

CTJ Releases Distributional Analysis of GOP/Dems Marriage Penalty Bills

On Feb. 10, the House passed GOP-sponsored legislation to reduce the “marriage penalty,” the extra income taxes that a married couple pays compared to a similar income couple living outside of marriage. It rejected a Democratic alternative.

Effective in 2001, the House-passed plan would slightly boost the earned-income tax credit for couples and raise the married standard deduction to double the single amount. In addition, and most notably, the plan would increase the starting point for the 28 percent tax bracket for couples to double the single level.

Although the 28 percent bracket change does not start phasing in until 2003, does not become fully effective until 2008 and only affects the one in three couples now in tax brackets higher than 15 percent, it represents the lion’s share of the \$182 billion ten-year cost of the overall plan, according to the Joint Committee on Taxation.

A distributional analysis of the GOP plan released today by Citizens for Tax Justice shows that when all of its provisions are fully in place, two-thirds of its annual tax cuts will go to couples making more than \$75,000 a year (in 1999 dollars). The average tax reduction for couples making more than \$75,000 would be \$994 a year, compared to a \$149 average tax cut for couples making less than \$50,000.

House Democrats offered an \$89 billion (over ten years) plan that offered similar standard deduction and earned income tax credit boosts for couples, but eschewed raising the starting point for the 28% bracket.

Some commentators have pointed out that marriage penalty relief need not require shifting taxes away from the better off or reduce overall revenues. As Robert S. McIntyre and Michael J. McIntyre explain in the Summer 1999 Valparaiso University Law Review, distributional shifts and revenue losses can be avoided by cutting taxes slightly on married couples and raising taxes slightly on singles. Specifically, the article outlines a revenue-neutral plan that entails very minimal tax shifts—the typical married couple gets a tax cut of \$117 a year while the typical single person pays \$67 more—yet eliminates most marriage penalties for couples across the income spectrum.

“The GOP’s marriage penalty relief plan has some admirable features, notably that it doesn’t treat couples differently based on the share of a family’s income each spouse happens to earn,” said Citizens for Tax Justice director Robert S. McIntyre. “But like most previous recent efforts in the House, the GOP plan continues to conflate marriage penalty relief with tax cuts for the well off. The Democratic plan avoid costly upper-income tax cuts, but does less to solve the marriage penalty.”

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Effects of the 2000 House GOP Marriage Penalty Relief Bill

Income Group (\$-000)	# of joint returns (000)	% of joint returns	Tax Cuts, \$-billions			Average Tax Cuts			% of Total Tax Cuts		
			Standard Deduction & EITC	28% Bracket Start	All	Standard Deduction & EITC	28% Bracket Start	All	Standard Deduction & EITC	28% Bracket Start	All
<\$10K	1,357	2.5%	\$ -0.0	\$ —	\$ -0.0	\$ -11	\$ —	\$ -11	0.2%	—	0.1%
\$10-20K	4,566	8.4%	-0.5	—	-0.5	-110	—	-110	8.0%	—	2.0%
\$20-30K	6,304	11.5%	-1.2	—	-1.2	-193	—	-193	19.5%	—	5.0%
\$30-40K	6,227	11.4%	-1.0	—	-1.0	-163	—	-163	16.3%	—	4.1%
\$40-50K	6,286	11.5%	-0.9	—	-0.9	-147	—	-147	14.8%	—	3.8%
\$50-75K	13,274	24.3%	-1.6	-2.9	-4.6	-123	-219	-343	26.2%	15.9%	18.5%
\$75-100K	7,184	13.1%	-0.6	-6.6	-7.2	-85	-918	-1,003	9.8%	36.0%	29.4%
\$100-200K	6,893	12.6%	-0.3	-6.7	-7.0	-38	-978	-1,016	4.1%	36.8%	28.5%
\$200K+	2,349	4.3%	-0.1	-2.1	-2.1	-24	-875	-899	0.9%	11.2%	8.6%
ALL	54,632	100.0%	\$ -6.2	\$ -18.3	\$ -24.6	\$ -114	\$ -335	\$ -449	100.0%	100.0%	100.0%
<\$50K	24,740	45.3%	-3.7	—	-3.7	-149	—	-149	58.9%	—	15.0%
\$75K +	16,426	30.1%	-0.9	-15.4	-16.3	-56	-937	-994	14.8%	84.1%	66.5%

Figures show the effects of the bill fully phased in at 1999 income levels. The changes in the standard deduction and earned-income tax credit for couples would take effect in calendar 2001. The changes in the starting point for the 28% tax bracket for couples would be phased in starting in calendar 2003 and finishing in calendar 2008. Totals exclude \$0.6 billion in tax cuts for married persons filing separate returns.

Source: Institute on Taxation and Economic Policy Tax Model, Feb. 1, 2000.

Effects of the 2000 House Democratic Marriage Penalty Relief Bill

Income Group (\$-000)	# of joint returns (000)	% of joint returns	Tax Cuts, \$-billions	Average Tax Cuts	% of Total Tax Cuts
<\$10K	1,357	2.5%	\$ -0.0	\$ -13	0.3%
\$10-20K	4,566	8.4%	-0.6	-125	8.8%
\$20-30K	6,304	11.5%	-1.4	-216	20.9%
\$30-40K	6,227	11.4%	-1.1	-171	16.3%
\$40-50K	6,286	11.5%	-0.9	-148	14.3%
\$50-75K	13,274	24.3%	-1.6	-124	25.2%
\$75-100K	7,184	13.1%	-0.6	-85	9.4%
\$100-200K	6,893	12.6%	-0.3	-38	4.0%
\$200K+	2,349	4.3%	-0.1	-24	0.9%
ALL	54,632	100.0%	\$ -6.5	\$ -119	100.0%
<\$50K	24,740	45.3%	-3.9	-160	60.6%
\$75K +	16,426	30.1%	-0.9	-56	14.2%

Figures show the effects of the bill fully phased in at 1999 income levels. The changes in the standard deduction and earned-income tax credit for couples would take effect in calendar 2001 and 2002. Totals exclude \$0.2 billion in tax cuts for married persons filing separate returns.

Source: Institute on Taxation & Economic Policy Tax Model, 2/9/00.