

Key Elements of the U.S. Tax System

What are marriage penalties and bonuses?

TAXES AND THE FAMILY

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Q. What are marriage penalties and bonuses?

A. A couple incurs a marriage penalty if the two pay more income tax filing 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 as a couple than they would if they were single.

CAUSES OF MARRIAGE BONUSES AND PENALTIES

Marriage penalties and bonuses occur because income taxes apply to a couple, not to individual spouses. Under a progressive income tax, a couple's income can be taxed more or less than that of single individuals. 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 higher tax liability. Married couples with children are more likely to incur marriage penalties than couples without children because one or both spouses could use the head of household filing status if they were able to file as singles. And tax provisions that phase in or out with income also produce marriage penalties or bonuses.

Marriage penalties are more common when spouses have similar incomes. Marriage bonuses are more common when spouses have disparate incomes. Overall, couples receiving bonuses greatly outnumber those incurring penalties.

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.

A couple with two incomes and no children, for example, could pay more taxes as a married couple if tax brackets for joint filers were less than twice as wide as for single filers. Today, that happens only for couples with income above \$600,000, but it was more common before the 2017 Tax Cuts and Jobs Act.

A couple with children can still face a marriage penalty because single parents can use the head of household filing status. Consider parents of two children, each parent earning \$100,000 (table 1). Filing jointly and taking a \$24,000 standard deduction, their taxable income is \$176,000, for which their 2018 income tax liability is \$26,819. If they could file separately, one as single and the other as the head of a household, the single filer would owe a tax of \$15,410 and the head-of-household filer would owe \$8,588, yielding a total tax of \$23,998. Their joint tax bill is thus \$2,821 higher than the sum of their hypothetical individual tax bills, imposing on them a marriage penalty equal to 1.4 percent of their adjusted gross income.

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TABLE 1

Calculation of the Marriage Penalty for a Hypothetical Couple with Two Children 2018



Item	Couple filing separately ^a		Couple filing jointly
	Spouse one	Spouse two	
Adjusted gross income	\$100,000	\$100,000	\$200,000
Standard deduction	\$12,000	\$18,000	\$24,000
Equals taxable income	\$88,000	\$82,000	\$176,000
Of which:			
Taxable at 10 percent	\$9,525	\$13,600	\$19,050
Taxable at 12 percent	\$29,175	\$38,200	\$58,350
Taxable at 22 percent	\$43,800	\$30,200	\$87,600
Taxable at 24 percent	\$5,500	\$0	\$11,000
Regular tax liability	\$15,410	\$12,588	\$30,819
Alternative minimum tax	\$0	\$0	\$0
Child tax credit	\$0	\$4,000	\$4,000
Tax liability after credits	\$15,410	\$8,588	\$26,819
Final tax liability		\$23,998	\$26,819
Marriage penalty (difference in tax liabilities)		\$2,821	
As share of adjusted gross income		1.4%	

Source: Urban-Brookings 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 BONUSES

Couples in which one spouse earns all or most of a couple's income rarely 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 2018 tax law, filing a joint return rather than having spouse two file as head of household, will yield the couple a marriage bonus of more than \$7,000 as a result of two factors. First, because tax brackets for joint returns (other than the 35 percent bracket) 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 32 percent marginal rate that spouse two would pay filing separately. Second, the couple would benefit from an increased standard deduction. Couples filing jointly receive a \$24,000 deduction in 2018, while heads of household receive \$18,000. The combination of these two factors yields a marriage bonus of \$7,719, or 3.9 percent of their adjusted gross income.

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TABLE 2

Calculation of the Marriage Bonus for a Hypothetical Couple with Two Children 2018



Item	Couple filing separately ^a		Couple filing jointly
	Spouse one	Spouse two	
Adjusted gross income	\$0	\$200,000	\$200,000
Standard deduction	\$0	\$18,000	\$24,000
Equals taxable income	\$0	\$182,000	\$176,000
Of which:			
Taxable at 10 percent	\$0	\$13,600	\$19,050
Taxable at 12 percent	\$0	\$38,200	\$58,350
Taxable at 22 percent	\$0	\$30,700	\$87,600
Taxable at 24 percent	\$0	\$75,000	\$11,000
Taxable at 32 percent	\$0	\$24,500	\$0
Regular tax liability	\$0	\$38,538	\$30,819
Alternative minimum tax	\$0	\$4,000	\$4,000
Child tax credit	\$0	\$0	\$0
Tax liability after credits	\$0	\$34,538	\$26,819
Final tax liability		\$34,538	\$26,819
Marriage bonus (difference in tax liabilities)		\$7,719	
As share of adjusted gross income		3.9%	

Source: Urban-Brookings 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.

EFFECTS OF THE TCJA ON MARRIAGE PENALTIES AND BONUSES

The 2017 Tax Cuts and Jobs Act (TCJA) limited many of the marriage penalties higher-income earners face, though penalties certainly still exist. Except for the 35 percent bracket, all tax brackets for married couples filing a joint return are now exactly double the single brackets. This limits a main cause of previous marriage penalties. It also expands the potential for marriage bonuses, as more couples find that filing together moves some income into lower tax brackets.

Additionally, the child tax credit phaseout now begins at \$400,000 for couples, again double the \$200,000 starting point of the phaseout for singles. Prior law began phasing out the credit at \$75,000 for singles and \$110,000 for couples, which could have introduced another marriage penalty for couples with children. The phaseout of the alternative minimum tax exemption is another source of marriage penalties for high-income taxpayers, because the income at which the exemption phaseout starts for couples is less than twice the starting point for singles. While this is still true under current law, TCJA increased both the alternative minimum tax exemption and the income at which it phases out, so the alternative tax will affect many fewer high-income taxpayers, singles and couples alike.

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MARRIAGE PENALTIES AND THE EARNED INCOME TAX CREDIT

Taxpayers who might qualify for the earned income tax credit (EITC) can suffer particularly large marriage penalties if one spouse's income disqualifies the couple. However, marriage can increase the EITC (a bonus) 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 spouses (table 3). Two factors will cause them to incur a marriage penalty of \$2,439 under 2018 tax law.

First, if the couple were not married, one spouse could file as head of household with two children and the other would file as single. Filing in that way, their combined standard deductions would be \$30,000, \$6,000 more than the \$24,000 standard deduction available on a joint return.

Second—and more significant—filing separate returns, the head of household could claim an EITC of \$5,434 and a \$2,825 child tax credit; the other spouse would get neither tax credit. On net, the head of household would receive a payment of \$8,059 and the other spouse would pay \$800, yielding a joint tax refund of \$7,259. Filing jointly, the couple would get a smaller EITC of \$2,420, somewhat offset by a larger child tax credit of \$4,000. Thus, filing jointly, the couple will receive a payment of \$4,820, \$2,439 less than the \$7,259 they would have if they could have filed separately; the \$2,439 difference equals 6.1 percent of their adjusted gross income.

TABLE 3

Calculation of the Marriage Penalty for a Hypothetical Low-Income Couple with Two Children 2018



Item	Couple filing separately ^a		Couple filing jointly
	Spouse one	Spouse two	
Adjusted gross income	\$20,000	\$20,000	\$40,000
Less standard deduction	\$12,000	\$18,000	\$24,000
Equals taxable income	\$8,000	\$2,000	\$16,000
Of which:			
Taxable at 10 percent	\$8,000	\$2,000	\$16,000
Regular tax liability	\$800	\$200	\$1,600
Alternative minimum tax	\$0	\$0	\$0
Child tax credit	\$0	\$2,825	\$4,000
Earned income tax credit	\$0	\$5,434	\$2,420
Tax liability after credits	\$800	-\$8,059	-\$4,820
Couple's final tax liability		-\$7,259	-\$4,820
Marriage penalty (difference in tax liabilities)		\$2,439	
As share of adjusted gross income		6.1%	

Source: Urban-Brookings 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.

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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.

Data Source

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Further Reading

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