What are marriage penalties and bonuses?

A couple incurs a marriage penalty if the two pay more income tax filing jointly as a married couple than they would pay if they were single and filed as individuals. Conversely, a couple receives a marriage bonus if they pay less tax filing jointly than they would if they were single.

CAUSES OF MARRIAGE BONUSES AND PENALTIES

Under a progressive income tax, marriage penalties and bonuses arise because the household rather than the individual is the unit of taxation. Tax provisions that phase in or out with income also produce penalties or bonuses. Couples receiving bonuses greatly outnumber those incurring penalties.

Marriage penalties and bonuses result from the combination of progressive tax rates and taxing married couples as single units. With progressive taxes (which impose higher rates on higher incomes) and tax brackets that are not twice as wide for couples as for individuals, some married couples' income is taxed at higher rates than if each spouse's income was taxed separately. The 10 and 15 percent brackets for joint filers are twice as wide as those for single filers, but the higher rate brackets are less than twice as wide. Note, moreover, that a couple is not obliged to file a joint tax return, but their alternative—filing separate returns as a married couple—almost always results in greater tax liability.

MARRIAGE PENALTIES

Couples in which spouses have similar incomes are more likely to incur marriage penalties than couples in which one spouse earns most of the income, because combining incomes in joint filing can push both spouses into higher tax brackets.

Consider parents of two children where each parent earns $100,000 and the family has itemized deductions totaling $40,000 (table 1). Filing jointly, their taxable income is $144,000, on which their 2015 income tax liability is $27,588; they would get no child credit because their combined income is too high to qualify. If they could file separately, one as single and the other as the head of a household with two children, the single filer would owe a tax of $14,794 and the head-of-household filer would owe $11,323 minus a child credit of $750, or $10,573, yielding a total tax of $25,366. Their

joint tax bill is thus $2,221 higher than the sum of their hypothetical individual tax bills, imposing on them a marriage penalty equal to 1.1 percent of their pretax income.

TABLE 1

Calculation of the Marriage Penalty for a Hypothetical Couple with Two Children

2015

Item	Couple Filing Separately[a]		Couple filing jointly
	Spouse one	Spouse two	
Adjusted gross income	$100,000	$100,000	$200,000
Less personal exemptions	$4,000	$12,000	$16,000
Less 20 percent for itemized deductions[b]	$20,000	$20,000	$40,000
Equals taxable income	$76,000	$68,000	$144,000
Of which:			
Taxable at 10 percent	$9,225	$13,150	$18,450
Taxable at 15 percent	$28,225	$37,050	$56,450
Taxable at 25 percent	$38,550	$17,800	$69,100
Taxable at 28 percent	$0	$0	$0
Regular tax liability	$14,794	$11,323	$27,588
Alternative minimum tax	$0	$0	$0
Child tax credit	$0	$750	$0
Tax liability after credits	$14,794	$10,573	$27,588
Final tax liability	**$25,366**		**$27,588**
Marriage penalty (difference in tax liabilities)		**$2,221**	
As share of adjusted gross income		**-1.1%**	

Source: Tax Policy Center calculations.
Note: Detail may not sum to totals because of rounding.
(a) When the couple files separately, spouse one files as single and spouse two as head of household with two children.
(b) Itemized deductions are state and local taxes (10 percent of AGI), mortgage interest (5 percent of AGI), and charitable contributions (5 percent of AGI).

MARRIAGE BONUSES

Couples in which one spouse earns all of the couple's income never incur a marriage penalty and almost always receive a marriage bonus because joint filing shifts the higher earner's income into a lower tax bracket.

Consider a couple with two children and $200,000 in total earnings, all earned by spouse two (table 2). Under 2015 tax law, they will receive a marriage bonus of more than $9,000 as a result of three factors. First, filing jointly, the couple can claim $16,000 in personal exemptions, a third again what they could claim if spouse two filed a head-of-household return claiming two children and spouse one filed a single return—with no earnings, spouse one could not claim an exemption. Second, because

tax brackets for joint returns (other than the 10 percent and 15 percent brackets) are wider than those for head-of-household returns, much of the couple's income is taxed at lower rates under joint filing than the 28 percent marginal rate the spouse two would pay filing separately. Finally, spouse two would fall under the alternative minimum tax (AMT) filing separately, boosting taxes by an additional $4,942. In combination, the three factors yield a marriage bonus of $9,229, or 4.6 percent of their adjusted gross income. More than half of that bonus would result from the difference in AMT liability.

TABLE 2

Calculation of the Marriage Bonus for a Hypothetical Couple with Two Children

2015

Item	Couple Filing Separately[a]		Couple filing jointly
	Spouse one	Spouse two	
Adjusted gross income	$0	$200,000	$200,000
Less personal exemptions	$4,000	$12,000	$16,000
Less 20 percent for itemized deductions[b]	$0	$40,000	$40,000
Equals taxable income	$0	$148,000	$144,000
Of which:			
Taxable at 10 percent	$0	$13,150	$18,450
Taxable at 15 percent	$0	$37,050	$56,450
Taxable at 25 percent	$0	$79,400	$69,100
Taxable at 28 percent	$0	$18,400	$0
Regular tax liability	$0	$31,875	$27,588
Alternative minimum tax	$0	$4,942	$0
Child tax credit	$0	$0	$0
Tax liability after credits	$0	$36,817	$27,588
Final tax liability	**$36,817**		**$27,588**
Marriage bonus (difference in tax liabilities)		**$9,229**	
As share of adjusted gross income		**4.6%**	

Source: Tax Policy Center calculations.
Note: Detail may not sum to totals because of rounding.
(a) When the couple files separately, spouse one files as single and spouse two as head of household with two children.
(b) Itemized deductions are state and local taxes (10 percent of AGI), mortgage interest (5 percent of AGI), and charitable contributions (5 percent of AGI).

EFFECTS OF RECENT TAX CUTS ON MARRIAGE PENALTIES

Before the 2001 tax act, married couples were already significantly more likely to receive bonuses than to pay penalties. The Congressional Budget Office (1997) estimated that 51 percent of married couples received marriage bonuses totaling

nearly $33 billion in 1996, and 42 percent incurred marriage penalties totaling almost $29 billion.

Tax legislation since 2001 has substantially reduced marriage penalties and increased marriage bonuses. That year, Congress raised the standard deduction for couples to twice that for single filers and set the income ranges for couples in the 10 and 15 percent tax brackets to twice the corresponding ranges for individuals. The 2001 tax act temporarily raised the starting point of the earned income tax credit (EITC) phaseout range for married couples by $3,000 above that for single filers. The 2009 American Recovery and Reinvestment Tax Act temporarily boosted the increase to $5,000 and indexed it for inflation, and the American Taxpayer Relief Act of 2012 extended that increase through 2017. Before the increase expired, however, the Protecting Americans from Tax Hikes Act of 2015 made the $5,000 increase for married couples permanent.

Despite the recent reductions, many aspects of the tax code perpetuate penalties. Joint filer brackets for tax rates above 15 percent are less than twice as wide as single brackets; therefore, combining income for joint filing can lead to higher tax rates. In fact, the 35 percent bracket in 2015 starts at the same income level for single and joint filers and heads of household, and thus imposes significant marriage penalties on high-income couples. In addition, income limits on some tax subsidies are less than twice as high for couples as for single filers. For example, the child tax credit starts to phase out for unmarried filers when adjusted gross income exceeds $75,000; for married couples filing jointly, the threshold is $110,000. Because that is less than twice the single filer's threshold, it can impose marriage penalties on some taxpayers. Finally, AMT parameters for couples are less than twice those for unmarried individuals. For example, the 2015 AMT exemption for joint filers is $83,400, less than twice the $53,600 exemption for single filers.

MARRIAGE PENALTIES AND THE EARNED INCOME TAX CREDIT

Taxpayers who might qualify for the EITC can suffer particularly large marriage penalties if the income of one spouse disqualifies the couple. However, marriage can increase the EITC if a nonworking parent files jointly with a low-earning worker.

Consider a couple with two children and $40,000 in total earnings, split evenly between husband and wife (table 3). Two factors will cause them to incur a marriage penalty of more than $3,000 under 2015 tax law. First, if they were not married, the wife could file as head of household with two children and the husband would file as

single. Filing In that way, their combined standard deductions would be $15,550, $2,950 more than the $12,600 standard deduction available on a joint return (although that is offset by their losing $1,250 of their combined deductions because the wife's deduction cannot reduce her taxable income below zero). At the couple's marginal tax rate of 10 percent, those effects increase their tax liability by $170 (10 percent of $1,700). Second—and more significant—filing separate returns, the wife could claim an earned income tax credit (EITC) of $5,150 and a $2,000 child credit; the husband would get neither tax credit. On net, the wife would receive a payment of $7,250 and the husband would pay $994, yielding a joint tax refund of $6,156. Filing jointly, the couple will get a smaller EITC of $2,100 plus the $2,000 child tax credit. Thus, filing jointly, the couple will receive a payment of $2,960, $3,196 less than the $6,156 they would have gotten if they could have filed separately; the $3,196 difference equals 8.0 percent of their adjusted gross income.

TABLE 3

Calculation of the Marriage Penalty for a Low-Income Hypothetical Couple with Two Children

2015

Item	Couple Filing Separately[a]		Couple filing jointly
	Spouse one	Spouse two	
Adjusted gross income	$20,000	$20,000	$40,000
Less personal exemptions	$4,000	$12,000	$16,000
Less standard deduction	$6,300	$9,250	$12,600
Equals taxable income	$9,700	$0	$11,400
Of which:			
Taxable at 10 percent	$9,225	$0	$11,400
Taxable at 15 percent	$475	$0	$0
Regular tax liability	$994	$0	$1,140
Alternative minimum tax	$0	$0	$0
Child tax credit	$0	$2,000	$2,000
Earned income tax credit (EITC)	$0	$5,150	$2,100
Tax liability after credits	$994	-$7,150	-$2,960
Couple's final tax liability	**-$6,156**		**-$2,960**
Marriage penalty (difference in tax liabilities)		**$3,196**	
As share of adjusted gross income		**8.0%**	

Source: Tax Policy Center calculations.
Note: Detail may not sum to totals because of rounding.
(a) When the couple files separately, spouse one files as single and spouse two as head of household with two children.

Marriage penalties are not confined to the tax system. Married couples often receive lower benefits from government programs than they would if they had not married.

Moreover, the interaction of a tax penalty and a program eligibility penalty can create effective marginal tax rates that approach 100 percent.

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