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# RECENT DEVELOPMENTS IN
# THE MARRIAGE TAX

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## ABSTRACT

The new tax law increases tax rates for high income individuals, and expands the earned income tax credit for low income individuals. We use a sample of actual tax returns to compute estimates of the "marriage tax" - the change in couples joint tax upon marriage - under this new law. We predict that in 1994 52 percent of American couples will pay a marriage tax, with an average of about $1,244; 38 percent will receive a subsidy averaging about $1,399. These aggregate figures mask a considerable amount of dispersion in the population. Under the new law, the marriage tax for certain low-income families can exceed $3,000 annually; for certain very high income families it can exceed $10,000 annually.

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We shouldn't disparage
Marriage.
But the IRS makes it expensive.
Getting married ought to relax you,
But it also increases the amount they tax you,
Which makes many young pairs apprehensive.

The Bible says that marriage is better than burning,
And fruitless yearning
Isn't a fun answer to this moral quandary.
So a lot of people prefer to live in
Sin
Because marriage, though desirable, has become a
financial squandery.

-- Robert N. Feinstein[1]

## 1.  Introduction

President Clinton's changes in the personal income tax,
embodied in the Omnibus Budget Reconciliation Act of 1993 (OBRA93),
will affect the tax liabilities of many Americans.  The changes at
the two extremes of the income distribution are particularly
important.  At the high end, marginal tax rates have been increased
substantially.  At the low end, there has been a major expansion of
the earned income tax credit.  The impacts of these changes on
economic behavior and tax revenues have already been the subject of
considerable attention.  (See, for example, Feldstein and Feenberg
[1993] and Browning [1993].)  One issue that has received
relatively little analysis is the impact of the new law on the tax
consequences of marriage.  There has been some press attention
given to the fact that the new law may lead to increased income tax
liabilities for couples when they marry.  The Wall Street Journal,
for example, discussed the case of a California couple who "put off
taking their wedding vows" because "marriage would cost us $7,000
or $8,000 a year."[2]  However, there has not been any systematic
discussion of how the law is actually likely to change the so-

called marriage taxes (and subsidies) for various groups in the population. In this paper we explain and document the changes in the marriage tax associated with the new tax law.

Section 2 explains more carefully what the marriage tax is, and how OBRA93 affects it for various kinds of couples. In Section 3, we use data from a sample of actual tax returns to compute estimates of the marriage tax by income class for the year 1994. We predict that 52 percent of American couples will pay an annual average marriage tax of about $1,244, and 38 percent will receive an average subsidy of about $1,399. Relative to the old law, there is not much of a change in the aggregate marriage tax. But the aggregate figures mask important differences for certain income groups. Specifically, some low-income families will face much higher marriage taxes than before. In this way, they are similar to their counterparts at the opposite end of the income scale, for some of whom the tax on being married will increase by thousands of dollars. Section 4 concludes with a summary and a discussion of some implications of the findings.

2. Background

The history of the marriage tax has been discussed carefully in a number of articles; see, for example, Brozovsky and Cataldo [1994] and Rosen [1987]. The basic source of the marriage tax is the fact that key elements of the tax law depend on an individual's family situation, including the rate schedule, the standard deduction, and the earned income tax credit. Hence, the act of getting married per se affects individuals' tax liabilities, even if their work and saving decisions stay the same. As we show

below, tax liabilities do not always increase; under some circumstances, the tax system subsidizes marriage.

We now discuss the provisions of OBRA93 that are most relevant to the calculation of marriage taxes and subsidies, and then provide some illustrations of their significance.

2.1 Rate Schedules

Like the previous law, OBRA93 has different rate schedules depending on the taxpayer's marital status. The top of Table 1 shows for 1994 the correspondence between marginal tax rates and taxable income for married couples filing joint returns (the husband and wife file together), married couples filing separate returns, single individuals, and heads of households (unmarried individuals who maintain a household that includes as a member a son, daughter, or any other person eligible to be claimed as a dependent.) Note that the breakpoints for the first two brackets on the separate return are exactly half those of their counterparts on the joint return. This means that in these brackets, a couple could at best come out even by filing separate returns. For all the filing statuses, the high end brackets are much higher than they were before 1993. Specifically, the higher bracket rate used to be 31 percent; now the maximum statutory marginal tax rate is 39.6 percent.[3]

The schedules in Table 1 suggest that, just as under previous law, it is possible for marriage to lower a couple's joint tax liability. If X has a taxable income of $30,000 and Y has no income, then if they marry, all of X's taxable income is subject to

a 15 percent rate, while before marriage, some would also be taxed at a 28 percent rate. But the possibility of tax liabilities increasing with marriage is also present. If A and B each have taxable incomes of $20,000 and file as singles, then their taxable income is taxed at a rate of 15 percent. But if they marry, then part of their income is taxed at a 28 percent rate. Hence, their joint tax liability increases with marriage.

These comparisons are somewhat misleading because they fail to take into account that couples and singles with the same Adjusted Gross Income (AGI) have different taxable incomes due to differences in the standard deductions they are allowed to take. (These differences are documented in the bottom panel of the table.) The calculations done below incorporate this information, and the qualitative result that emerges is similar--spouses with roughly equal incomes tend to pay a marriage tax, while spouses with unequal incomes tend to receive a marriage subsidy.

### 2.2   Earned Income Tax Credit

The provisions of the earned income tax credit (EITC) are noted in the middle of the Table 1. The credit is a percentage of household earnings that depends on the number of children in the family. It ranges from 7.65 percent if there are no children to 30.0 percent if there are two or more. The credit is applied to each dollar of earnings in a phase-in range, reaching a maximum at the end of this range. Then it is implicitly taxed away over a phase-out range. According to the table, for example, a family with two or more children receives a credit of $2,528 if its

earnings are between $8,525 and $11,000. The $2,528 is then phased-out over the range from $11,000 to $25,299, so that for each dollar of earnings over $11,000, the credit is reduced by 17.68 cents. Importantly, if the individual's tax liability is less than the EITC, the difference is refunded.[4]

The key point in the marriage tax context is that on a joint return, eligibility for the EITC is based on the couple's joint earnings. Hence, an unmarried individual with a child may lose part or all of the credit upon marriage. As we shall see, this can impose a relatively high burden when both spouses have low earnings but the sum of their earnings exceeds the threshold of the relevant phase-out range.

### 2.3 Standard Deduction

The standard deduction allowed on each type of return is recorded in the bottom of Table 1. Note that the standard deduction associated with two single returns is $7,600 (= 2 x $3,800); this exceeds the standard deduction on a joint return by $1,250. This difference tends to create a penalty for marrying, ceteris paribus. The penalty is even more severe when two heads of households marry; in this case, the loss of deductions amounts to $4,850 ( = 2 x $5,600 - $6,350).

### 2.4 Some Illustrations

This section illustrates how the provisions in Table 1 determine the tax consequences of marriage. These illustrations assume that all income is from earnings and every return uses the standard deduction. The only other subtraction from AGI to obtain

taxable income is the personal exemption of $2450 times the number of people on the return. (The exemption is constant regardless of filing status, although it is phased out for high income individuals; see Young [1993].) The calculations also assume that if 2-children couples split, each child is claimed as an exemption on one tax return. For the sake of comparison, we also compute what the marriage tax would have been under the old law.[5]

The results are reported in Table 2, which shows marriage taxes and subsidies for couples with various incomes under the old and new laws. Results for childless couples and couples with two children are reported separately. Negative numbers indicate that tax liabilities go down with marriage. Thus, for example, if spouse I has an income of $10,000 and spouse II has zero income, then if the couple is childless, under the new law the couple receives an annual marriage subsidy of $562. However, when both spouses earn $10,000, the couple's joint tax liability increases by $188 with marriage, again assuming that there are no children.

Taken together, the figures suggest the following observations:

a. <u>Except at the high-end of the income distribution, most childless couples face little change in the marriage tax</u>. Although the new law does introduce for the first time an EITC for childless individuals, it is phased-out at such a low income level that most of our hypothetical couples are not affected.

b. <u>For many low-income couples with children, the marriage tax is higher under the new law</u>. Indeed, for families at the

bottom end of the income distribution, the marriage taxes for two-earner families are so high that it is worthwhile to do one of the calculations in detail. Consider a two-earner family with two children. If each spouse makes $10,000 and they file a joint return, their AGI is $20,000. Subtracting the standard deduction of $6,350 and their exemptions of $9,800 (= 4 x $2,450) gives a taxable income of $3,850 and a pre-EITC tax liability of $577.50 (= .15 x $3,850). The EITC for this family is $937, leading to a net tax liability of -$359 -- the family gets a refund of $359.

Now assume that the spouses divorce, that spouse I takes one child and files as a head of household, and that spouse II does the same. Spouse I's tax calculation is as follows: AGI of $10,000 minus personal exemptions of $4,900 (= 2 x $2,450) and a standard deduction of $5,600 gives a taxable income of zero, and a pre-credit tax liability of zero. Subtracting an EITC of $2,038 leads to a tax refund of $2,038. For spouse II, the situation is the same. The sum of their tax liabilities is -4,076 (= -$2038 x 2). Comparing this to the -$359 figure if they file jointly, we get a difference of $3717, the figure in the table.[6]

The large marriage tax occurs partly because the standard deduction on a joint return is $4,850 less than the sum of the deductions on two head of household returns. In addition, the inclusion of both spouse's incomes on the joint return reduces the total EITC. As the table makes clear, the previous law was also quite "anti-family" for low-income workers with children. But by increasing the importance of the EITC, the Clinton law makes it

more so.

c. <u>The tax law provides a substantial "dowry" for an individual with no income who marries someone with income</u>. Suppose, for example, that W, who has an AGI of $50,000, is living with V, who has no income. They have no children. According to the table, if they marry, W's tax liability decreases by about $3,382. One spouse having zero income is not a necessary condition for a dowry, however. The figures indicate that marriage is subsidized as long as the spouses' incomes are sufficiently far apart.

d. <u>Conversely, the tax law penalizes marriage for couples whose incomes are relatively close</u>. Suppose G and H both have $25,000 incomes. According to the table, if they are childless and marry, their joint tax burden increases by $286. This effect becomes quite extraordinary for high income couples. If one spouse has $300,000 and the other has $150,000, their joint tax liability increases by over $12,000 if they marry. The comparable figure under previous law was only $2,554; the huge increase is a consequence of the fact that high-end marginal tax rates have been increased so much by the new law.[7]

Taken together, the results in Table 2 suggest that OBRA 93, like its predecessor, is far from marriage neutral. Some couples will experience substantial tax increases upon marriage, others substantial tax reductions. The discussion surrounding the table also indicates that the marriage tax faced by a couple depends crucially on the incomes of each of its members and on their number

of dependents, _inter alia_. Hence, in order to say anything about the actual magnitude of the marriage tax, we require estimates of the joint distribution of these variables in the population. A data set with such estimates is analyzed in the next section.

3. Simulation Results

In this section we use information from a sample of actual U.S. tax returns to calculate marriage taxes under OBRA93, and compare their magnitudes to those under the old law. The figures are generated by the Tax Simulation Model (TAXSIM) maintained by the National Bureau of Economic Research.[8] TAXSIM contains a stratified random sample of 96,589 tax returns filed in 1989. To obtain estimates for years subsequent to 1989, the data are "aged"--raised in proportion to the growth of population and income as measured in the national income and product accounts. The adjustments used to make projections from 1989 to 1994 assume 18 percent nominal per capita income growth, a rate that is consistent with Congressional Budget Office predictions of income tax revenues. Unlike the simple examples of the previous section, the tax computation allows for different tax rates on different sources of income, itemized deductions, etc. Sample weights are applied to the results on each return to obtain totals for the population as a whole.

The sample used in this study consists of all joint returns. Tax liabilities on these joint returns are calculated under both the previous law (as it would have looked in 1994) and OBRA93. Then, the joint tax liability of each couple is computed under the

assumption that a divorce occurs. Tax returns do not contain information on the division of family earnings between husbands and wives. This was imputed using data from the March 1990 Current Population Survey (CPS). For each tax return, we identified CPS records that were similar with respect to family income and number of dependents. We then allocated income on the tax return in proportion to CPS earnings.

After divorce, any itemized deductions on the return are allocated to the spouse with higher income. Members of childless couples are assumed to file as singles. For couples with children, we allocate all but one exemption to the higher-income spouse. If there is only one child, he or she is claimed by the higher-income spouse. Spouses who end up not claiming a child file as singles; otherwise they file as heads of households. This algorithm approximates a strategy of joint tax minimization. (It is computationally difficult to minimize joint tax liability exactly because deductions on certain items can be taken only when they exceed some threshold percentage of AGI.) Of course, one can imagine other reasonable algorithms for allocating exemptions and deductions between the spouses. We experimented with several others, such as allocating itemized deductions in proportion to income, and found that the qualitative results were not materially affected.

Column (1) in Table 3 shows the average marriage tax under OBRA93 by AGI class.[9] The figures in square brackets show the comparable figures for the old law. The average tax is greatest

for the highest income group ($7,451), but there is no general tendency for the tax to increase with income. The average marriage tax for the population as a whole is $124. Under the old law, in contrast, on average there was a subsidy to marriage of $143. Hence, on average, the law has gone from being slightly pro-marriage to slightly anti-marriage. The most striking differences between the old and new laws arise for the higher income group, where the average tax is $7,451, while under the old law it was a subsidy of $3,667. This difference can be attributed to the 10 percent income tax surcharge on taxable incomes in excess of $250,000 without distinction of marital status.

Of course, the averages in column (1) are over both positive and negative values of the marriage tax. As stressed in the last section, couples with about the same AGI can have marriage taxes of different magnitudes and even opposite signs; the outcome depends upon the relative incomes of the spouses, inter alia. Hence, a low marriage tax on average does not necessarily imply that the system is even approximately marriage neutral. It can just as well mean that some families have very high marriage taxes while others have very high marriage subsidies.

To investigate this possibility, we divided the sample into couples who pay a positive marriage tax and those who receive a marriage subsidy, and calculated the average tax/subsidy for each group. Column (2) of Table 3 shows the proportion of couples in each AGI group who pay a positive marriage tax, and column (3) shows the average tax paid by members of that group. Similarly,

column (4) shows the proportion who receive a marriage subsidy in each AGI group, and column (5) the average subsidy received. (In any given AGI group, the percentages in columns (2) and (4) may not add to 100 percent because the tax liabilities of some couples are approximately unchanged by marriage.)

The results in column (2) suggest that relatively few people in the very lowest income bracket are penalized by marriage. The proportion increases almost monotonically with AGI, becoming quite substantial at the high end. In the $100,000-$200,000 range, for example, 70 percent of the couples incur a tax for being married. Moreover, the column (3) results suggest that the size of this tax can be quite substantial. The average value in the $100,000-$200,000 range is $2,634, and above that it is $9,980. The figures near the bottom of columns (2) and (3) indicate that 52 percent of all couples will pay a positive marriage tax under OBRA93, and its average will be about $1,244. Relative to the old law, the percentage of the population paying a marriage tax is just about the same, but the magnitude of the tax is about $350 higher under the new law.

The figures in columns (4) and (5) indicate that under OBRA93, about 38 percent of the couples will receive a marriage subsidy, and the average value of this subsidy will be about $1,399. Under the old law, the conditional subsidy was about $1,577.

A thought suggested by our discussion so far is that under both the old and new laws the dispersion of the marriage tax is substantial. To get a handle on this issue, we computed the

standard deviation of the marriage tax for all returns within each AGI bracket. The results are reported in column (6) of Table 3. The first thing to note about these numbers is that they are large relative to the size of the average marriage tax. For example, for the sample as a whole, the standard deviation of $1,579 is more than 10 times the average value of $124. Second, OBRA93 has decreased the dispersion of the marriage tax somewhat -- the standard deviation under the previous law was $1978.

One possible problem with these results arises from the nature of the sample, which consists of only joint returns. Such a sample allows us to learn about the tax consequences of a divorce for already married couples, but the tax consequences of marriage for unmarried persons are missing from the picture. Attempts to simulate the tax consequences of marriage for the unmarried come up against the difficulty of choosing a potential mate for each single person. As far as we know, no representative dataset includes information on this subject. However, we found one database that may allow us to glean at least some insights, the National Longitudinal Survey Mother-Child database. For each individual in the sample, the survey reports whether she has a spouse or a "partner". The universe is mothers aged 25 to 33 in 1990, but the income information is for 1989. The income information is much less rich than in TAXSIM -- all that is available is wages (including military pay) and self-employment income. There are no data on dividends and interest, but we would not expect capital to be an important component of income for this sample.

Our goal is to compare the consequences of marriage on the joint tax liabilities of cohabiting couples with the tax consequences of divorce for married couples. To make the results as comparable as possible to those in Table 3, we "aged" the data to 1994 levels, and applied the 1994 tax law.[10] The results are reported in Table 4. The first three lines of the table provide some summary information about the married and cohabiting samples. There are many more married than cohabiting couples in the data, and the married couples have substantially higher joint incomes -- $49,840 versus $31,422. The mean marriage tax for the married couples is $556; the mean tax that the cohabiting couples would face if they married is $229. However, the differences are not statistically significant.

The percentage of the cohabiting couples who would face a marriage tax (38 percent) is low relative to that of married couples (62 percent). The difference is not attributable to the fact that the cohabiting couples are more likely to face marriage subsidies; 34 percent of the married face a subsidy versus 37 percent for the cohabitors. Rather, the difference arises because so many of the cohabitors face no marriage tax at all. This is due to the fact that many are on welfare, and have zero AGIs. Interestingly, conditional on facing a marriage tax or subsidy, the magnitudes are roughly similar for the two groups -- the conditional mean marriage taxes differ by only $133, and the conditional mean subsidies by $284. Taking this fact together with the observation that the incidence of cohabiting couples is

relatively quite small in the population, we tentatively conclude that ignoring cohabiting couples does not substantially bias our results. But clearly this is an issue that warrants further research.

4. Conclusion

The changes in the rate schedules and earned income tax credit embodied in the new tax law have implications for the tax consequences of marriage. On average, the income tax now imposes a mild tax on marriage of $124, while under the previous law there was a small subsidy of $143. However, the small average figure conceals the fact that some families will be paying substantial taxes or receiving substantial subsidies for being married. In 1994, about 52 percent of U.S. families will pay an average marriage tax of $1,244. This corresponds to a total of about $33 billion. At the same time, about 38 percent of the families will receive a marriage subsidy averaging $1,399 per family; the aggregate amount will be about $27 billion.

Our results lead naturally to the question of whether the new marriage tax will affect people's behavior.[11]   As we showed earlier, at least for some low income couples, the size of the marriage tax is now quite extraordinary, amounting to over 18 percent of total income. An interesting topic for future research will be to see if the incidence of joint filing diminishes in this group. In this context, it is important to note that a reduction in joint filing is not the same thing as a reduction in marriage. It is costly and difficult for the Internal Revenue Service to

learn about taxpayers' family situations. One possible response to huge marriage taxes may be that taxpayers will simply not reveal to the I.R.S. that they are married.

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**ENDNOTES**

1.   This poem is from a collection entitled Son of an Oyster, Orchises Press:   Alexandria, Virgnina, 1989.

2.   January 11, 1994, p. A5.

3.   Actual marginal tax rates may be higher due to the personal exemption and itemized deduction phaseouts, and due to the 1.45 percent payroll tax for health insurance.   See Young [1993].

4.   For further analysis of the EITC, see Scholz [1993] and Browning [1993].   OBRA93 substantially increased the EITC.   Under previous law, for example, the maximum credit for a family with two children would have been only $2,015, as opposed to the $2,528 in the table.

5.   By the "old law" we mean the 1992 law as it would have looked in 1994 after the bracket widths, standard deductions and personal exemptions were indexed for inflation in the intervening years.

6.   More extreme cases can be illustrated, but they probably correspond to unlikely family situations.   For example, consider two individuals each of whom has two children and each of whom earns $13,616.   The marriage tax in this case is $5,875, about 21 percent of pre-tax income.

7.   For these very high income couples, the marriage tax is independent of the number of children because all the personal exemptions are phased out.

8.   Feenberg and Coutts [1993] provide a detailed discussion of TAXSIM.

9.   The totals in the table include those few returns with negative AGI, but these are not presented in the table.

10.   In the absence of information on itemized deductions, we assume that all returns used a standard deduction.

11.   As is the case with any tax, to the extent the marriage tax distorts behavior, it induces a welfare loss that exceeds revenues collected.

## TABLE 1
## TAX PARAMETERS FOR 1994[*]

### Rate Schedules

### Taxable Income

| Marginal Tax Rate | Joint | Separate | Single | Head of Household |
|---|---|---|---|---|
| 15% | $0 - 38,000 | $0 - 19,000 | $0 - 22,750 | $0 - 30,500 |
| 28% | 38,000-91,850 | 19,000-45,925 | 22,750-55,100 | 30,500-78,700 |
| 31% | 91,850-140,000 | 45,925-70,000 | 55,100-115,000 | 78,700-127,500 |
| 36% | 140,000-250,000 | 70,000-125,000 | 115,000-250,000 | 127,500-250,000 |
| 39.6% | 250,000- | 125,000- | 250,000- | 250,000- |

### Earned Income Tax Credit

| | Rate | Phase-In Range | Maximum | Phase-Out Range |
|---|---|---|---|---|
| No Children | 7.65 | $0-4,000 | $306 | $5,000-9,000 |
| One Child | 26.3 | $0-7,750 | $2,038 | $11,000-23,755 |
| Two or More Children | 30.0 | $0-8,525 | $2,528 | $11,000-25,299 |

### Standard Deduction

| Joint | Separate | Single | Head of Household |
|---|---|---|---|
| $6,350 | $3,175 | $3,800 | $5,600 |

[*]Source:  Young [1993, pp. 111, 113].  The personal exemption is $2,450 regardless of filing status.

## TABLE 2

## MARRIAGE TAXES AND SUBSIDIES FOR HYPOTHETICAL COUPLES[*]

| Spouse I's Earnings | Spouse II's Earnings | Childless | | Two Children | |
|---|---|---|---|---|---|
| | | Old Law | New Law | Old Law | New Law |
| $ 10,000 | $ 0 | $ -562 | -562 | 161 | -490 |
| 10,000 | 2,000 | -440 | -287 | 299 | 213 |
| 10,000 | 4,000 | -150 | 156 | 991 | 1092 |
| 10,000 | 6,000 | 150 | 379 | 1804 | 1972 |
| 10,000 | 8,000 | 188 | 264 | 2802 | 3063 |
| 10,000 | 10,000 | 188 | 188 | 3354 | 3717 |
| 25,000 | 0 | -750 | -750 | -848 | -1171 |
| 25,000 | 5,000 | -306 | -306 | 1052 | 947 |
| 25,000 | 10,000 | 188 | 188 | 2506 | 2690 |
| 25,000 | 15,000 | 188 | 188 | 2201 | 2125 |
| 25,000 | 20,000 | 188 | 188 | 1379 | 786 |
| 25,000 | 25,000 | 286 | 286 | 727 | 727 |
| 50,000 | 0 | -3382 | -3382 | -2018 | -2018 |
| 50,000 | 10,000 | -1144 | -1144 | 2281 | 2281 |
| 50,000 | 20,000 | 156 | 156 | 1618 | 1618 |
| 50,000 | 30,000 | 1326 | 1326 | 2418 | 2418 |
| 50,000 | 40,000 | 1326 | 1326 | 4218 | 4218 |
| 50,000 | 50,000 | 1326 | 1326 | 4348 | 4348 |
| 300,000 | 0 | -1907 | -5345 | 366 | -2292 |
| 300,000 | 50,000 | 2333 | 5163 | 6803 | 10413 |
| 300,000 | 100,000 | 2674 | 9804 | 7979 | 15889 |
| 300,000 | 150,000 | 2552 | 12525 | 7858 | 19448 |
| 300,000 | 200,000 | 2393 | 14149 | 7750 | 20543 |
| 300,000 | 250,000 | 1914 | 15861 | 6643 | 21637 |
| 300,000 | 300,000 | 1914 | 15521 | 6460 | 21627 |

[*]Positive numbers are taxes; negative numbers are subsidies. All figures are in 1994 dollars.

**TABLE 3**
**THE MARRIAGE TAX BY INCOME CLASS (1994)***
[Figures in brackets are for the pre-1993 law.]

| AGI Class | (1) Average Tax | (2) %Tax>0 | (3) Average Pos Tax | (4) %Tax<0 | (5) Average Neg Tax | (6) S.D. of Tax |
|---|---|---|---|---|---|---|
| <$10K | -$59 [32] | 15% [18] | 278 [158] | 23% [20] | -$440 [-309] | $593 [521] |
| 10-20K | 46 [33] | 53 [54] | 409 [371] | 36 [36] | -467 [-471] | 578 [529] |
| 20-30K | 217 [-18] | 57 [53] | 807 [438] | 40 [43] | -599 [-581] | 953 [641] |
| 30-40K | 149 [2] | 61 [59] | 699 [479] | 35 [36] | -799 [-773] | 913 [747] |
| 40-50K | -225 [-240] | 49 [47] | 587 [556] | 43 [44] | -1183 [-1134] | 1128 [1091] |
| 50-75K | -366 [-388] | 47 [47] | 1012 [999] | 47 [46] | -1806 [-1750] | 1800 [1757] |
| 75-100K | 73 [47] | 65 [65] | 1570 [1519] | 35 [35] | -2745 [-2707] | 2537 [2486] |
| 100-200K | 657 [503] | 70 [71] | 2634 [2236] | 29 [29] | -4073 [-3829] | 3928 [3444] |
| >200K | 7451 [-3667] | 86 [66] | 9980 [3827] | 12 [34] | -9157 [18241] | 10815 [38694] |
| Mean | $124 [-143] | 52% [51] | $1244 [898] | 38% [38] | -$1399 [-1577] | $1579** [1978] |
| Total | $6.4b [-7.4b] | - | $33.b [23.b] | - | -$27b [-31b] | - |

*Calculations are based on the TAXISM model and are explained in the text. Column (1) shows the average marriage tax over all couples. Column (2) shows the percentage of couples that incur a positive marriage tax, and column (3) shows the average tax, conditional on being positive. Similarly, column (4) shows the percentage of couples that receive a subsidy, and column (5) shows the average subsidy. Column (6) shows the standard deviation of the marriage tax within the income class.

**Standard deviation for the sample as a whole, not the average of the standard deviations for each income group.

## TABLE 4

### MARRIAGE TAX IN THE NLSY MOTHER-CHILD DATA[*]

|  | Married | Cohabiting |
|---|---|---|
| Number of Observations | 1448 | 139 |
| Mother's Income | $11,970 (11,000) | $9,275 (8,240) |
| Spouse/Partner's Income | $37,870 (23,113) | $22,147 (11,645) |
| Mean Marriage Tax | $556 (1,319) | $229 (858) |
| Subsample with Positive Marriage Tax |  |  |
| Percent of Population | 62% | 38% |
| Mean Marriage Tax in Subsample | $1,413 (904) | $1,280 (716) |
| Subsample with Negative Marriage Tax |  |  |
| Percent of Population | 34% | 37% |
| Mean Marriage Tax in Subsample | -$992 (426) | -$708 (148) |

[*]Figures in parentheses are standard deviations.