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**IS THERE A "SINGLES TAX"?
THE RELATIVE INCOME TAX TREATMENT OF SINGLE HOUSEHOLDS***

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Abstract

The existence of a “marriage tax”, in which many married couples pay more taxes as married than combined as single individuals, is well-known. However, largely lost in the attention devoted to the treatment of married taxpayers in the income tax is the treatment of single taxpayers. A single individual faces an income tax liability that is significantly larger than a married couple with similar (combined) income and other characteristics. This paper examines the relative tax treatment of single individuals and married taxpayers, in order to quantify the magnitude of the tax difference. Various types of representative taxpayers are constructed using hypothetical information on their characteristics as singles and as married, and the difference in income taxes paid by single taxpayers and married taxpayers with similar incomes is then calculated. These calculations show that a single individual typically pays a much greater income tax liability than a married taxpayer with identical income, especially when the main transfer programs are considered. More generally, single taxpayers often face higher tax burdens than other types of similarly situated non-single taxpayers, like married couples filing separately and heads-of-households. There is therefore what might be termed a “singles tax” in the current tax structure. When incomes are adjusted by various equivalence scales this singles tax is diminished and, in many cases, reversed. Strikingly but unsurprisingly, nearly all recent Congressional proposals to reduce the marriage tax have the additional effect of increasing the singles tax, and the recently enacted *Economic Growth and Tax Relief Reconciliation Act of 2001* also continues the practice of imposing a greater tax burden on singles than on married couples.

Keywords: marriage tax/subsidy, marriage neutrality, equivalence scales.

INTRODUCTION

It is now well-known that the individual income tax in the United States is not “marriage neutral”; that is, a couple’s tax liability nearly always changes upon marriage.¹ Many couples pay more taxes as married than they pay in total as single individuals, so that they face a “marriage tax”. Many other couples receive a “marriage subsidy” because their joint taxes decline with marriage. The lack of marriage neutrality stems from conflicting goals in the design of the income tax: ensuring that families with equal income pay equal taxes, and ensuring that income is taxed at progressive rates. Pursuing both horizontal equity across families and progressive taxation necessarily implies that the additional goal of marriage neutrality cannot be achieved.²

The existence of the marriage tax has attracted enormous amounts of public attention in recent years, and eliminating or reducing the marriage tax has been a stated goal of many bills introduced in the last Congress, including the recently enacted *Economic Growth and Tax Relief Reconciliation Act of 2001*. However, largely lost in the attention devoted to the treatment of **married taxpayers** in the income tax is the treatment of **single taxpayers** in the tax. The inference that might easily be drawn from the popular discussion is that married couples who file joint returns pay more in taxes than similarly situated single individuals. However, this conclusion is quite erroneous. With rate schedules and other

¹ See, for example, Bittker (1975), Rosen (1977), and Whittington (1999).

² See Berliant and Rothstein (2001) for a formal analysis of the tradeoffs between the various normative goals of income taxation.

features of the income tax (e.g., standard deductions) that vary for married couples versus single taxpayers, a single individual faces an income tax liability that is typically much larger than a married couple with similar combined income and other characteristics. Of course, the tax structure reflects the broad desire of society to make the unit of taxation the family, not the individual. However, this differential tax treatment of singles versus married couples is present and significant. Anecdotal evidence suggests that this differential has been noticed by single taxpayers, even if it has clearly been overlooked by many others.

In this paper we examine the relative tax treatment of single individuals and married taxpayers, in order to quantify the magnitude of the tax difference. We construct various types of representative taxpayers using hypothetical information on their characteristics as singles and as married couples. We then determine the difference in income taxes paid by representative single taxpayers and by married taxpayers with similar incomes and other characteristics. Our calculations consistently demonstrate that a single individual typically faces a much greater income tax liability than a married taxpayer with identical income, especially when the main income transfer programs are considered; that is, there is what might be termed a “singles tax” in the current tax structure. More generally, single taxpayers often face higher tax burdens than all other types of similarly situated non-single taxpayers, like married couples filing separately and heads-of-households. The singles tax can be largely reduced - and even reversed - if equivalence scales are used to transform a single individual’s income to a comparable two-person household’s purchasing power, although there is some controversy surrounding the use of such scales. However, despite the presence of this singles tax, there was no consideration of this phenomenon in recent legislative proposals for marriage tax relief. In fact, nearly all recent Congressional

proposals aimed at reducing the marriage tax have the additional effect of increasing the singles tax.

The next section briefly discusses the income tax treatment of the family in the United States. The following sections present our methodology and our results. We conclude with a summary of our results, as well as with an evaluation of the impact on the singles tax of recent bills targeting a reduction in the marriage tax.

INDIVIDUAL INCOME TAXATION OVER THE YEARS

The federal individual income tax was established in 1913 with the passage of the 16th Amendment to the Constitution. In the original structure of the income tax, the individual was the unit of taxation, so that each individual was taxed on the basis of his or her own income independently of marital status. In this setting, the income tax was largely marriage neutral. The *Revenue Act of 1948* introduced income splitting for couples. Couples were now allowed to aggregate and then to divide in half their joint income in calculating their federal tax liability. In combination with progressive marginal tax rates, the introduction of income splitting created a tax reduction - a marriage subsidy - for most married couples.

The marriage tax was not widely present until the *Tax Reform Act of 1969*, which was enacted largely due to concerns on the part of single individuals about their tax burden relative to married couples (Rosen, 1977). This Act created a separate rate schedule for single individuals, which guaranteed that a single taxpayer could not pay more than 120 percent of the tax liability of a married couple with identical income. Although there was no change in the tax schedule for married couples at that time, the adoption of the singles

schedule altered the relative tax burden of married people. This gave rise to a marriage tax for many. Changes in the income tax laws since 1969 have altered the magnitude of the marriage tax, and have also maintained the marriage subsidy for many couples, especially those with a single earner. According to the U.S. General Accounting Office (1996), there are 59 provisions in the individual income tax code that contribute to a marriage tax or subsidy, and over one thousand federal laws in which benefits received or taxes paid depend in some way upon marital status.

The magnitude of the tax change with marriage is often large. Alm and Whittington (1996) estimate that the marriage tax has averaged roughly \$400 in recent years. Within this overall average, there is substantial variation. The percentage of families that pay a tax has risen to nearly 60 percent, and these families face an average marriage penalty of roughly \$1200. In contrast, the percentage of families receiving a subsidy has fallen to 30 percent, and the average subsidy for this group is \$1100.³

The income tax treatment of the family is often misunderstood, and this confusion leads to the frequent and incorrect conclusion that single taxpayers are taxed less than married couples. Understanding the **marriage tax** requires answering the question: How is a married couple taxed in comparison to the taxes the individuals in the household would pay if they were instead single? The marriage tax arises because the tax burden of the combined income of two married individuals is greater than the combined tax burdens on

³ Feenberg and Rosen (1995) generate similar estimates; Congressional Budget Office (1997) estimates suggest that a higher percentage of families receives a subsidy (51 percent) and a lower percentage pays a tax (42 percent).

their separate incomes were they not married. However, understanding the **singles tax** requires answering a related but different question: How is an individual taxed in comparison to a married couple with the same income? A single individual with identical income to a married couple pays in virtually all cases a greater amount in taxes than the couple. It is this latter circumstance that we have termed the “singles tax”.

More precisely, we define the “singles tax” as the difference in tax liability between a single individual and a married household with identical household income and other characteristics (e.g, deductions). For example, consider a single individual versus a married couple who files jointly. Denote the income of the single individual as I_S and the respective tax schedules of singles and married couples as $T_S(\bullet)$ and $T_M(\bullet)$, where each tax schedule includes the relevant rate structure and other features of the tax system (e.g., exemptions, standard or itemized deductions, tax credits, and phase-ins/phase-outs). Then the singles tax is defined as:

$$\text{Singles Tax } (I_S) = T_S(I_S) - T_M(I_S) ;$$

that is, the singles tax is the difference in tax liability between that of an individual filing as a single taxpayer and the tax liability if he or she could use the tax schedule of a married couple who files jointly.⁴

In contrast, the marriage tax/subsidy is defined as the difference between the tax liability of two individuals filing as a married couple and their combined tax liability if each filed as a single individual. The marriage tax/subsidy therefore equals

⁴ Note that we could also apply a similar definition to a single individual versus a married couple filing separately, or to a single individual versus a head-of-household.

$$\text{Marriage Tax/Subsidy} = \{T_M (I_{M1} + I_{M2}) - [T_S (I_{M1}) + T_S (I_{M2})]\},$$

where the income of individual i in the married couple is I_{Mi} ($i = 1,2$).⁵

An example may help clarify the fundamental issues surrounding the marriage tax/subsidy and the singles tax. Consider first the 2001 tax treatment of a married couple with adjusted gross income (AGI) of \$60,000 and no children. The couple is eligible for a married standard deduction of \$7600 and 2 personal exemptions of \$2900 each. If the couple files jointly, then its income tax liability is \$7172. Now assume that the income is evenly split between the partners, so that each has an individual AGI of \$30,000. If they were single taxpayers, each would have a standard deduction of \$4550 and a personal exemption of \$2900. The resulting income tax liability on each individual would be \$3383, for a combined total of \$6766. Hence, the couple faces a marriage tax because their tax liability increases by \$406 solely due to a change in their legal status as taxpayers. The existence and magnitude of the marriage tax will depend on the distribution of income across the two partners because its calculation requires comparing taxes as single versus taxes as married. This split of household income across partners is a central issue in determining the existence of a marriage tax or a marriage subsidy. If one person in this couple had most or, especially, all of the family income, then the couple would experience a reduced income tax liability - a marriage subsidy - as a result of marriage.

⁵ See Bull, Holtzblatt, Nunns, and Rebelein (1999) for a detailed discussion of various ways in which the marriage tax/subsidy can be defined.

The singles tax arises because a single individual with AGI of \$60,000 pays more taxes than a married couple with the same income. With the standard deduction for singles of \$4550 and one personal exemption of \$2900, this individual has a income tax liability of \$11,198. Recall that the married couple with identical AGI pays taxes of \$7172. The single individual therefore faces a singles tax of the difference between these tax bills, or \$4026. Note that the married tax liability used in determining the singles tax is independent of the split of marital income between the partners. We do not need to know the change in the couple's tax liability with marriage in order to calculate the singles tax, but only their tax liability as a married couple; and with horizontal equity across families due to income splitting, married couples with equal incomes face the same income tax liability regardless of the income split across partners. Note also that the singles tax is closely related to the marriage subsidy in at least one special case: when all income of the married couple is earned by one member of the couple. In this case, the marriage subsidy is identical (but of opposite sign) to the singles tax.⁶

The existence of the marriage tax or subsidy is hard to defend. Indeed, few even attempt to do so, and the reduction of marital tax burdens has been a major focus in recent Congressional legislation. Again, however, the effects of the income tax on **single taxpayers** has been largely lost in the uproar over its effects on **married taxpayers**. As we demonstrate in the following sections, these singles tax effects can be substantial.

⁶ For example, a married couple with an AGI split of \$60,000-\$0 between the two individuals faces a married tax liability of \$7172 on their AGI if they file a joint return as a married couple, and their combined tax liability as single individuals is \$11,198, so that the marriage subsidy is \$4026. This is necessarily identical in magnitude (but of opposite sign) to the singles tax faced by an individual with an AGI of \$60,000.

METHODOLOGY

We use various types of representative taxpayers to calculate the change in federal income tax liability that occurs with a change in marital status. We determine the federal income tax liability for single taxpayers and married couples filing jointly, with identical adjusted gross incomes (AGI). The difference in income taxes for singles versus married is our measure of the singles tax.⁷

Our basic calculations involve several steps. *First*, each taxpayer type is assumed to take the appropriate standard deduction and relevant number of personal exemption(s).⁸ AGI is allowed to vary between \$0 and \$350,000. Family size is assumed to be two in the case of married couples, so that a married couple is assumed to have no children. *Second*, the federal income tax liability is calculated for each taxpayer type using the 2001 tax code. Where applicable, the calculations include the Earned Income Tax Credit and other relevant tax features. *Third*, the difference in tax liability between a single taxpayer and a married household is our measure of the singles tax.

These basic calculations are modified in several ways. Following Dickert-Conlin and Houser (1998), we include in some of our calculations the main poverty transfers for which households are eligible, using federal guidelines for the federal food stamp program and Pennsylvania guidelines (as a state with a median level of transfers) for Temporary Aid to

⁷ We have also made similar singles tax calculations for other comparisons, such as a single taxpayer versus a head-of-household taxpayer (with one child), and a single taxpayer versus a married taxpayer filing separately (with no children). We focus here on the single-married filing jointly comparison. Other calculations are available upon request.

⁸ The relevant standard deductions in 2001 are \$4550 for single households, \$7600 for married couples filing jointly, \$6650 for heads of household, and \$3800 for married couples filing separately. The personal exemption is \$2900.

Needy Families (TANF) transfers.⁹ In these calculations, we assume that AGI represents earned income, and, because of the variety of special considerations regarding the calculation of food stamp benefits, we assume that each representative household receives the maximum benefits for the relevant income and family size categories.

In addition, we examine in some calculations the effects of taxpayer use of itemized deductions, rather than standard deductions, using estimates of itemized deductions by income level and filing status from 1996 Statistics of Income data, adjusted to 2001 levels by the rate of inflation over this period.

Finally, it is obvious that a single household and a married household with identical AGI are not truly equals, so that the simple difference in tax liabilities may not realistically capture a difference in effective burdens. Accordingly, we adjust taxpayer income by two alternative measures of household equivalence scales, and then recalculate the singles tax. One household equivalence scale uses a ratio of actual AGI and projected federal poverty thresholds for 1999 to determine equivalent AGI by household type (Congressional Budget Office, 1998, Table A-6). This calculation follows the federal usage of adjusted family income, defined as cash income divided by the relevant poverty threshold, to rank families using equivalence scales that underlie official government estimates of the poverty threshold for families of different sizes. A second household equivalence scale follows the recommendation of Garner et al. (1998), who treat the needs of a child as 70 percent of those of an adult. Using the government poverty-based equivalence scales, the singles tax

⁹ Both sets of eligibility requirements and schedules of benefits can be found at the State of Pennsylvania Department of Public Welfare's homepage, at www.dpw.state.pa.us.

for a single taxpayer versus a married couple with 0 children at an (unadjusted) AGI of \$30,000 is -\$155, so that there is actually a “singles subsidy”; using the Garner et al. (1998) scale, the singles taxes is -\$881. However, the identification of the appropriate household equivalence scale for welfare comparisons is difficult and controversial (Pollak and Wales, 1979; Fisher, 1987; Garner et al., 1998). Accordingly, we present some estimates of the singles tax that incorporate equivalence scales, but we rely mainly on the unadjusted singles tax in most of our discussion.

RESULTS

We focus on three basic sets of results in our discussion, all of which compare single taxpayers to married couples who file joint returns. Table 1 presents estimates of the singles tax when single individuals and married couples are assumed to use the relevant standard deduction and when married couples file jointly. These calculations ignore any possible receipt of transfer payments, and they do not adjust by any equivalence scales. Table 2 allows for the presence of food stamps and TANF, while continuing to ignore equivalence scales. Table 3 then calculates the singles tax with family income adjusted in accordance with government estimates of family equivalence scales based on poverty thresholds and still incorporating transfer payments. These results are also shown in Figures 1, 2, and 3. We have also made estimates of the singles tax under a wide range of alternative assumptions: that single taxpayers are compared to heads-of-households or married couples filing separately (with and without equivalence scales, and with and without transfers), that taxpayers itemize their deductions (again, with and without equivalence scales, and with and without transfers), and that household equivalence scales are based upon the Garner et al. (1998) approach rather than the poverty-threshold approach. The

results conveyed in Tables and Figures 1, 2, and 3 are largely unaffected by these alternative scenarios and methods.¹⁰

Table 1 clearly demonstrates that single taxpayers face a substantial singles tax. The size of this tax increases somewhat sporadically with income. For example, the increased tax burden on singles relative to married couples is only \$383 at an AGI of \$10,000 and reaches a maximum of \$7822 at an AGI of \$200,000. It then falls somewhat to roughly \$7000 at income levels above \$300,000 as the tax benefits of personal exemptions are ultimately phased out for higher income taxpayers.

It is notable that the singles tax viewed as a percent of income differs quite substantially as income rises. At an income of \$10,000, the singles tax is equal to roughly 4 percent of income, and rises to 6 percent at \$15,000. It then falls until middle income levels, where it again climbs to a high of 6.7 percent at an income of \$60,000. The singles tax as a percent of income then declines quickly as income rises, and is only 3.9 percent at an income of \$200,000 and 2.1 percent at an income of \$350,000. Thus, singles at low and especially middle incomes are differentially burdened much more than those at high income levels.

¹⁰ All results are available upon request.

The singles tax is attributable to a variety of features of the income tax that treat a single individual differently than a married couple, as well as simply to a difference in household size. For example, consider a single taxpayer versus a married couple at an AGI level of \$60,000. The basic calculation indicates a singles tax of \$4026. If the single individual is allowed to use the married standard deduction rather than the singles deduction (or \$7600 instead of \$4550), there is still a singles tax, but it falls to \$3172. If, in addition to the use of the married standard deduction, the single taxpayer is also allowed to use the married rate schedule, the singles tax becomes \$812; again, there is a singles tax, but it is now due only to the presence in the married household of an additional personal exemption whose tax benefit is \$812.¹¹

¹¹ We are grateful to Janet McCubbin for suggesting these types of examples.

The introduction of food stamps and TANF modifies these results to a significant degree (Table 2 and Figure 2). Note that eligibility for these transfers is phased out above an AGI of \$30,000, so that results are not presented above this level. Program eligibility and transfer amounts are determined by income level (and family size), so that the impact on the singles tax differs across the income level of the married household. At very low income levels consideration of transfers increases the singles tax, by a significant amount, because single person households are eligible for smaller transfers than households with an additional adult. A single person earning \$10,000 pays \$1739 more in taxes than a married couple with the same earnings (and with no children); relative to the no-transfers comparison in Table 1, this represents an increase due to transfers of \$1356 in the singles tax. The consideration of transfers generates an even larger increase in the singles tax at income levels between \$10,000 and \$15,000 due to features of married couple eligibility for food stamp benefits.¹²

¹² A married couple with an income of \$15,000 is eligible for food stamp benefits of roughly \$3000, while a single individual is not eligible; at income levels above \$20,000, neither singles nor married couples are eligible for these benefits. Note that consideration of different family sizes for the married couple significantly increases the singles tax. For example, if the married couple has 4 children, the singles tax increases by nearly \$9000 at an AGI of \$10,000.

Table 3 adjusts the married couple's AGI by the family equivalence scale implied by the poverty thresholds. Consider the calculation of the singles tax for a single individual with AGI of \$30,000 and a 2-person married couple with identical AGI. As discussed earlier, because there is an additional family member in the married couple, the couple's effective income is not comparable to that of the single individual, and is in fact lower than \$30,000 because of the additional family expenditures implied by the presence of an additional person. The single individual's AGI is therefore adjusted, or reduced, by the equivalence scale implied by the poverty thresholds. For a 2-person household the poverty-based adjustment factor applied to the single taxpayer's AGI is 0.777; that is, a single individual with AGI of 77.7 percent of the AGI of a 2-person married couple has equivalent purchasing power to the 2-person household, at least according to the poverty thresholds.¹³ Table 3 presents the singles tax when the single taxpayer's income is adjusted by this implied scale.¹⁴ Note that Table 3 calculations include the impact of transfers, and that the income levels indicated in Table 3 are the initial, or unadjusted, levels. See also Figure 3.

Not surprisingly, these adjustments substantially alter the singles tax. At lower AGI levels, singles still face a tax liability that is greater than comparable married taxpayers. However, as AGI increases beyond \$30,000, and marginal tax rates accordingly increase, the reduction in the single taxpayer's tax liability implied by the adjustment of the single's

¹³ This poverty-based adjustment factor declines at a somewhat diminishing rate with family size. For example, the adjustment factor is 0.646 for a 3-person household, 0.513 for a 4-person household, 0.436 for a 5-person household, and 0.389 for a 6-person household.

¹⁴ Instead of reducing the single taxpayer's income by the adjustment factor, we have also increased the married couple's income by the inverse of the adjustment factor. The results are similar.

income for family size generally becomes larger. Consequently, our calculations generate a singles subsidy for nearly all income levels above \$30,000; the exception is at \$60,000 where a small singles tax persists. For example, at an (initial) income level of \$100,000, the single taxpayer receives a subsidy of \$2069. The subsidy increases with income above \$100,000.

Of course, the relevant consideration here is the validity of the adjustment factors in the equivalence scales. These adjustment factors are based upon the poverty thresholds, and their application to taxpayers with income levels far in excess of these thresholds seems problematic. The use of larger factors would lead to a smaller singles subsidy and could actually restore the singles tax. Nevertheless, these poverty thresholds are widely used as equivalence scales, and there are few alternative measures that are available.¹⁵

CONCLUSIONS

Our calculations demonstrate that under the current tax code a single individual typically faces a much greater income tax liability than a similarly situated married couple. This “singles tax” tends to rise with income, at least until the various tax benefits are phased out. The incorporation of income-tested transfers generally increases the singles

¹⁵ We have calculated the adjustment factor that would be required to reduce the singles tax (or subsidy) to zero. This calculation allows the equivalence scale to vary with income level. For example, the implied adjustment factor is 0.380 at an AGI of \$30,000; that is, if the single taxpayer's income is reduced from \$30,000 to \$11,400, then the singles tax becomes zero. This implied adjustment factor increases with income level. It equals 0.708 at an AGI of \$100,000, 0.876 at an AGI of \$200,000, and 0.944 at an AGI of \$300,000.

tax at lower income levels. The adjustment of incomes by family equivalence scales necessarily reduces this singles tax, and often creates a singles subsidy.

There are a substantial number of single taxpayers who are affected by this singles tax, and in the aggregate the amount of additional taxes paid by these single taxpayers is quite large. For example, in 1996 there were about 120 million taxpayers, of whom 49 million were married taxpayers who filed joint returns and 52 million were single taxpayers.¹⁶ The average AGI of the single taxpayers was about \$20,000, so that the average singles tax from Table 1 was roughly \$900. In the aggregate, these taxpayers paid nearly \$47 billion in additional taxes relative to married taxpayers with similar characteristics.

Nevertheless, despite the obvious differences in taxes paid by single versus married taxpayers, the vast bulk of legislative (and media) attention has been devoted to the marriage tax/subsidy. In the recent 106th Congress, there were over 25 proposals designed to reduce or eliminate the marriage tax/subsidy. Many of these proposals would increase the standard deduction for married couples filing jointly to double the standard deduction for single taxpayers. Other proposals would reintroduce a secondary-earner reduction for middle income households, provide marriage tax relief for recipients of the EITC, increase the tax brackets for married couples filing jointly to double those of single taxpayers, reduce overall tax rates, or allow income splitting and separate filing for married couples. Several proposals would combine these various features into a single package. All proposals would lessen the importance of the two basic conditions that generate a

¹⁶ Of these 52 million single taxpayers, over 83 percent used the standard deduction.

marriage tax or subsidy: imposing taxes based upon household income (rather than upon individual income), and imposing taxes at marginal tax rates that vary with income (rather than that are proportional to income). As a result, all proposals would reduce the size of the marriage tax paid by many married couples, and all would also increase the marriage subsidy received by many other couples.

However, their effects on the singles tax are decidedly different. In nearly all cases, these proposals would substantially increase the size of the singles tax. Table 4 calculates the impact of several standard and generic proposals on the singles tax: an increase in the married standard deduction to double the standard deduction of a single taxpayer, the introduction of a secondary-earner deduction equal to a percentage of the earned income of the spouse with lower earnings,¹⁷ an increase of \$3000 in the phase-out of the EITC, an increase in the tax brackets of married couples to double the brackets of single taxpayers, and an overall reduction in marginal tax rates of 5 percent for all taxpayers.¹⁸ All calculations are for a single taxpayer versus a 2-person married couple, where incomes are not adjusted for family size and transfers are not considered, and all comparisons are to the current tax code.

These calculations indicate that proposals designed to aid married taxpayers often have the additional effect of further penalizing single taxpayers. For example, doubling the standard deduction for married taxpayers increases the singles tax by an amount that

¹⁷ We assume income splits of 51/49 and 75/25 percent.

¹⁸ Another approach to the marriage tax is to replace the existing income tax with a flat tax, as proposed by Rep. Arme y (R-TX). The Arme y flat tax plan consists of a 19 percent flat tax with a single taxpayer standard deduction of \$11,600, a married household filing jointly standard deduction of \$23,500, and personal exemptions of \$5,000 per person.

ranges from \$200 to \$600. More significantly, doubling the married tax brackets increases the singles tax by an amount that increases significantly with income; at AGI levels above \$70,000, the additional tax on singles always exceeds \$1000, and reaches nearly \$9000 at an AGI of \$350,000. The only reform that reduces the singles tax is an overall reduction in marginal tax rates of 5 percent. This reform reduces taxes for all taxpayers, but reduces taxes more for single than for married taxpayers.

In fact, Congress has recently passed, and President Bush has signed into law, a tax law that is intended in part to provide marriage tax relief, the *Economic Growth and Tax Relief Reconciliation Act of 2001*. This Act has a number of features. Those parts that are most relevant to the marriage tax/subsidy, and by extension to the singles tax, include an overall reduction in marginal tax rates for all taxpayers, a doubling of the married standard deduction to double that for a single taxpayer, and an elimination of the phase-out limitation for the personal exemption (and also for itemized deductions).¹⁹ Many of these features are phased in over time. For example, the new marginal tax rate brackets will not be fully phased in until 2006, the married standard deduction will finally equal twice the single standard deduction in 2009, and the phase-out limitations will be completely eliminated only in 2010.

The impact of the *Economic Growth and Tax Relief Reconciliation Act of 2001* on the singles tax is shown in Figure 4, based upon calculations that do not consider either transfers or equivalence scales. Even though the 2001 Act reduces the tax liabilities for all

¹⁹ The Act also doubles the child tax credit over ten years, and it provides for a phased increase in the top limit of the 15 percent tax bracket for married couples filing jointly to double the top limit of single taxpayers, by the year 2008.

taxpayers, it is clear from Figure 4 that the Act continues the practice of the current code in imposing a heavier tax burden on single individuals than on similarly situated married couples; that is, there is a positive and significant singles tax at all income levels. More interesting, perhaps, is the effect of the Act on the singles tax relative to the current tax code, also shown in Figure 4. Compared to the current tax code, the 2001 Act has a somewhat erratic impact on the singles tax, lowering the singles tax in some income ranges and raising it over other income ranges, due its differential impact on singles versus married couples. Especially for individuals with income above \$70,000, the Act in most cases increases the penalty imposed on single taxpayers relative to married couples.²⁰

²⁰ Alm and Whittington (2001) discuss some of the complications in efforts to reduce the marriage tax/subsidy.

It is certainly possible to eliminate (or to reduce) the marriage tax, and there are good reasons for doing so. Much of the discussion in Congress has been framed in terms of the inequities of unequal tax treatment by marital status. Even aside from these somewhat capricious inequities, there is increasing evidence that the marriage tax (and the marriage subsidy) distorts decisions in an array of dimensions.²¹ More fundamentally, the marriage tax may weaken the family as a basic societal institution, thereby leading to a range of social problems.

However, it is worth remembering that the marriage tax/subsidy exists because of the implicit decision in 1948 to make the family the unit of progressive income taxation. Pursuit of this goal of horizontal equity across families remains as valid today as then. Nevertheless, it is also worth noting that there is today an enormous, and increasing, diversity of family structures in the United States. In 1948, when the family became the de facto unit of taxation in the individual income tax, the “traditional family” was typically a single-earner household with a stay-at-home spouse. Now, two-earner families are the norm, cohabitation among opposite and same-sex couples is common, and non-marital and extra-legal joint living arrangements are widespread. These newer types of households are, by many definitions, a “family”. However, they are treated very differently, and often much less favorably, than the traditional households once envisioned by the tax code. A single individual can also be seen as a type of family, and this paper demonstrates that

²¹ For example, see Alm and Whittington (1999) and Dickert-Conlin (1999) for empirical evidence on marital decisions. For a more general survey of much of this literature, see Alm, Dickert-Conlin, and Whittington (1999) and Whittington and Alm (2000).

singles are typically penalized, often quite heavily, by the income tax.

It may well be, as many argue, that the importance of the traditional family unit still justifies favorable tax treatment. However, it may also be time to recognize that a diverse society can no longer treat one family structure so differently than others. Elimination of the family as the unit of taxation, and restoration of the individual as the unit, would eliminate the marriage tax/subsidy. It would also eliminate the singles tax.

Still, it must be recognized that moving back to the individual as the unit of taxation is also not without problems. As emphasized throughout, an important justification for the use of the family as the unit of taxation is the notion that families with equal family income (and identical characteristics) should pay equal taxes. There is no question that making the individual the unit of taxation would violate this objective of horizontal equity across families. There are also significant administrative and compliance issues from individual taxation. How would itemized deductions be split between partners? How would unearned income be split between partners? Who would claim the tax benefits from children? How would the Internal Revenue Service verify the legitimacy of these declarations? What would be the compliance costs of individual filing? Many other such issues would arise.

There are no easy choices here. It is well-known that no tax system can achieve simultaneously the goals of progressivity, marriage neutrality, and horizontal equity across families. More broadly, the current tax (and transfer) system reflects an uneasy compromise between these and many other goals, such as raising revenue, minimizing marriage (and other) disincentives, helping low-income individuals and families, reducing administrative and compliance costs, supporting the family as a social institution, and the like. It is inevitable that these goals are often conflicting. Reducing the singles tax - and

the marriage tax/subsidy - requires facing these difficult tradeoffs directly.

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Table 1.

Singles Tax: Single Taxpayer versus Married Couple Filing Jointly,
No Transfers and No Equivalence Scales ^a

Income Level	Singles Tax
0	0
5000	0
10,000	383
15,000	893
20,000	893
25,000	893
30,000	893
35,000	958
40,000	1608
45,000	2258
50,000	2908
60,000	4026
70,000	4026
80,000	4236
90,000	4536
100,000	4836
125,000	5515
150,000	5951
175,000	7410
200,000	7822
225,000	7613
250,000	7404
275,000	7196
300,000	6987
325,000	6986
350,000	7216

^a All calculations assume the use of the relevant standard deduction and the use by married couples (with no children) of the tax schedule for married couples filing a joint return.

Table 2.

Singles Tax: Single Taxpayer versus Married Couple Filing Jointly, Transfers and No Equivalence Scales ^a

Income Level	Singles Tax
0	2688
2500	2688
5000	2648
7500	1406
10,000	1739
12,500	3734
15,000	3869
17,500	893
20,000	893
22,500	893
25,000	893
27,500	893
30,000	893

^a All calculations assume the use of the relevant standard deduction and the use by married couples (with no children) of the tax schedule for married couples filing a joint return.

Table 3.

Singles Tax: Single Taxpayer versus Married Couple Filing Jointly,
Transfers and Equivalence Scales ^a

Income Level	Singles Tax
0	2688
5000	2182
10,000	1231
15,000	3367
20,000	224
25,000	57
30,000	-110
35,000	-277
40,000	-444
45,000	-549
50,000	-211
60,000	284
70,000	-340
80,000	-964
90,000	-1587
100,000	-2069

^a All calculations assume the use of the relevant standard deduction and the use by married couples (with no children) of the tax schedule for married couples filing a joint return. The proportion used to adjust the single individual's income is 0.777.

Table 4.Change in the Singles Tax from Some Marriage Tax Relief Legislation ^a

Income Level	Nature of Proposed Marriage Tax Relief				
	Double Standard Deduction	Add Secondary Earner Deduction, 51/49, 75/25	Increase EITC Phase-out by \$3000	Double Married Tax Brackets	Reduce All Marginal Tax Rates by 5 percent
0	0	0 , 0	0	0	0
5000	0	0 , 0	0	0	0
10,000	0	0 , 0	+230	0	-128
15,000	+225	0 , 0	0	0	-298
20,000	+225	0 , 0	0	0	-298
25,000	+225	0 , 0	0	0	-298
30,000	+225	0 , 0	0	0	-298
35,000	+225	0 , 0	0	0	-298
40,000	+225	0 , 0	0	0	-298
45,000	+225	0 , 0	0	0	-298
50,000	+225	+735 , +375	0	0	-298
60,000	+407	+1064 , +632	0	+182	-298
70,000	+420	0 , 0	0	+1157	-298
80,000	+420	0 , 0	0	+1157	-298
90,000	+420	0 , 0	0	+1157	-298
100,000	+420	0 , 0	0	+1157	-298
125,000	+465	0 , 0	0	+1228	-298
150,000	+465	0 , 0	0	+1813	-318
175,000	+465	0 , 0	0	+1813	-347
200,000	+540	0 , 0	0	+2823	-370
225,000	+540	0 , 0	0	+4131	-341
250,000	+540	0 , 0	0	+5439	-312
275,000	+540	0 , 0	0	+6747	-283
300,000	+540	0 , 0	0	+7163	-254
325,000	+594	0 , 0	0	+7884	-231
350,000	+594	0 , 0	0	+8784	-260

^a All calculations assume the use of the relevant standard deduction, the use by married couples (with no children) of the tax schedule for married couples filing a joint return, no transfer payments, and no equivalence scales.

Table ____.

Singles Tax: Single Taxpayer versus Married Taxpayer Filing Jointly under the *Economic Growth and Tax Relief Reconciliation Act of 2001* (No Transfers and No Equivalence Scales) ^a

Income Level	Singles Tax
0	0
5000	0
10,000	255
15,000	823
20,000	1073
25,000	1323
30,000	1418
35,000	1418
40,000	1578
45,000	2078
50,000	2578
60,000	3578
70,000	4578
80,000	4853
90,000	5081
100,000	5381
125,000	6131
150,000	6575
175,000	7151
200,000	8401
225,000	8661
250,000	8661
275,000	8661
300,000	8661
325,000	8661
350,000	8895

^a All calculations assume the use of the relevant standard deduction and the use by married couples of the tax schedule for married couples filing a joint return, without consideration of transfers and equivalence scales. Also, the calculations assume that the relevant features of the

Act are fully in place.