582	2,889	0	-1,693
Total	2,342	337	324	2,261	14	5,281	2,850	2,432	0	5,281	-25,494	29,181	0	3,687

NOTE: Detail may not add to totals due to rounding.

* All changes are reductions in penalties or increases in bonuses, so are shown as positive.

** Less than \$500,000.

Table 11
Make the Joint Standard Deduction and Rate brackets Double the Single Amount under Current Law

(1999 law and income levels)

Adjusted Gross Income Class (000)	Couples Affected by the Proposal (Status under Current Law to Status under the Proposal)						Total Changes from Current Law in Couples With and Amounts of:				All Couples Who under the Proposal Have:			
	Penalty to Lower Penalty	Penalty to Bonus	Penalty to Neither	Bonus to Higher Bonus	Neither to Bonus	Total Affected	Penalties	Bonuses	Neither	Total	Penalties	Bonuses	Neither	Total
	----- Number of Returns (000) -----													
Loss	0	0	0	4	0	4	0	0	0	0	25	18	439	482
0 - 15	61	28	8	1,087	0	1,185	-36	28	7	0	351	1,769	3,089	5,210
15 - 30	1,820	756	56	3,294	30	5,957	-813	787	26	0	2,584	4,964	894	8,442
30 - 40	1,911	643	22	1,889	15	4,481	-665	658	6	0	2,181	3,136	100	5,418
40 - 50	2,133	705	18	1,463	11	4,330	-723	714	9	0	2,495	2,962	159	5,616
50 - 60	1,807	395	8	1,441	9	3,660	-403	403	0	0	2,157	2,727	361	5,245
60 - 75	1,684	1,305	279	2,014	15	5,296	-1,583	1,316	268	0	1,894	4,162	813	6,868
75 - 100	2,318	1,671	150	2,070	8	6,216	-1,820	1,679	142	0	2,505	3,971	191	6,666
100 - 200	2,414	1,172	25	1,892	1	5,504	-1,198	1,172	25	0	2,589	3,207	28	5,824
200 & over	421	275	**	746	1	1,443	-275	276	-1	0	536	1,112	25	1,673
Total	14,568	6,951	566	15,900	89	38,075	-7,517	7,035	482	0	17,317	28,029	6,099	51,445
----- Changes in Penalties and Bonuses* (\$ millions) -----														
Loss	0	0	0	0	0	0	0	0	0	0	-15	37	0	21
0 - 15	4	4	**	45	0	52	6	47	0	52	-111	774	0	663
15 - 30	322	160	10	642	6	1,139	436	703	0	1,139	-1,625	2,907	0	1,281
30 - 40	357	142	4	380	2	886	479	406	0	886	-1,774	2,047	0	274
40 - 50	346	156	3	289	2	797	482	314	0	797	-1,377	2,453	0	1,076
50 - 60	270	123	2	332	1	728	372	355	0	728	-998	3,375	0	2,378
60 - 75	1,044	1,458	117	1,565	9	4,192	1,951	2,241	0	4,192	-825	6,614	0	5,789
75 - 100	2,526	1,971	109	2,198	6	6,809	3,961	2,849	0	6,809	-2,026	7,341	0	5,315
100 - 200	2,911	1,524	31	2,359	1	6,828	4,033	2,795	0	6,828	-3,260	8,046	0	4,786
200 & over	1,710	2,370	2	4,922	4	9,010	2,862	6,148	0	9,010	-1,751	9,014	0	7,263
Total	9,490	7,906	278	12,733	31	30,440	14,582	15,860	0	30,440	-13,762	42,609	0	28,846

NOTE: Detail may not add to totals due to rounding.

* All changes are reductions in penalties or increases in bonuses, so are shown as positive.

** Fewer than 500 returns or less than \$500,000.

Table 12
Reinstate the Two-Earner Deduction

(1999 law and income levels)

Adjusted Gross Income Class (000)	Couples Affected by the Proposal (Status under Current Law to Status under the Proposal)						Total Changes from Current Law in Couples With and Amounts of:				All Couples Who under the Proposal Have:			
	Penalty to Lower Penalty	Penalty to Bonus	Penalty to Neither	Bonus to Higher Bonus	Neither to Bonus	Total Affected	Penalties	Bonuses	Neither	Total	Penalties	Bonuses	Neither	Total
	----- Number of Returns (000) -----													
Loss	0	0	0	0	0	1	0	0	0	0	25	18	439	482
0 - 15	91	6	3	69	0	169	-9	6	3	0	378	1,747	3,085	5,210
15 - 30	1,625	62	26	600	27	2,339	-88	89	-1	0	3,309	4,266	867	8,442
30 - 40	1,933	269	76	610	36	2,924	-345	306	39	0	2,501	2,784	133	5,418
40 - 50	2,041	779	36	798	133	3,788	-816	910	-95	0	2,402	3,158	55	5,616
50 - 60	1,358	837	15	1,092	349	3,651	-852	1,186	-334	0	1,708	3,510	27	5,245
60 - 75	1,693	1,349	26	1,569	537	5,174	-1,375	1,885	-510	0	2,102	4,731	35	6,868
75 - 100	3,181	768	20	1,180	43	5,192	-788	811	-22	0	3,537	3,103	27	6,666
100 - 200	3,160	278	8	864	2	4,311	-286	279	7	0	3,501	2,314	10	5,824
200 & over	656	28	1	229	1	916	-28	29	-1	0	783	865	25	1,673
Total	15,738	4,376	212	7,011	1,128	28,465	-4,587	5,501	-914	0	20,247	26,495	4,703	51,445
----- Changes in Penalties and Bonuses* (\$ millions) -----														
Loss	0	0	0	0	0	0	0	0	0	0	-15	37	0	21
0 - 15	5	**	**	3	0	8	6	3	0	8	-111	730	0	619
15 - 30	196	8	3	26	3	236	203	32	0	236	-1,858	2,236	0	378
30 - 40	298	58	15	35	7	414	359	55	0	414	-1,894	1,696	0	-198
40 - 50	411	202	7	65	33	718	551	166	0	718	-1,308	2,305	0	997
50 - 60	334	309	3	185	114	944	511	434	0	944	-859	3,454	0	2,594
60 - 75	1,010	781	11	399	205	2,405	1,454	952	0	2,405	-1,322	5,325	0	4,002
75 - 100	2,508	521	8	321	19	3,377	2,825	553	0	3,377	-3,162	5,045	0	1,883
100 - 200	2,654	190	5	227	1	3,077	2,770	307	0	3,077	-4,523	5,558	0	1,035
200 & over	638	22	**	59	1	722	654	67	0	722	-3,959	2,933	0	-1,025
Total	8,053	2,092	52	1,319	382	11,902	9,333	2,570	0	11,902	-19,011	29,319	0	10,308

NOTE: Detail may not add to totals due to rounding.

* All changes are reductions in penalties or increases in bonuses, so are shown as positive.

** Less than \$500,000.

**Table 13
Single Filer Option**

(1999 law and income levels)

Adjusted Gross Income Class (000)	Couples Affected by the Proposal (Status under Current Law to Status under the Proposal)						Total Changes from Current Law in Couples With and Amounts of:				All Couples Who under the Proposal Have:			
	Penalty to Lower Penalty	Penalty to Bonus	Penalty to Neither	Bonus to Higher Bonus	Neither to Bonus	Total Affected	Penalties	Bonuses	Neither	Total	Penalties	Bonuses	Neither	Total
	----- Number of Returns (000) -----													
Loss	0	0	0	0	0	0	0	0	0	0	25	18	439	482
0 - 15	19	17	6	154	0	196	-23	17	5	0	364	1,758	3,087	5,210
15 - 30	842	608	602	1264	15	3,331	-1,211	624	587	0	2,186	4,801	1,455	8,442
30 - 40	1,341	383	648	675	6	3,053	-1,031	390	641	0	1,815	2,868	735	5,418
40 - 50	1,604	424	703	515	8	3,253	-1,127	429	698	0	2,091	2,677	848	5,616
50 - 60	1,002	429	372	380	4	2,187	-800	432	368	0	1,760	2,756	729	5,245
60 - 75	1,164	901	376	453	16	2,911	-1,276	916	361	0	2,201	3,762	906	6,868
75 - 100	2,210	795	492	477	4	3,979	-1,287	799	488	0	3,038	3,091	537	6,666
100 - 200	2,149	546	535	550	0	3,780	-1,082	545	536	0	2,705	2,580	539	5,824
200 & over	360	226	17	346	**	949	-243	226	17	0	568	1,062	43	1,673
Total	10,691	4,329	3,751	4814	53	23,638	-8,080	4,380	3,701	0	16,754	25,374	9,318	51,445
----- Changes in Penalties and Bonuses* (\$ millions) -----														
Loss	0	0	0	0	0	0	0	0	0	0	-15	37	0	21
0 - 15	2	4	**	15	0	22	6	17	0	22	-111	744	0	633
15 - 30	180	197	196	301	3	878	483	394	0	878	-1,578	2,598	0	1,020
30 - 40	328	282	227	253	2	1,091	744	348	0	1,091	-1,509	1,989	0	479
40 - 50	388	463	189	200	1	1,241	879	361	0	1,241	-980	2,500	0	1,520
50 - 60	282	616	137	250	1	1,286	808	478	0	1,286	-562	3,498	0	2,936
60 - 75	682	1,349	237	438	8	2,713	1,637	1,076	0	2,713	-1,139	5,449	0	4,310
75 - 100	1,961	1,187	543	502	1	4,194	3,211	984	0	4,194	-2,776	5,476	0	2,700
100 - 200	2,328	801	661	658	0	4,451	3,567	883	0	4,451	-3,726	6,134	0	2,409
200 & over	1,575	1,794	142	2,176	1	5,692	2,754	2,937	0	5,692	-1,859	5,803	0	3,945
Total	7,725	6,696	2,331	4,794	18	21,566	14,088	7,479	0	21,566	-14,256	34,228	0	19,972

NOTE: Detail may not add to totals due to rounding.

* All changes are reductions in penalties or increases in bonuses, so are shown as positive.

** Fewer than 500 returns or less than \$500,000.

**Table 14
Income Splitting**

(1999 law and income levels)

Adjusted Gross Income Class (000)	Couples Affected by the Proposal (Status under Current Law to Status under the Proposal)						Total Changes from Current Law in Couples With and Amounts of:				All Couples Who under the Proposal Have:			
	Penalty to Lower Penalty	Penalty to Bonus	Penalty to Neither	Bonus to Higher Bonus	Neither to Bonus	Total Affected	Penalties	Bonuses	Neither	Total	Penalties	Bonuses	Neither	Total
	----- Number of Returns (000) -----													
Loss	0	0	0	0	0	0	0	0	0	0	25	18	439	482
0 - 15	29	20	9	301	0	359	-29	20	9	0	358	1,761	3,091	5,210
15 - 30	1,044	704	619	3,202	25	5,595	-1,323	729	594	0	2,074	4,906	1,462	8,442
30 - 40	1,368	489	625	1,907	13	4,402	-1,114	503	611	0	1,732	2,981	705	5,418
40 - 50	1,422	488	612	1,506	15	4,043	-1,100	500	599	0	2,118	2,748	749	5,616
50 - 60	1,057	475	313	1,401	9	3,255	-788	484	305	0	1,772	2,808	666	5,245
60 - 75	1,208	1,461	376	1,955	29	5,029	-1,837	1,488	348	0	1,640	4,334	893	6,868
75 - 100	2,240	1,301	543	1,990	8	6,082	-1,844	1,309	535	0	2,481	3,601	584	6,666
100 - 200	2,185	898	502	1,830	1	5,416	-1,400	898	501	0	2,387	2,933	504	5,824
200 & over	290	341	17	714	1	1,363	-357	342	16	0	454	1,178	42	1,673
Total	10,844	6,176	3,617	14,806	101	35,544	-9,793	6,275	3,519	0	15,041	27,269	9,136	51,445
----- Changes in Penalties and Bonuses* (\$ millions) -----														
Loss	0	0	0	0	0	0	0	0	0	0	-15	37	0	21
0 - 15	4	6	**	36	0	45	8	38	0	45	-109	765	0	656
15 - 30	228	222	199	721	7	1,378	546	831	0	1,378	-1,515	3,035	0	1,520
30 - 40	336	316	222	565	4	1,445	760	684	0	1,445	-1,493	2,325	0	833
40 - 50	338	512	175	450	4	1,477	831	646	0	1,477	-1,028	2,785	0	1,756
50 - 60	318	661	124	606	2	1,712	847	865	0	1,712	-523	3,885	0	3,362
60 - 75	938	2,161	231	1,794	15	5,138	2,216	2,922	0	5,138	-560	7,295	0	6,735
75 - 100	2,415	1,825	592	2,143	5	6,982	3,989	2,993	0	6,982	-1,998	7,485	0	5,488
100 - 200	2,644	1,398	621	2,416	2	7,081	4,123	2,958	0	7,081	-3,170	8,209	0	5,039
200 & over	1,376	3,153	152	5,617	4	10,303	3,089	7,214	0	10,303	-1,524	10,080	0	8,556
Total	8,596	10,252	2,318	14,348	43	35,559	16,409	19,152	0	35,559	-11,935	45,901	0	33,965

NOTE: Detail may not add to totals due to rounding.

* All changes are reductions in penalties or increases in bonuses, so are shown as positive.

** Less than \$500,000.

Table 15
Make the Joint Standard Deduction Double the Single Amount under Current Law
Under Alternative Assumption 1: Separate Residences (All other assumptions are Standard)

(1999 law and income levels)

Adjusted Gross Income Class (000)	Couples Affected by the Proposal (Status under Current Law to Status under the Proposal)						Total Changes from Current Law in Couples With and Amounts of:				All Couples Who under the Proposal Have:			
	Penalty to Lower Penalty	Penalty to Bonus	Penalty to Neither	Bonus to Higher Bonus	Neither to Bonus	Total Affected	Penalties	Bonuses	Neither	Total	Penalties	Bonuses	Neither	Total
	----- Number of Returns (000) -----													
Loss	0	0	0	0	0	0	0	0	0	0	30	58	394	482
0 - 15	27	25	10	308	0	370	-35	24	10	0	194	3,393	1,623	5,210
15 - 30	1,357	508	238	3,479	22	5,604	-746	529	216	0	1,848	6,208	386	8,442
30 - 40	1,665	117	455	2,011	5	4,253	-573	122	451	0	2,114	2,817	487	5,418
40 - 50	1,644	105	551	1,549	4	3,854	-657	110	547	0	2,485	2,498	633	5,616
50 - 60	1,245	110	205	1,375	4	2,940	-315	114	201	0	2,294	2,590	361	5,245
60 - 75	1,382	237	14	975	6	2,614	-251	243	8	0	3,406	3,247	215	6,868
75 - 100	975	63	3	439	0	1,480	-66	64	3	0	4,217	2,423	27	6,666
100 - 200	414	17	1	243	0	676	-18	17	1	0	3,820	2,000	4	5,824
200 & over	67	1	0	50	0	118	-2	1	0	0	882	767	24	1,673
Total	8,776	1,183	1,479	10,430	41	21,908	-2,662	1,224	1,438	0	21,290	26,001	4,154	51,445
	----- Changes in Penalties and Bonuses* (\$ millions) -----													
Loss	0	0	0	0	0	0	0	0	0	0	-29	88	0	59
0 - 15	3	4	1	38	0	46	6	40	0	46	-67	5,336	0	5,269
15 - 30	278	106	51	704	4	1,144	386	759	0	1,144	-1,116	9,808	0	8,692
30 - 40	344	24	99	420	1	889	456	432	0	889	-2,443	4,716	0	2,274
40 - 50	332	23	119	319	1	794	462	332	0	794	-3,287	5,562	0	2,275
50 - 60	268	29	47	320	1	665	329	336	0	665	-2,451	6,479	0	4,028
60 - 75	485	90	5	332	2	914	540	374	0	914	-2,565	8,017	0	5,452
75 - 100	350	25	1	156	0	531	364	166	0	531	-5,208	6,962	0	1,754
100 - 200	153	7	**	86	0	246	157	89	0	246	-8,342	7,688	0	-654
200 & over	28	**	0	23	0	52	29	24	0	52	-8,352	3,589	0	-4,763
Total	2,240	308	322	2,397	9	5,279	2,727	2,551	0	5,279	-33,861	58,244	0	24,384

NOTE: Detail may not add to totals due to rounding.

* All changes are reductions in penalties or increases in bonuses, so are shown as positive.

** Less than \$500,000.

Table 16
Make the Joint Standard Deduction Double the Single Amount under Current Law
Under Alternative Assumption 2: Unearned Income Evenly Divided (All other assumptions are Standard)

(1999 law and income levels)

Adjusted Gross Income Class (000)	Couples Affected by the Proposal (Status under Current Law to Status under the Proposal)						Total Changes from Current Law in Couples With and Amounts of:				All Couples Who under the Proposal Have:				
	Penalty to Lower Penalty	Penalty to Bonus	Penalty to Neither	Bonus to Higher Bonus	Neither to Bonus	Total Affected	Penalties	Bonuses	Neither	Total	Penalties	Bonuses	Neither	Total	
	----- Number of Returns (000) -----														
Loss	0	0	0	0	0	0	0	0	0	0	0	26	37	418	482
0 - 15	42	35	117	172	4	370	-152	39	114	0	457	1,255	3,498	5,210	
15 - 30	2,532	300	465	2,294	13	5,604	-765	313	452	0	3,733	3,545	1,165	8,442	
30 - 40	1,994	205	546	1,499	9	4,253	-751	214	537	0	2,540	2,253	625	5,418	
40 - 50	1,822	170	630	1,225	8	3,854	-800	178	621	0	2,719	2,097	800	5,616	
50 - 60	1,515	112	215	1,089	9	2,940	-327	121	207	0	2,504	2,160	582	5,245	
60 - 75	1,645	166	4	789	9	2,614	-170	175	-5	0	3,597	2,710	561	6,868	
75 - 100	1,097	55	8	317	2	1,480	-62	58	5	0	4,615	1,987	65	6,666	
100 - 200	530	13	1	132	0	676	-13	13	1	0	4,287	1,534	4	5,824	
200 & over	96	2	0	20	0	118	-2	2	-1	0	1,244	420	8	1,673	
Total	11,275	1,058	1,986	7,536	54	21,908	-3,043	1,111	1,932	0	25,721	17,998	7,726	51,445	
----- Changes in Penalties and Bonuses* (\$ millions) -----															
Loss	0	0	0	0	0	0	0	0	0	0	-27	54	0	26	
0 - 15	6	6	10	23	**	45	20	25	0	45	-192	609	0	417	
15 - 30	520	63	93	467	3	1,144	645	498	0	1,144	-1,883	2,209	0	326	
30 - 40	413	44	117	313	2	889	552	336	0	889	-2,029	1,580	0	-448	
40 - 50	370	35	135	251	2	794	523	272	0	794	-1,630	1,922	0	292	
50 - 60	328	29	48	257	2	664	393	272	0	664	-1,352	2,632	0	1,280	
60 - 75	582	64	2	264	4	914	619	296	0	914	-2,886	3,780	0	893	
75 - 100	395	20	3	112	1	531	409	121	0	531	-6,266	3,472	0	-2,794	
100 - 200	196	5	**	44	0	246	199	47	0	246	-8,181	3,416	0	-4,765	
200 & over	42	**	0	10	0	52	42	11	0	52	-8,211	1,584	0	-6,628	
Total	2,850	267	408	1,742	12	5,279	3,402	1,877	0	5,279	-32,658	21,258	0	-11,400	

NOTE: Detail may not add to totals due to rounding.

* All changes are reductions in penalties or increases in bonuses, so are shown as positive.

** Less than \$500,000.

Table 17
Make the Joint Standard Deduction Double the Single Amount under Current Law
Under Alternative Assumption 3: No Head of Household Status (All other assumptions are Standard)

(1999 law and income levels)

Adjusted Gross Income Class (000)	Couples Affected by the Proposal (Status under Current Law to Status under the Proposal)						Total Changes from Current Law in Couples With and Amounts of:				All Couples Who under the Proposal Have:			
	Penalty to Lower Penalty	Penalty to Bonus	Penalty to Neither	Bonus to Higher Bonus	Neither to Bonus	Total Affected	Penalties	Bonuses	Neither	Total	Penalties	Bonuses	Neither	Total
	----- Number of Returns (000) -----													
Loss	0	0	0	0	0	0	0	0	0	0	25	18	439	482
0 - 15	27	25	10	308	0	370	-35	25	10	0	348	1,857	3,005	5,210
15 - 30	1,462	556	285	3,270	31	5,604	-842	587	255	0	2,464	4,942	1,037	8,442
30 - 40	1,560	177	521	1,984	12	4,253	-698	189	509	0	2,029	2,793	596	5,418
40 - 50	1,160	154	943	1,590	8	3,854	-1,096	161	935	0	1,959	2,574	1,083	5,616
50 - 60	609	182	612	1,528	8	2,940	-794	190	603	0	1,338	2,892	1,014	5,245
60 - 75	1,048	261	67	1,232	6	2,614	-328	266	62	0	2,340	3,957	571	6,868
75 - 100	859	74	0	546	0	1,480	-74	75	0	0	3,665	2,962	40	6,666
100 - 200	385	19	1	271	0	676	-20	19	1	0	3,419	2,401	5	5,824
200 & over	57	2	0	58	0	118	-2	3	-1	0	732	919	22	1,673
Total	7,167	1,450	2,440	10,787	64	21,908	-3,890	1,515	2,376	0	18,319	25,314	7,813	51,445
----- Changes in Penalties and Bonuses* (\$ millions) -----														
Loss	0	0	0	0	0	0	0	0	0	0	-15	37	0	21
0 - 15	3	4	1	38	0	46	5	39	0	46	-111	786	0	676
15 - 30	297	117	60	664	6	1,143	418	725	0	1,143	-1,517	3,236	0	1,719
30 - 40	321	38	113	415	2	889	454	435	0	889	-1,555	2,299	0	744
40 - 50	229	33	204	327	2	794	450	345	0	794	-1,059	3,099	0	2,039
50 - 60	130	45	136	352	2	665	288	377	0	665	-690	4,591	0	3,901
60 - 75	377	99	18	418	2	913	447	468	0	913	-1,470	6,803	0	5,332
75 - 100	308	29	0	194	0	531	323	208	0	531	-3,504	6,453	0	2,949
100 - 200	141	8	1	96	0	246	146	100	0	246	-4,591	7,702	0	3,111
200 & over	23	1	0	27	0	52	24	28	0	52	-3,720	4,290	0	571
Total	1,829	372	532	2,532	13	5,278	2,555	2,724	0	5,278	-18,232	39,295	0	21,062

NOTE: Detail may not add to totals due to rounding.

* All changes are reductions in penalties or increases in bonuses, so are shown as positive.

Table 18
Income Splitting
Under Alternative Assumption 1: Separate Residences (All other assumptions are Standard)

(1999 law and income levels)

Adjusted Gross Income Class (000)	Couples Affected by the Proposal (Status under Current Law to Status under the Proposal)						Total Changes from Current Law in Couples With and Amounts of:				All Couples Who under the Proposal Have:			
	Penalty to Lower Penalty	Penalty to Bonus	Penalty to Neither	Bonus to Higher Bonus	Neither to Bonus	Total Affected	Penalties	Bonuses	Neither	Total	Penalties	Bonuses	Neither	Total
	----- Number of Returns (000) -----													
Loss	0	0	0	0	0	0	0	0	0	0	30	58	394	482
0 - 15	29	20	9	301	0	359	-29	20	9	0	200	3,389	1,622	5,210
15 - 30	845	660	600	3,470	20	5,595	-1,261	680	580	0	1,333	6,359	750	8,442
30 - 40	1,325	388	622	2,062	5	4,402	-1,010	392	618	0	1,677	3,087	654	5,418
40 - 50	1,393	416	599	1,631	4	4,043	-1,015	421	595	0	2,127	2,809	681	5,616
50 - 60	1,008	439	298	1,505	5	3,255	-737	444	293	0	1,872	2,920	453	5,245
60 - 75	959	1,846	165	2,045	14	5,029	-2,011	1,861	151	0	1,646	4,865	358	6,868
75 - 100	1,664	1,918	451	2,042	7	6,082	-2,369	1,925	444	0	1,914	4,284	468	6,666
100 - 200	2,032	1,084	503	1,796	**	5,416	-1,587	1,085	503	0	2,251	3,068	506	5,824
200 & over	367	324	24	648	1	1,363	-348	324	22	0	536	1,090	46	1,673
Total	9,622	7,095	3,271	15,500	56	35,544	-10,367	7,152	3,215	0	13,585	31,929	5,931	51,445
----- Changes in Penalties and Bonuses* (\$ millions) -----														
Loss	0	0	0	0	0	0	0	0	0	0	-29	88	0	59
0 - 15	3	6	**	36	0	46	8	38	0	46	-65	5,334	0	5,269
15 - 30	184	211	197	781	5	1,377	495	883	0	1,377	-1,007	9,932	0	8,925
30 - 40	323	284	222	614	2	1,444	733	711	0	1,444	-2,166	4,995	0	2,829
40 - 50	329	479	171	497	1	1,477	803	674	0	1,477	-2,946	5,904	0	2,958
50 - 60	302	632	118	658	1	1,711	798	913	0	1,711	-1,982	7,056	0	5,074
60 - 75	599	2,530	145	1,849	15	5,138	2,041	3,097	0	5,138	-1,064	10,740	0	9,676
75 - 100	1,785	2,516	533	2,141	8	6,982	3,705	3,276	0	6,982	-1,867	10,072	0	8,205
100 - 200	2,458	1,615	624	2,383	1	7,080	4,094	2,986	0	7,080	-4,405	10,585	0	6,180
200 & over	2,342	2,843	203	4,905	7	10,301	3,998	6,303	0	10,301	-4,383	9,868	0	5,486
Total	8,326	11,116	2,212	13,863	39	35,557	16,675	18,882	0	35,557	-19,913	74,575	0	54,662

NOTE: Detail may not add to totals due to rounding.

* All changes are reductions in penalties or increases in bonuses, so are shown as positive.

** Fewer than 500 returns.

Table 19
Income Splitting
Under Alternative Assumption 2: Unearned Income Evenly Divided (All other assumptions are Standard)

(1999 law and income levels)

Adjusted Gross Income Class (000)	Couples Affected by the Proposal (Status under Current Law to Status under the Proposal)						Total Changes from Current Law in Couples With and Amounts of:				All Couples Who under the Proposal Have:				
	Penalty to Lower Penalty	Penalty to Bonus	Penalty to Neither	Bonus to Higher Bonus	Neither to Bonus	Total Affected	Penalties	Bonuses	Neither	Total	Penalties	Bonuses	Neither	Total	
	----- Number of Returns (000) -----														
Loss	0	0	0	0	0	0	0	0	0	0	0	26	37	418	482
0 - 15	44	8	135	168	4	359	-143	12	131	0	466	1,228	3,515	5,210	
15 - 30	1236	349	1,688	2,309	13	5,595	-2,037	362	1,675	0	2,461	3,594	2,388	8,442	
30 - 40	1500	366	1,003	1,524	9	4,402	-1,370	375	995	0	1,921	2,414	1,083	5,418	
40 - 50	1528	437	806	1,257	16	4,043	-1,243	453	790	0	2,276	2,372	969	5,616	
50 - 60	1206	451	404	1,185	9	3,255	-855	460	395	0	1,976	2,499	770	5,245	
60 - 75	1392	1,426	477	1,693	41	5,029	-1,904	1,467	436	0	1,863	4,002	1,002	6,868	
75 - 100	2436	1,339	639	1,653	15	6,082	-1,978	1,354	624	0	2,699	3,283	684	6,666	
100 - 200	2374	971	692	1,378	1	5,416	-1,662	972	691	0	2,638	2,493	694	5,824	
200 & over	469	473	52	368	1	1,363	-525	475	50	0	721	893	59	1,673	
Total	12,185	5,821	5,896	11,535	107	35,544	-11,717	5,928	5,789	0	17,047	22,815	11,583	51,445	
	----- Changes in Penalties and Bonuses* (\$ millions) -----														
Loss	0	0	0	0	0	0	0	0	0	0	0	-27	54	0	26
0 - 15	6	2	15	22	**	46	22	23	0	46	-190	607	0	418	
15 - 30	264	106	506	498	3	1,378	827	550	0	1,378	-1,701	2,261	0	560	
30 - 40	407	204	453	378	3	1,444	987	457	0	1,444	-1,594	1,701	0	107	
40 - 50	424	404	330	314	5	1,477	1,055	423	0	1,477	-1,098	2,073	0	975	
50 - 60	465	609	230	407	2	1,711	1,148	564	0	1,711	-597	2,924	0	2,327	
60 - 75	1,236	1,984	455	1,437	27	5,139	2,845	2,294	0	5,139	-660	5,778	0	5,118	
75 - 100	2,753	1,811	720	1,680	18	6,982	4,478	2,503	0	6,982	-2,197	5,854	0	3,657	
100 - 200	2,883	1,533	893	1,769	1	7,080	4,734	2,346	0	7,080	-3,646	5,715	0	2,069	
200 & over	2,793	4,590	536	2,375	6	10,301	5,642	4,659	0	10,301	-2,611	6,232	0	3,621	
Total	11,230	11,241	4,139	8,881	65	35,557	21,738	13,819	0	35,557	-14,322	33,200	0	18,878	

NOTE: Detail may not add to totals due to rounding.

* All changes are reductions in penalties or increases in bonuses, so are shown as positive.

** Less than \$500,000.

Table 20
Income Splitting
Under Alternative Assumption 3: No Head of Household Status (All other assumptions are Standard)

(1999 law and income levels)

Adjusted Gross Income Class (000)	Couples Affected by the Proposal (Status under Current Law to Status under the Proposal)						Total Changes from Current Law in Couples With and Amounts of:				All Couples Who under the Proposal Have:			
	Penalty to Lower Penalty	Penalty to Bonus	Penalty to Neither	Bonus to Higher Bonus	Neither to Bonus	Total Affected	Penalties	Bonuses	Neither	Total	Penalties	Bonuses	Neither	Total
	----- Number of Returns (000) -----													
Loss	0	0	0	0	0	0	0	0	0	0	25	18	439	482
0 - 15	29	20	9	301	0	359	-29	20	9	0	354	1,852	3,004	5,210
15 - 30	938	715	651	3,266	25	5,595	-1,367	740	626	0	1,939	5,095	1,408	8,442
30 - 40	1,214	461	689	2,026	12	4,402	-1,150	472	677	0	1,577	3,076	764	5,418
40 - 50	908	476	988	1,661	11	4,043	-1,464	487	977	0	1,591	2,900	1,125	5,616
50 - 60	341	544	707	1,654	9	3,255	-1,251	553	699	0	881	3,255	1,110	5,245
60 - 75	323	1,647	498	2,536	25	5,029	-2,145	1,672	474	0	523	5,363	983	6,868
75 - 100	866	1,738	922	2,547	9	6,082	-2,660	1,747	914	0	1,079	4,634	954	6,666
100 - 200	1,200	1,153	885	2,177	1	5,416	-2,037	1,154	883	0	1,402	3,536	887	5,824
200 & over	185	365	25	788	**	1,363	-390	366	24	0	344	1,282	47	1,673
Total	6,003	7,120	5,374	16,956	92	35,544	-12,494	7,212	5,282	0	9,715	31,011	10,719	51,445
----- Changes in Penalties and Bonuses* (\$ millions) -----														
Loss	0	0	0	0	0	0	0	0	0	0	-15	37	0	21
0 - 15	3	6	**	36	0	46	7	37	0	46	-109	784	0	676
15 - 30	202	228	208	733	7	1,377	531	846	0	1,377	-1,404	3,357	0	1,953
30 - 40	298	309	237	597	4	1,444	736	708	0	1,444	-1,273	2,572	0	1,299
40 - 50	226	503	256	489	3	1,478	799	679	0	1,478	-710	3,433	0	2,723
50 - 60	155	676	209	670	2	1,711	774	938	0	1,711	-204	5,152	0	4,947
60 - 75	243	2,331	329	2,221	13	5,138	1,714	3,424	0	5,138	-203	9,759	0	9,557
75 - 100	878	2,315	1,082	2,699	8	6,982	3,236	3,746	0	6,982	-591	9,991	0	9,400
100 - 200	1,327	1,809	1,085	2,857	1	7,080	3,572	3,507	0	7,080	-1,165	11,109	0	9,945
200 & over	740	3,187	251	6,119	4	10,301	2,620	7,682	0	10,301	-1,124	11,944	0	10,820
Total	4,073	11,362	3,657	16,421	43	35,557	13,989	21,567	0	35,557	-6,798	58,138	0	51,341

NOTE: Detail may not add to totals due to rounding.

* All changes are reductions in penalties or increases in bonuses, so are shown as positive.

** Fewer than 500 returns or less than \$500,000.