



The Financial Consequences of Marriage for Cohabiting Couples with Children

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Research consistently shows that married adults are emotionally and physically healthier and economically more secure than unmarried adults (Waite and Gallagher 2000; Sawhill 2014). Children living with their married parents fare better on a host of indicators and outcomes than children in any other living arrangement (McLanahan and Sandefur 1994). Family structure is the most important predictor of economic mobility—children who grow up with married parents fare best (Chetty et al. 2014).

But marriage appears to be in decline, particularly among lower-income couples (Sawhill 2014). Lower marriage rates result in more children born out of wedlock and living in less stable situations than in past decades. Sawhill (2014) estimated that if marriage rates returned to pre-1970s levels, the rate of child poverty today would fall by 20 percent, assuming the current relationship between parents' marital status and poverty is unchanged.

Though the benefits associated with marriage are not purely a function of whether a couple opts to marry, the government—with little success—has tried many initiatives to promote marriage. Rather than marrying, many young couples (particularly those with fewer resources) are choosing to cohabit (Copen, Daniels, and Mosher 2013).

Cohabitation and marriage are not equivalent. On average, cohabiting couples with children have lower incomes than their married counterparts. This difference in income reflects that the mother's age and education as well as the father's employment status are generally lower in cohabiting-couple families than in married-couple families (Acs and Nelson 2004). Cohabitors eventually split households more than married couples (Musick and Michelmore 2014).

Though marriage may not be an automatic path to success, government policies should not tilt the scales in favor of cohabitation. In fact, the tax and transfer system imposes substantial financial penalties on some married couples, at least in the short term. Couples in which both partners earn similar amounts often face higher tax bills and, in some cases, reduced public assistance benefits if they marry. In contrast, couples with disparate earnings may enjoy a marriage bonus, as they typically owe less tax if married than they would as two unmarried individuals (Congressional Budget Office 1997). Whether a cohabiting couple would experience a marriage penalty or a marriage bonus depends on the specific socioeconomic circumstances of that couple, their relative earnings, and the tax and transfer policies and practices of the state in which the couple resides.

This brief examines the size of marriage penalties and bonuses that low- and moderate-income cohabiting couples with children would face if they were to marry. We focus on cohabiting couples with children for several reasons: (1) living arrangements are particularly important for child well-being; (2) there is no need to consider the savings associated with combining households because cohabiting couples already share living arrangements; (3) married couples may have modified their work behavior in response to economic incentives; and (4) transfer programs and the earned income tax credit (EITC) target lower-income families. To ground our analysis, we use data from the 2006–2010 National Survey of Family Growth to develop representative examples of low- and moderate-income cohabiting couples with children. We then consider how those couples' disposable income would change if they were to marry.

The extent to which married couples would potentially incur tax and transfer program penalties and bonuses if they divorced is too complex and varying to summarize here. It can be unclear what resources would belong to which partner and with whom children would live the most (a requirement for several child tax benefits), after a divorce. The answer to how many couples in these situations face penalties or bonuses will always be somewhat speculative. However, we can more reliably calculate penalties and bonuses for cohabiters. Analyzing the penalties and bonuses cohabiting couples face allows us to look at couples who have demonstrated some level of commitment to each other and may be deciding whether to marry. The couple already benefits from the savings associated with combining two households, which allows the analysis to ignore issues related to combining households and focus instead on the costs and savings in taxes and transfer benefits.

We find that our representative cohabiting couples with very low incomes would enjoy marriage bonuses if the higher earner claimed both children for tax purposes because they qualify for larger tax credits that phase in as income rises; in the prototypical couple we analyze, where both partners have equivalent earnings, they would qualify for a higher EITC as a married couple than as an unmarried couple if one partner claimed both children for tax purposes. They would owe a marriage penalty if each partner in the couple claimed one child before marriage. Couples with more moderate incomes (\$40,000 to \$50,000) would typically face stiff penalties if they married, regardless of whether the children were split between households before marriage. The size of bonuses and penalties varies across states because of variations in state tax policies and the rules governing some public assistance programs.

Causes of Marriage Penalties and Bonuses

Provisions in the federal income tax code that treat married couples as one tax unit and cohabiting couples as two tax units create marriage penalties and bonuses. Some married couples owe more tax than they would if they were unmarried and thus incur a marriage penalty. Other married couples pay less than they would if they had remained single and thus reap a marriage bonus. Transfer programs can also impose marriage penalties or generate bonuses, depending on whether they consider marital status in computing benefits. For example, all members of a household who share expenses for food are considered together to determine eligibility and benefits under the Supplemental Nutrition Assistance Program (SNAP), so marital status has no effect on benefits if a cohabiting couple shares food expenses. In contrast, eligibility and benefits under the Temporary Assistance for Needy Families (TANF) program may vary by marital status, depending on the state and the relationship between adults and children in the household, and thus may or may not generate marriage penalties and benefits.

Many factors influence a cohabiting couple's decision regarding marriage, many of which are not financial in nature. Still, policymakers may be concerned about policies that treat similarly situated couples differently based on whether they marry. Some research has found that marriage penalties resulting from the federal income tax system are associated with a reduction in the likelihood of marriage, though the effects are often small (Whittington and Alm 2003).

The EITC is an example of a tax program that can impose marriage penalties and provide marriage bonuses. If two unmarried parents with modest earnings marry, the adults could go from receiving a relatively large subsidy from the EITC (from one parent) to qualifying for a much smaller EITC or having too much income to qualify for any EITC. This situation also occurs when two cohabiters each have children who qualify them for separate EITCs. The subsidy rate for the first qualifying child is 34 percent. The subsidy rate rises by 6 percentage points if there is a second child and another 5 percentage points if there is a third child. Two filers can go from each receiving a 34 percent subsidy for each having one child to receiving a combined 40 percent subsidy when their two tax units combine to form one tax unit with two children, lowering their total subsidy.

In contrast, some couples receive marriage bonuses from the EITC. For example, when a parent with very little income (qualifying for only a small EITC) marries someone with modest earnings and no custodial children, the spouse's additional earnings can increase the EITC.

Transfer programs can impose marriage penalties if a cohabiting partner's income is not being counted when determining benefits for the other partner and children. Marriage would cause the family unit's countable income to rise, often resulting in a loss of transfer income. However, if the cohabiting partner has little to no income and cannot qualify for transfer benefits on his own (perhaps because he has no children), it is possible that transfer benefits could rise when the couple marries as the larger family demonstrates greater need, leading to a marriage bonus.

Most research on tax penalties and bonuses for married and cohabiting couples predates the 2001 Economic Growth and Tax Relief Reconciliation Act, which reduced or eliminated penalties for many people (see, e.g., Congressional Budget Office 1997). The act did not remove all marriage penalties or bonuses, nor has subsequent legislation. The most recent work attempting to identify the proportion of cohabiting

couples facing penalties and bonuses was performed at the IRS. Looking at tax returns of people who appeared to be cohabiting in 2007 and married in 2008, analysts found that the majority of cohabiting couples would owe different amounts of taxes as a married couple than if they had remained unmarried: 48 percent would owe more in federal income taxes, and 38 percent would owe less in federal income taxes (Lin and Tong 2012). Notably, these observations do not represent the universe of all cohabiters, as only those who married in 2008 are included in the sample. Other cohabiters in subsequent years could opt to marry, decide to cohabit indefinitely, or separate without ever marrying. The Lin and Tong (2012) analysis applied to people at all income levels. A more granular approach was taken in Acs and Maag (2005), who looked only at low-income cohabiters with children and considered both the tax and transfer systems. Their analysis found that only 10.5 percent of low-income cohabiting couples with children (a subset of those considered in the IRS study) would face a marriage penalty in 2008, and nearly half would receive a marriage bonus. The greater prevalence of bonuses stemmed from the fact that cohabiting partners tended to have vastly different earnings.

Who Cohabiting Couples Are

Unlike the Lin and Tong (2012) and Acs and Maag (2005) studies, this study does not use data on actual cohabiting couples.¹ We instead draw on data from the 2006–2010 National Survey of Family Growth to identify characteristics of low- and moderate-income cohabiting couples with children. Using those data, we construct six hypothetical couples and examine the marriage penalties and bonuses those couples would face. For the main part of our report, we presume that all couples follow all rules associated with the tax and transfer programs, and that the higher-earning parent claims all children for tax purposes. We follow up with a brief section discussing the implications of misreporting living arrangements to transfer programs and splitting children between parents for tax purposes, which also provides insights into couples who live in separate homes rather than cohabit.

According to our tabulations from the National Survey of Family Growth, very low income cohabiting couples with children tend to have only one earner. Of households with earnings between \$0 and \$14,999, about 60 percent had the lower earner earn less than one-fifth of total household earnings. As household earnings rise, it becomes more likely there will be more than one earner in the household. Of households with higher earnings, 30 to 40 percent had the lower earner contributing less than one-fifth of total household earnings. For example, of households with earnings between \$30,000 and \$50,000, only 35 percent had the lower earner contributing less than one-fifth of total household earnings.

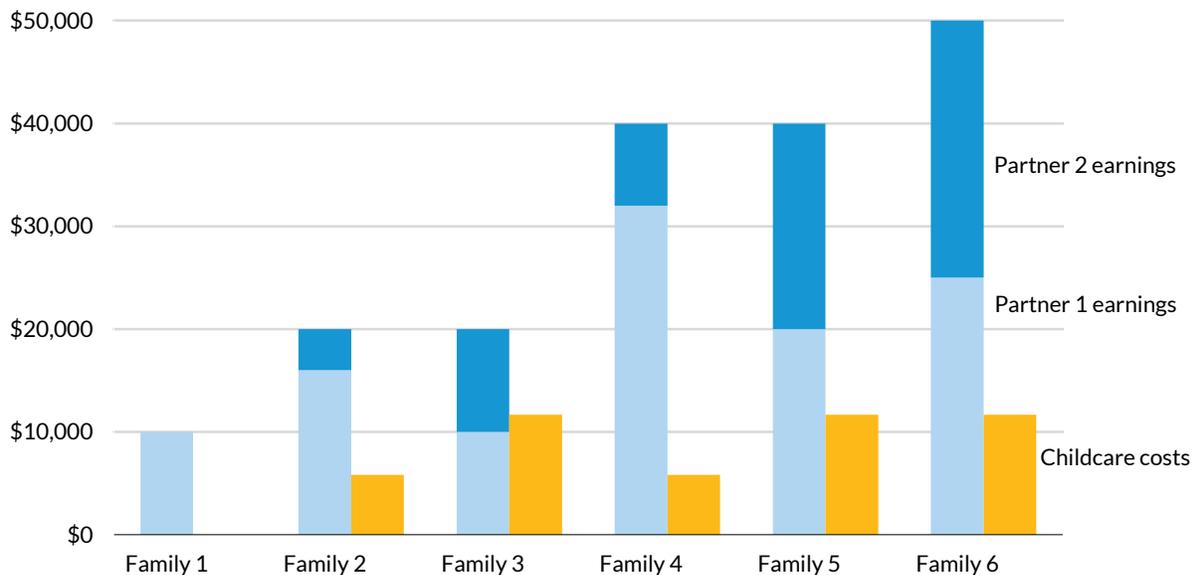
Regardless of income, cohabiting couples with children had an average of two children. About 65 percent of couples had at least one residing child who was a biological child of both partners. About 50 percent of couples had at least one residing child who was a biological child of only one partner or neither partner. Biological relatedness between residing children and cohabiting partners did not show a clear relationship with the income of the household.

Based on those data, we construct six hypothetical low- and moderate-income cohabiting couples (figure 1). All the couples have two children (ages 3 and 6) who are the biological children of both the adult partners. We consider couples at four earnings levels (\$10,000, \$20,000, \$40,000, and \$50,000) with some variation in the distribution of earnings across the partners. Couple 1 has total earnings of \$10,000, and all

the earnings are from one partner because very low income couples tend to have only a single earner. Couples 2 and 3 both have \$20,000 in total earnings; for couple 2, we attribute 80 percent to the first partner and 20 percent to the second partner; for couple 3, the earnings are split evenly. Couples 4 and 5 both have \$40,000 in total earnings, with couple 4 having an 80–20 split and couple 5 having an even split. At these earnings levels, both partners tend to have some earnings, although it is not uncommon for one partner to be a significantly higher earner. Finally, couple 6 earns \$50,000 (about twice the federal poverty level) and their earnings are split evenly. All couples are assumed to comply with tax and transfer rules and to report the same information to benefit programs that they report on their tax form. Consistent with what previous analysis has reported, when couples are cohabiting, the higher income parent tends to claim both children for tax purposes while the second parent claims no children for tax purposes (Lin and Tong 2012).

FIGURE 1

Sample Families



Note: Each sample family has two children ages 3 and 6, pays \$9,000 annually in rent. All workers earn \$10 an hour every week of the year and each worker has the same numbers of hours each week. The families have no assets or vehicles. The partner with the higher earnings claims both children for tax purposes.

How Federal and State Income Taxes and Transfer Programs Create Marriage Penalties and Bonuses

To assess the financial implications of marriage for our six hypothetical cohabiting couples with children, we use the Urban Institute’s net income change calculator (NICC)—, an online tool that allows users to examine how federal and state taxes and transfer programs affect families’ disposable incomes. For our purposes, we examined how disposable income for our hypothetical families would change if we altered the parents’ marital status. The calculator relies on some simplifying assumptions. Users may indicate whether children in the household are related to one or both parents, but all children in the household must have the same

relationship to all adults in the household, and all children appear together in tax and assistance units, rather than being distributed across tax and assistance units, when multiple units within a household exist. If the resulting difference is more than \$2 per month (\$24 per year) we consider the family to face a marriage penalty or bonus. NICC uses tax policies and program rules from 2012, so our discussion of the policies also focuses on 2012.²

Federal and state tax systems treat married couples differently than cohabiting couples. On the federal tax return, married couples have the option of filing jointly or separately.³ In 2012, the latest year for which tax data are available from the IRS, 95 percent of married couples filed jointly (IRS 2012, table 1.2). Some states offer a third filing option for married couples—combined-separate filing—that allows the two partners in a married couple to file their taxes on the same return, but calculates taxes on an individual basis. Filing under this status typically results in fewer and lower marriage penalties than filing a joint return.

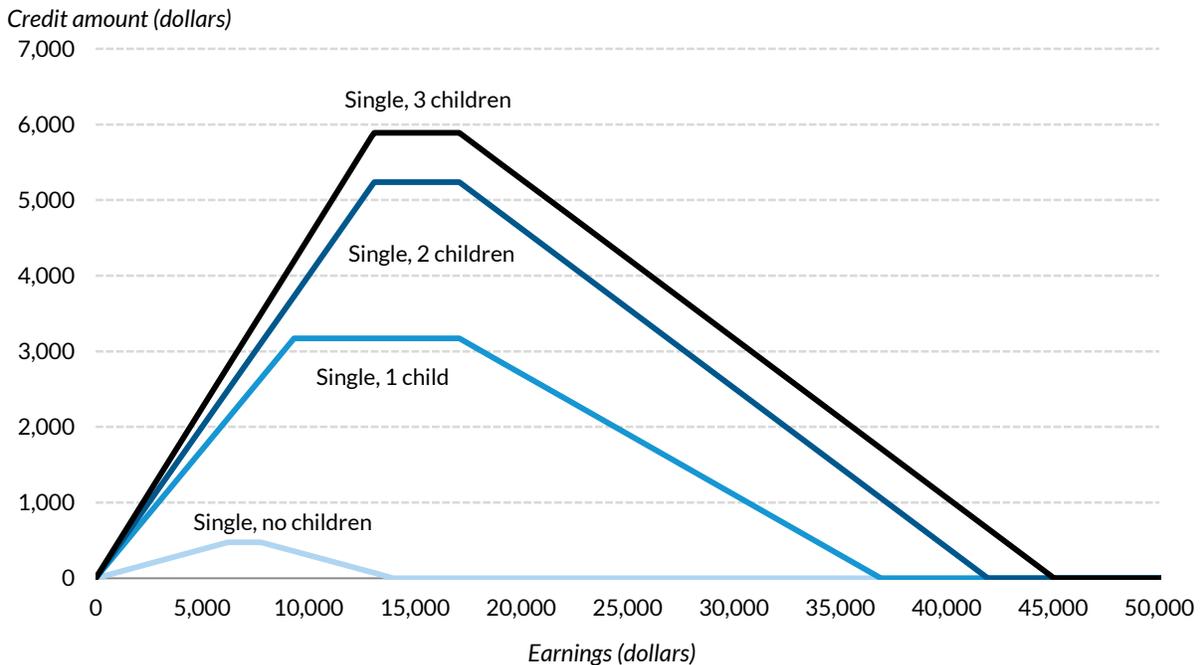
Both state and federal income taxes treat unmarried couples, regardless of living arrangements and regardless of whether they have a child together, as two separate tax units. The federal income tax system has two common filing statuses unmarried adults use: single, which typically applies to adults without children, and head of household. Head of household status applies to a parent who pays more than half the cost of keeping up a home for the year and whose child is a “qualifying child” for purposes of determining filing status. Head of household units can exempt more income from taxation than single units and more of their income is taxed at lower rates than single units. All else equal, a head of household will typically owe less tax than a single person with the same earnings. Not all states allow head of household filing status; in these states, unmarried individuals must file their state tax return as single, whether or not they have children (even if they use head of household status on their federal return).

Besides head of household status, parents benefit from two other significant tax provisions on their federal income tax returns: the EITC and the child tax credit (CTC). The EITC provides the largest subsidies to low-income working families. It equals a fixed percentage of earnings from the first dollar of earnings until the credit reaches its maximum; both the percentage and the maximum credit depend on the number of children in the family. The credit then stays constant at that maximum as earnings continue to rise until income reaches a phase-out range, which begins at a higher income for married couples than for single parents. From that point, the credit falls by a fixed percentage of each additional dollar of income until it disappears entirely (figure 2). The credit is fully refundable (i.e., any excess beyond a family’s income tax liability is paid as a tax refund).

FIGURE 2

Earned Income Tax Credit

By number of children, 2012



Source: 2012 EITC parameters taken from Tax Policy Center’s “Historical EITC Parameters,” November 3, 2014, table on Earned Income Tax Credit Parameters, 1975–2015, <http://www.taxpolicycenter.org/taxfacts/displayafact.cfm?Docid=36>; Calculation assumes all income comes from earnings. Credit for married couples begins phasing out at income \$5,210 greater than shown in figure.

Taxpayers can claim a CTC of up to \$1,000 for each child under age 17. The total credit is reduced by 5 percent of adjusted gross income over \$110,000 for married couples (\$75,000 for single parents). If the credit exceeds taxes owed, taxpayers can receive some or all of the balance as a refund, known as the additional CTC or refundable CTC. The additional CTC is limited to 15 percent of earnings above a threshold that is indexed to inflation; starting in 2011, the threshold was temporarily reduced to \$3,000 (not indexed).⁴ The American Taxpayer Relief Act of 2012 extended this temporary reduction through 2017. For families with at least three children, the income range over which the additional CTC phases in overlaps at least part of the range over which the EITC phases out. For these families, the CTC partly offsets the loss of tax credits associated with the EITC phaseout.

All tax units may exempt some income from taxation by claiming a standard deduction (table 1). In 2012, that deduction was \$5,950 for a single person, twice that amount for a married couple filing jointly, and \$8,700 for a head of household. Some people can exempt additional income by itemizing deductions for expenses such as state and local taxes paid, mortgage interest, and charitable contributions. Tax units can claim personal and dependent exemptions that reduce taxable income by an additional \$3,800 for each family member. A single parent with two children could thus exempt \$20,100 of income from federal income taxes in 2012, a single person without children could exempt \$9,750, and a married couple with two children could exempt \$27,100.

TABLE 1

2012 Tax Entry Thresholds*Before credits*

	Single, no children	Single parent, 2 children	Married, 2 children
Standard deduction	\$5,950	\$8,700	\$11,900
Personal exemption	\$3,800	\$3,800	\$7,600
Dependent exemption	\$0	\$7,600	\$7,600
Total	\$9,750	\$20,100	\$27,100

Many marriage penalties stem from head of household filing status (used by single parents). The standard deduction for a married couple in 2012 (\$11,900) was \$2,750 less than the sum of the standard deductions for a single filer and by a head of household (\$5,950 plus \$8,700, or \$14,650; see table 1). Similarly, the amount of income taxed at the lowest rate (10 percent in 2012) can be higher for a cohabiting couple with children than a married couple. The first \$17,400 of taxable income for a married couple is subject to the lowest tax rate, compared with the first \$8,700 for a single filer and \$12,400 for a head of household. If one partner in the couple has income above the single threshold and the other has income above the head of household threshold, a combined total of \$21,100 of their income is taxed at the 10 percent rate, \$3,700 more than for a married couple filing jointly.

The EITC can create marriage penalties and bonuses. Wages from a second earner can move the family from qualifying for the credit to getting a lower credit or no credit at all. But if a parent with no earnings marries a childless individual with modest earnings, the couple may qualify for a potentially sizable EITC (a marriage bonus). And because state tax systems often provide their own EITCs set equal to a percentage of the federal credit, marriage penalties and bonuses in the federal income tax can be magnified at the state level.

How the Sample Families File

The calculations presented here assume that both children in each hypothetical family are biological children of both cohabiting parents, we assume the lower earner will file a single return, claiming no children (or file no return if filing is unnecessary). The higher earner will file as head of household and claim both children for both federal and state income tax purposes.⁵ In cases in which earnings are split equally, we assume the one earner pays over half the cost of maintaining the household, which is a requirement to claim head of household status. If no parent paid more than half the cost of maintaining the household, neither would qualify for head of household filing status, and both would instead file single returns.

Our hypothetical cohabiting parents do not split children between returns to optimize tax credits. We test below what would happen if they did, (though analysis at the IRS of cohabiting couples showed this to be a relatively rare situation).⁶ To split children, the parent with the higher adjusted gross income (AGI) must agree to allow the other parent to claim one or more children. If both parents filed a tax return claiming both children, the IRS would assign both children to the tax return with the higher AGI. A child may not be claimed as a dependent on more than one tax return, and all credits claimed on the basis of a child must be claimed on the same return, so we do not test having the same child appear on multiple returns.

We exclude payroll taxes from the detailed analysis below. In 2012, workers paid 7.65 percent of earnings up to \$110,100 per earner (employers are required to pay the same rate, for a total tax rate of 15.3 percent). Above that level, the tax rate drops to 2.9 percent, split evenly between worker and employer. The tax is assessed at an individual level, and the amount owed is not affected by marital status.

Transfer Programs Sample Families Participate In

We consider four means-tested transfer programs that provide cash and in-kind assistance to low-income families: TANF, SNAP, Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), and child care assistance programs. TANF provides cash aid to low-income families with children and in some states to pregnant women. Eligibility rules vary by state, but in general, to receive TANF benefits families must have very low incomes and asset values, meet work-related participation and other requirements, and they must not have received benefits beyond the state-prescribed time limit. We use the NICC to determine eligibility and benefits based on income, assuming the family meets all other TANF eligibility requirements. Benefits fall as income rises at rates determined by the states.

The Supplemental Nutrition Assistance Program, formerly known as the Food Stamp program, assists low-income families to purchase food. Like TANF benefits, SNAP benefits depend on income, assets, and family size, with benefits falling as income rises. SNAP benefits are set at the federal poverty level but can vary from state to state for couples with similar earnings based on the TANF benefits they may receive.

WIC provides nutritional and other in kind assistance to low-income families with pregnant women or children under the age of five. Unlike benefits under TANF and SNAP, WIC benefits do not phase out gradually—eligible families receive full benefits until they no longer qualify, creating an income cliff in the program.

Finally, child care assistance rules vary from state to state. The level of assistance declines with income but may fall in increments rather than phasing out gradually as incomes rise. We assume that if a sample family is income eligible, it receives assistance to pay for the child care it needs based on the hours worked by the partner who earns less. If that partner does not work, the family does not need child care and receives no child care subsidy; if the lower-earning partner works less than full time, we assume the family receives assistance commensurate with the cost of half-time child care (we use \$486 per month); and if the lower-earning partner works full-time, child care assistance is based on the cost of full-time child care (we use \$972 per month).⁷

Marital status was not a significant factor in determining eligibility and benefits for these transfer programs in 2012. For example, SNAP benefits are based on the resources and needs of all household members sharing food expenses, regardless of marital status. State TANF programs do not distinguish between two biological cohabiting unmarried parents and two biological cohabiting married parents. Nevertheless, we include SNAP, TANF, WIC, and child care assistance in our analysis because they affect the level of a family's resources. In addition, we consider the possibility that cohabiting couples may not fully and accurately report all their resources to public assistance agencies creating the potential for the lower-earning partner to claim benefits as a single head of household. Because combined family income is higher than the income of the single parent unit and the misclassification of household structure may be more likely

in cohabiting families than in married families, the transfer programs considered here may create de facto marriage penalties.

Results

The incidence of marriage penalties and bonuses in the 50 states and the District of Columbia varies across our six hypothetical cohabiting couples with children. Our sample families with incomes of \$40,000 and above face marriage penalties as high as about 10 percent of earned income; that is, they would owe higher taxes and receive lower means-tested benefits as a married couple than as an unmarried cohabiting couple. Our sample families with incomes of \$20,000 or less face marriage bonuses in some states and very small marriage penalties in a few states.

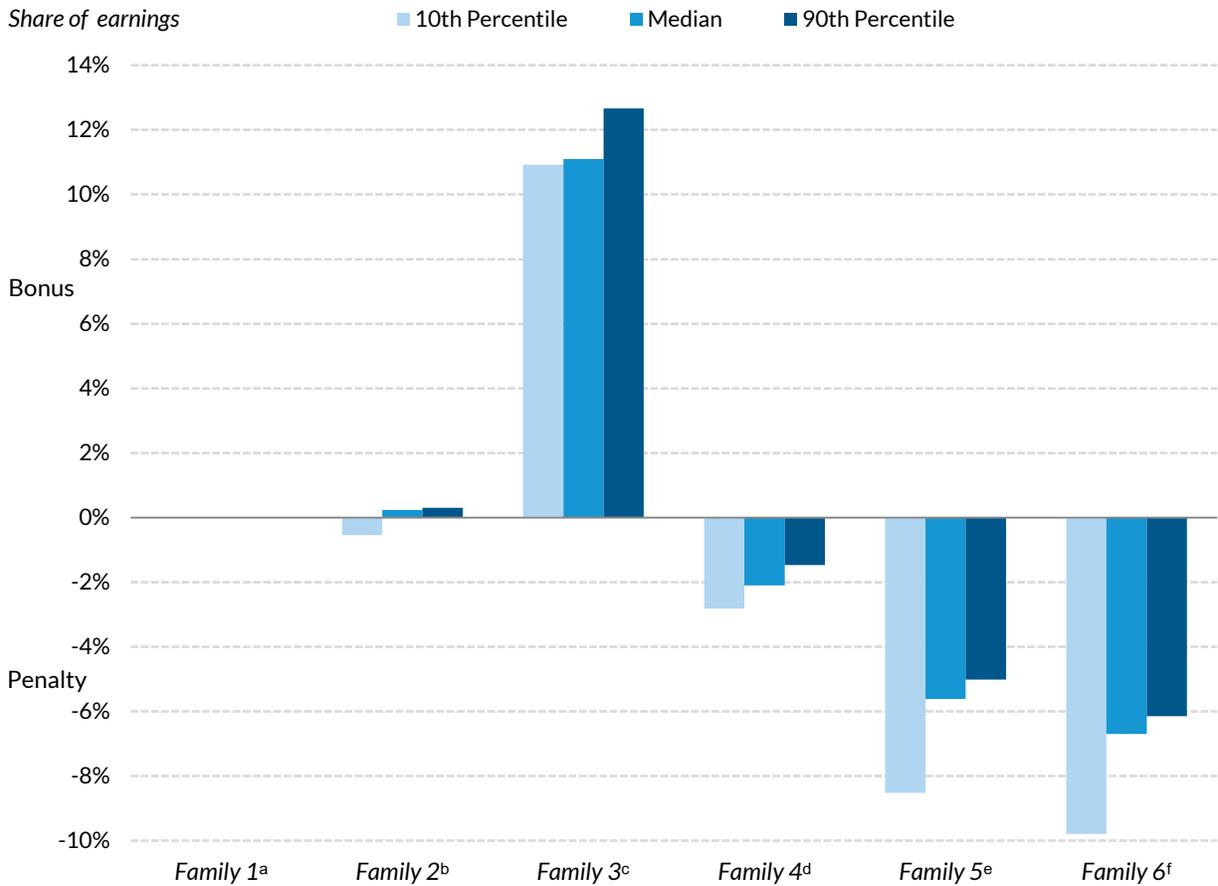
We begin with an overview of the marriage penalties and bonuses for each hypothetical family. Because results vary by state, we sort states from the one with the biggest penalty to the one with largest bonus and identify the median and the 10th and 90th percentiles. We then take a closer look at which elements of the tax code and transfer programs contribute to those penalties and bonuses. The NICC shows output on a monthly basis. We multiply the output by 12 to get annual amounts.

The tax and transfer system creates virtually no marriage penalties or bonuses for family 1, in which one person earns \$10,000 and the other has no income (table 2 and figure 3). Family 2 (\$20,000 in annual earnings, with one partner earning \$4,000 and the other earning \$16,000) would face modest marriage penalties in some states and modest marriage bonuses in others; bonuses and penalties are all less than 1 percent of the family's earned income. In contrast, if each person earns half of the \$20,000 (family 3), the couple would enjoy a marriage bonus of over 10 percent of their earned income. Couples with earnings of \$40,000 in which each partner earns at least 20 percent of total income (families 4 and 5) would incur marriage penalties in almost every state. The penalties are less than 3 percent of total earnings when the income split is 80–20 (family 4), but the median penalty is about 6 percent when earnings are divided equally. Finally, the tax and transfer systems impose marriage penalties in excess of 6 percent of earnings on the couple if each person earns \$25,000 (family 6). In states with the highest marriage penalties (10th percentile), the couple's income—net of taxes and transfers—would fall by almost 10 percent of earnings if they were to marry.

FIGURE 3

Marriage Bonuses and Penalties in State and Federal Income Taxes and Means-Tested Social Welfare Programs

At select earning points for prototypical families



Source: For a more complete description of sample families see figure 1. Percentile rankings are based on the size of the marriage bonus, and marriage penalties are considered as negative bonuses. Thus states in low percentiles (e.g., 10th) have the smallest bonuses/largest penalties, and states in high percentiles (e.g., 90th) have the largest bonuses/smallest penalties.

^a Annual earnings are \$10,000, one earner. Child care costs are \$0.

^b Annual earnings are \$20,000. Earnings are split between partners 80 percent / 20 percent. Child care costs are \$486.

^c Annual earnings are \$20,000. Each member earns 50 percent. Child care costs are \$972. These families would owe similar sized *penalties* if children were split between tax returns before marriage.

^d Annual earnings are \$40,000. Earnings are split between partners 80 percent / 20 percent. Child care costs are \$486. Penalties would be larger if the parents split children between tax returns before marriage.

^e Annual earnings are \$40,000. Each member earns 50 percent. Child care costs are \$972. Penalties would be slightly larger if the parents split children between tax returns before marriage.

^f Annual earnings are \$50,000. Each member earns 50 percent. Child care costs are \$972. Penalties would be larger if the parents split children between tax returns before marriage.

TABLE 2

Marriage Bonuses and Penalties for Sample Families, as a Percentage of Earnings

At select earning levels

	Only Taxes			Taxes and Means-Tested Transfer Programs		
	Median	10th percentile	90th percentile	Median	10th percentile	90th percentile
Percent of earnings						
Family 1 ^a	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Family 2 ^b	0.24%	-1.50%	0.24%	0.24%	-0.54%	0.30%
Family 3 ^c	11.10%	10.92%	12.72%	11.10%	10.92%	12.66%
Family 4 ^d	-1.74%	-2.46%	-1.47%	-2.10%	-2.82%	-1.47%
Family 5 ^e	-5.49%	-8.25%	-4.65%	-5.61%	-8.52%	-5.01%
Family 6 ^f	-6.65%	-9.24%	-6.17%	-6.70%	-9.79%	-6.14%
Cash loss or gain						
Family 1	\$0	\$0	\$0	\$0	\$0	\$0
Family 2	\$48	-\$300	\$48	\$48	-\$108	\$60
Family 3	\$2,220	\$2,184	\$2,544	\$2,220	\$2,184	\$2,532
Family 4	-\$696	-\$984	-\$588	-\$840	-\$1,128	-\$588
Family 5	-\$2,196	-\$3,300	-\$1,860	-\$2,244	-\$3,408	-\$2,004
Family 6	-\$3,324	-\$4,620	-\$3,084	-\$3,348	-\$4,896	-\$3,072
State breakdown						
Family 2	Maine	California	Wisconsin	Maryland	Minnesota	Florida
Family 3	Georgia	Alabama	Minnesota	New Hampshire	Alabama	Vermont
Family 4	Alabama	Maryland	Texas	South Carolina	West Virginia	Florida
Family 5	Michigan	New Mexico	North Carolina	Arizona	Vermont	Tennessee
Family 6	Utah	Connecticut	Washington	Illinois	Vermont	Washington

Source: Net Income Change Calculator, 2012 rules. Sample families described more completely in figure 1. Percentiles rankings are based on the size of the marriage bonus, and marriage penalties are considered as negative bonuses. Thus states in low percentiles (e.g., 10th) have the smallest bonuses/ largest penalties, and states in high percentiles (e.g., 90th) have the largest bonuses/smallest penalties.

^a Annual earnings are \$10,000, one earner. Child care costs are \$0.

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^e Annual earnings are \$40,000. Each member earns 50 percent. Child care costs are \$972. Penalties would be slightly larger if the parents split children between tax returns before marriage.

^f Annual earnings are \$50,000. Each member earns 50 percent. Child care costs are \$972. Penalties would be larger if the parents split children between tax returns before marriage.

A closer look shows how marriage would affect taxes and transfers for each of the six couples.

FAMILY 1

This couple's earnings are so low (\$10,000) that they owe no federal income taxes whether they are married or cohabiting. They could receive refundable tax credits based on their earnings. The partner with no earnings could not qualify for tax credits, but the earner could qualify for a CTC of \$1,050 and an EITC of \$4,000, an over 50 percent boost in income. The partner with earnings would be in the phase-in range of both credits, regardless of marital status. As a result, there would be no difference in federal income tax liability whether the couple married or cohabited. The couple's state income taxes are also generally not affected by their marital status. Importantly, state tax benefits stem from whether the tax unit with earnings has children in it (whether as children of a single parent or a married couple). If the earner in the cohabiting couple could not claim the children for tax purposes (or to a lesser extent, could only claim one child for tax purposes), such as if the children and adult were not related, marriage would generate a large bonus. If the couple continued to cohabit and the earner were not a parent of the children in the household, the single adult with earnings would not benefit from the CTC and would receive a very small EITC for workers without children at home. Splitting the children between tax units before marriage would decrease tax benefits, relative to both children appearing in the household with earnings.

In our example family both extremes, married couples would incur a marriage penalty of about 1 percent of earnings in two states (Indiana and New Mexico) and would result in a bonus of about 1 percent in Illinois. In most states, marriage would have no effect on the family's taxes.

This family is eligible for SNAP, TANF, and WIC benefits, and the benefit amounts do not vary by marital status. The total value of those benefits exceeds \$10,000 a year. Because one partner has no earnings, the family has no child care expenses and hence receives no child care subsidies.

FAMILY 2

In family 2, one person earns \$4,000 and the other earns \$16,000. Neither worker earns enough to owe federal income tax because the standard deduction and exemptions exempt all their income from income tax. This tax situation holds true whether the couple is cohabiting or married.

This family qualifies for the maximum EITC for a family with two children (\$5,236) regardless of marital status. If the couple cohabits, the higher earner would claim both children. With earnings between \$13,090 and \$17,090 (the plateau range of the EITC), the higher earner can claim the full credit. Because married couples can claim the maximum credit if their earnings fall between \$18,300 and \$22,300, the couple would still receive the maximum credit if they married. This family would qualify for a slightly larger CTC if they married, creating a small marriage bonus. The refundable portion of the CTC equals 15 percent of earnings over \$3,000, up to a maximum credit of \$1,000 per child. In this case, when the couple is not married, the higher earner can receive a CTC of \$1,950;⁸ married, the couple has enough earnings to qualify for \$2,000,

the maximum CTC for which they are eligible. If the couple split children between their tax returns before marriage, they would receive a lower EITC and CTC than if the higher earner claims both children.

State taxes generate small marriage penalties for this family. If a family pays for child care without any subsidies, their state income taxes would increase at least \$25 in 12 states if they married. In contrast, only in Mississippi would marriage lower their taxes by more than \$25, and the decline would be trivial, just over 0.01 percent of household earnings. The median household would see no change in state income tax liability. In California (where state income taxes are at the 10th percentile), families would see their taxes increase about \$350 if they married because their state child care credit would drop. The child care credit decreases because the couple's income is more than the single parent's income, causing them to qualify for a lower credit rate.⁹ Moreover, child care expenses eligible for the credit are capped at the lower of the two earnings. Before marriage, the single parent can receive a subsidy on the full \$5,800 spent on child care. After marriage, creditable expenses are limited to \$4,000, the mother's earnings.

If a family collects child care subsidies, some of the expenses that would qualify for a child care credit absent a subsidy would instead be paid by the child care subsidy program. Only costs paid by the family without a subsidy can be used to calculate their child care credit, which would be smaller, but they would not be worse off after including the benefits from transfers.

This family qualifies for between \$8,000 and \$9,000 of SNAP, TANF, and WIC benefits annually. In some states, the family can also receive a small child care subsidy. These transfer programs create negligible marriage bonuses and penalties for cohabiting families in which both adults are the biological parents of the children.

FAMILY 3

Family 3 has the same total earnings as family 2, but earnings are split evenly between the two partners. Federal tax liability for the married couple will be the same for this family as it is for family 2. Combined-separate filing for married couples in some states will mean that state taxes differ for married couples, even though total household earnings are the same. As with the first two families, whether married or cohabiting, neither of these workers earns enough to owe federal income taxes; the standard deduction and exemptions reduce their taxable income to zero.

The EITC and CTC create marriage bonuses for this family. If the couple cohabits, the parent who claims the children for the EITC will have earnings in the phase-in range of the EITC (the phase-in ends at \$13,090). That parent will receive a subsidy of 40 cents for each dollar earned for a total EITC of \$4,000. In addition, that parent would also get a \$1,050 CTC. If the couple marries, both credits would rise. They would qualify for the maximum EITC for a family with two children (\$5,236) and the maximum CTC for a family with two children (\$2,000). The larger tax credits result in a marriage bonus of almost \$2,000. If parents split children on their federal tax return before marriage, both would qualify for the maximum EITC for workers with one child (\$3,169) and a \$1,000 CTC, for a net refund of \$8,338 before marriage. In this case, splitting the children before marriage would result in the family facing a marriage penalty, rather than bonus, at the federal level.

In 27 states, the couple's state taxes would change by at least \$25 per year if they married. Marriage would create penalties in six of those states. In every case, the state marriage penalty would be more than offset by the federal marriage bonus. In the other 21 states, marriage would generate bonuses that would augment the federal bonus. In the median state, marriage would reduce the family's taxes by just over 11 percent of their earnings. Bonuses at the 10th percentile are slightly smaller and bonuses at the 90th percentile are almost 13 percent of earnings (about \$2,500). These bonuses, as with the bonuses in many states, stem from having a state EITC modeled on the federal EITC. The state-EITC increase bolsters the federal increase. Some families who receive child care credits receive smaller credits after marriage, a product of being further along the phase-out range of the credit, which phases out between \$15,000 and \$43,000 of income.

If a family receives a child care subsidy, their child care credit tends to drop, regardless of whether they are cohabiting or married. This decrease happens because some expenses formerly used to claim the child and dependent care tax credit (CDCTC) are now covered directly by subsidies. Only child care costs paid by the parent can be used in calculating the CDCTC, not those paid for with childcare subsidies. As with our sample family 2, this family will not be made worse off overall because they received a childcare subsidy, but their tax liability will be higher.

The amount this family could receive in transfer benefits is unaffected by marriage. Regardless of the state, the family can receive SNAP and WIC benefits; in some states they can also receive TANF and child care assistance.

FAMILY 4

In family 4, one partner earns \$32,000 and the other earns \$8,000 for total family earnings of \$40,000. The lower earner does not earn enough to owe federal income taxes. All the higher earner's earnings in excess of the \$20,100 combined standard deduction and personal exemption will be taxed at a rate of 10 percent. Before calculating tax credits, the higher earner will owe \$1,190 in federal income taxes. Because the higher earner owes taxes before credits, the nonrefundable CDCTC could be used to reduce taxes. The CDCTC wipes away the higher earner's entire federal income tax liability so that the EITC and CTC would be fully refundable, not offsetting taxes. The CDCTC offsets the cost of the child care parents need to work or attend school. In states that do not pay part of the family's child care costs through the child care subsidy program, the higher earner qualifies for a credit that entirely offsets pre-tax credit tax liability. The higher earner has earnings in the phase-out range of the EITC. Before marriage, the higher earner would qualify for an EITC of \$2,095 and the maximum CTC of \$2,000. Total federal income tax liability would be a net credit of \$4,095. In 16 states, the higher earner's federal income tax liability would be slightly higher if some portion of child care costs were paid through the child care subsidy program. In these cases, the federal CDCTC will be slightly smaller and will not offset all of the higher earner's tax liability. Some of the higher earner's tax liability will be offset with refundable credits, yielding a smaller refund.

If the couple marries, their CTC would not change, and they would still qualify for the maximum \$2,000 credit. But marriage would cause the family's EITC to fall. Although the EITC starts to phase out at a higher income for married couples than for individuals, the second earner in this family adds \$8,000 of earnings,

which is more than the higher phase-out of \$5,210. The couple's EITC would be about \$1,500 after marriage, equal to a marriage penalty of almost \$600. If this family split children before marriage, their federal income tax refund would be about \$600 larger, a rough doubling of their marriage penalty at the federal level.

In 38 states this family would see their state taxes change by at least \$25 a year. In 35 of those states, residents would experience a marriage penalty either by owing higher taxes or receiving smaller credits as a married couple than as a cohabiting couple. In the other three states, taxes would drop upon marriage. Taxes in the median state (Alabama) would rise about \$100 (well under 1 percent of earnings). A family in the 10th percentile state (Maryland) would see state taxes drop \$400 (1 percent of earnings), and families in the 90th percentile state (Texas) would see no change in state taxes (Texas has no state income tax).

As with other families, when a family participates in child care subsidies, state child care credits can be lower. Transfer programs do not create notable marriage bonuses and penalties for this family. They generally are ineligible for TANF, but they still qualify for WIC benefits for the 3-year-old (worth less than \$500). Child care assistance varies by state, which then affects SNAP benefits.

FAMILY 5

Family 5 has the same total earnings as family 4, but earnings are split evenly between the two partners. At the federal level, tax liability for the married couple would be the same for this family as it is for family 4. In some states, combined-separate filing for married couples, which essentially allows partners in married couples to file individually, will mean taxes differ for married couples at the state level, even though total household earnings are the same as they are in family 4.

The parent who claims the children would qualify for the maximum CTC of \$2,000. Earnings for this parent would be in the phase-out range of the EITC, but the credit loss from marriage would be smaller than in family 4 if the couple married. The parent claiming the children would qualify for an EITC of a little over \$4,600 before marriage. This partner owes no federal income tax before credits, because all \$20,000 of earnings are exempt from federal income tax (see table 1). His/her total tax liability would be a credit of \$6,600. The partner not claiming the two children has \$10,250 in taxable income and would owe about \$1,100 in federal income taxes. Total federal income taxes for the cohabiting couple equal a net credit of a little over \$5,500. If the parents chose to split children between tax returns, each parent would receive an EITC of just over \$2,700 and a \$1,000 CTC. The tax owed by the parent claiming head of household status could be offset with a dependent care credit. The parent claiming the older child would owe about \$400 in taxes if the parent filed as single. This would result in a net refund of roughly \$7,000 (about \$1,500 more than if the children appeared in the same tax unit before marriage).

If they marry, this couple's taxes would be the same as explained for family 4: they would receive about \$3,500 in tax credits. This amount reflects a reduction of over \$3,000 in EITC. In this case, the earnings from the second earner would move the couple from barely in the phase-out range to a nearly full loss of the credit. The couple has no positive tax liability because their CDCTC fully offsets their pre-credit liability if they marry. After marriage, they incur a penalty of roughly \$2,000. If the couple split children between their

tax returns before marriage, they would receive a credit of about \$1,500 more, increasing their marriage penalty.

After marrying, the couple's state taxes would change by at least \$25 in 39 of the 42 states (including Washington, DC) that have a broad income tax. In 32 of those states, they would receive smaller tax credits or owe higher tax as a married couple than as a cohabiting couple (a penalty). In the remaining seven states with a change, taxes would drop upon marriage (a bonus). If they live in the median state (Michigan), their state and federal taxes would increase about \$2,200 (under 6 percent of earnings). In the 10th percentile state (New Mexico) this couple would see taxes increase \$3,300, and in the 90th percentile state (North Carolina) they would see taxes rise about \$1,900 upon marriage. These penalties stem from lower CDCTCs and lower EITCs, which typically operate the same as federal credits. The differences observed when the family participates in child care subsidies are the result of having lower child care expenses eligible for the state and federal CDCTC.

Transfer benefits are largely unaffected by marriage. The couple generally qualifies for neither TANF nor SNAP benefits, but continues to qualify for WIC benefits (worth less than \$500 a year). In some states, the couple can receive help paying for child care.

FAMILY 6

Family 6 earns \$50,000, with earnings split equally between the parents. Like family 5, who earns \$10,000 less but in which the partners also earn equal amounts, this couple faces a substantial marriage penalty at the federal level. If the couple cohabits, the parent claiming the children owes almost \$500 in taxes before credits and the parent not claiming the children owes about \$1,800 in tax. The CDCTC offsets all tax owed by the parent claiming the children. This parent also benefits from the EITC (\$3,570) and the CTC (\$2,000). Together, the couple's taxes before marriage will be a net credit of \$3,700. If the parents each claimed one child on their tax return before marriage, their credit would rise to a little over \$5,400.

If the couple marries, they would have more income taxed at a higher rate, boosting their pre-credit tax to about \$2,600. Their combined income means they would receive the lowest CDCTC credit rate of 20 percent, which offsets only \$1,200 of federal income taxes, rather than offsetting the entirety of the couple's tax bill. The additional earnings from the parent who did not claim the children before marriage push the household outside the EITC eligibility range, leaving the CTC as the final credit the couple would receive after marriage. They would receive \$2,000, the maximum credit for families with two children. In total, the couple's taxes before marriage would be a net credit of almost \$3,100. After marriage, that credit would drop to about \$600, resulting in a penalty of over \$2,500.

Thirty-eight states add to the penalty generated from the federal income tax system with a state income tax penalty. Four states would generate marriage bonuses at this income level, but the bonuses are not large enough to offset the federal penalty. Bonuses are typically the result of special rules that allow married couples to pay lower income taxes than if they were two single units by filing as "combined separate." This family in the median state (Utah) will owe over \$3,300 in taxes after marriage. Penalties in the state at the

10th percentile (Connecticut) increase to \$4,600, and at the 90th percentile (Washington), the penalty is almost \$3,100.

Transfer programs create negligible marriage bonuses or penalties for this type of family, and, because of their relatively high income, they qualify for few benefits under the four programs we studied.

Mischaracterizations of Households for Transfer Programs and Optimizing for Tax Purposes

Our analysis of marriage penalties and bonuses flows from the characteristics of the families and transfer programs we consider and assumes the rules for transfer programs are followed. Our analysis also assumes that both children are claimed on the higher-earning tax return, as is typically observed. De facto marriage penalties and bonuses experienced by families with the characteristics considered may differ from the ones observed if the families and caseworkers are confused by how transfer program rules should apply to those households or if they misreport their family structure to maximize their transfer benefits when cohabiting. The confusion or strategic behavior could involve the parents claiming to be separate public assistance filing units and allocating the two children between the two parents to increase public assistance benefits. Cohabiting couples may also be able to reduce their tax bills (or increase their tax credits) if each partner claims one child rather than having the higher earner, a behavior that is legal in the tax system for cohabiting parents.

To illustrate how marriage penalties and bonuses may differ from those based on strict adherence to policies as written and in the case of the tax system, as practiced, we revisit our hypothetical families 2 and 3 with total annual earnings of \$20,000. In family 2, one partner earns \$4,000 and the other partner earns \$16,000; in family 3, both partners earn \$10,000. We analyze families 2 and 3 as if the couples report in such a way as to minimize their tax liability (or maximize their tax credits) and maximize their transfer benefits. If it is advantageous, we model the family with each parent claiming a child for purposes of obtaining benefits than for paying taxes.

In the median state, family 2 could receive far more in benefits if the partners claim to be in separate assistance units than they could if they were married; they would still receive a small marriage bonus from taxes as accurately filing their taxes maximizes tax benefits. Because this couple could receive far more in public assistance benefits if they claimed and were granted benefits as separate households, they would face a marriage penalty of almost \$6,700 (34 percent of earnings) if they married and applied for benefits as a single unit in the median state (Kansas). Specifically, they would lose about \$900 from SNAP, \$1,400 from TANF, and \$4,100 from child care; the family's WIC benefits would be largely unaffected. However, even in states with similar overall marriage penalties, the sources of those penalties can differ substantially across public assistance programs.

Similarly, family 3 could receive larger transfer benefits if the partners claim to be in separate tax filing and assistance units than they could if they were married. If the couple claimed one child in each tax unit, they would owe less in tax than if they claimed both children on one return. If the couple filed their taxes with both children on the higher earner's return, they would experience a marriage bonus in federal income taxes of almost \$2,000; if they file in such a way as to maximize their tax benefits when cohabiting, they

would face a marriage penalty of about \$3,500. In addition, if the couple applied for and was granted benefits as separate assistance units, they could receive about \$2,700 more in transfer benefits as cohabiters than they could as a married couple. Combining taxes and transfers, the couple's total marriage penalty in the median state would exceed \$3,800 (19 percent of earnings).

The extent of marriage penalties and bonuses these two couples face depends on the extent to which the couples and state agencies adhere to transfer program rules and optimize how children are divided on tax returns. If couple 2 adhered to the policies as written, they would receive a negligible marriage bonus in the median state. That bonus would turn into a large penalty (almost \$6,800) if, before marriage, they improperly applied for and received transfer benefits as separate assistance units. If couple 3 adhered to the policies as written, they would receive a substantial bonus (\$2,220) upon marrying. That bonus would turn into a substantial penalty (\$3,800) if, before marriage, they filed their taxes and applied for benefits as separate filing and assistance units.

These discrepancies in the extent of possible marriage penalties underscore the importance of the question: How rigorously are assistance unit rules in assistance programs followed and enforced and to what extent are low-income families able to optimize how children are divided on their tax returns? No doubt, cohabiting couples benefit from some errors that reduce marriage bonuses, but it is not clear how common or large those errors are. For example, tax rules governing the EITC are notoriously complex, and there is a high error rate. Most of the errors come from determining whether a child claimed for the EITC meets the rules to be a qualifying child (Marcuss et. al 2014). The rules for SNAP and TANF are clearer: biological parents who live with their children must be in the same assistance unit as their children. Even if SNAP offices actively encourage unrelated adults in low-income households to apply for SNAP benefits as separate assistance units, such strategic advice does not apply to cohabiting parents. WIC requires a cohabiting partner operating with the other partner as one economic unit to be included in the assistance unit. Some evidence suggests that about 15 percent of WIC households had adults other than the mother or pregnant woman in them based on administrative data, but about one-third of families reporting WIC in survey data contain additional adults (Besharov and Call 2009). Finally, not all households participate in the assistance programs for which they are eligible, and such nonparticipation reduces de facto marriage penalties and bonuses.

Marriage penalties and bonuses vary by how income and children are divided between partners in cohabiting couples. The six hypothetical families we consider are representative of the characteristics of cohabiting families with children; however, other configurations could lead to different results. For example, we assume that both partners are the parents of both children. If the children are not related to one of the partners, the family will be treated differently in some states' TANF programs depending on marital status. Bringing a new adult and that adult's earnings into a TANF unit through marriage will usually reduce TANF benefits. If the person is not related to the child or children in the family, then he/she will not be able to claim the child for tax purposes before marriage. In general, if one adult in the household is related to only one child in the family, as long as both parents have some income, the couple would face large penalties from the EITC upon marriage. This would occur because the first child in a tax unit is subsidized at much higher rates than subsequent children. In our first couple, if the person related to the children is the person with no earnings, then the couple would receive a substantial marriage bonus, because tax credits require the adult in the family to have earnings.

Although the transfer programs we considered (SNAP, TANF, WIC, and child care) do not create marriage penalties or bonuses for cohabiting couples with shared biological children when program rules are followed, other programs may. Most notably, health insurance through Medicaid and subsidies under the Affordable Care Act could change depending on a couple's marital status. In some cases higher earnings could lead to the loss of Medicaid benefits; in other cases couples who qualified for neither Medicaid nor Affordable Care Act subsidies could become eligible for such subsidies upon marriage. A rigorous analysis of those issues is beyond the capabilities of NICC and hence of this analysis.

Conclusion

Tax and transfer programs can create significant bonuses and penalties for cohabiters who choose to marry. The extent of marriage penalties and bonuses depends on tax and transfer program rules and how they are enforced, the income of each partner in a couple contemplating marriage, their relationship to children in the family, and how children are divided between tax returns before marriage.

Focusing on low- and moderate-income cohabiting couples with children, we find that federal tax laws, particularly those applying to the EITC and CTC, can create marriage penalties that can reach almost 10 percent of earnings for our hypothetical couples earning \$40,000 or \$50,000 a year. In contrast, typical couples earning \$20,000 a year could receive a marriage bonus in excess of 10 percent of earnings. Because the transfer programs we consider largely treat cohabiting parents the same as married couples, they create neither significant marriage penalties nor bonuses. In practice, tax and transfer program rules are complex, and cohabiting couples may apply for and receive transfer benefits as separate units, and may divide children among tax returns. If cohabiting couples file and receive benefits in this way, their incomes as cohabiters could be notably higher than their incomes as married couples. For example, our sample family 2 (one partner earns \$16,000 and the other earns \$4,000) would have \$6,700 more in post-tax, post-transfer income if they cohabit instead of marry. To the extent this situation may occur, clearer guidance and stronger enforcement of existing tax and transfer rules could reduce de facto marriage penalties.

Given the complexity and diversity of low- and moderate-income cohabiting families' circumstances, the tax and transfer system can neither be assailed as being antimarriage nor praised as being promarriage. For the broader population of families with children, including single-parent families who are not cohabiting, transfer programs may create penalties or bonuses, but the penalties associated with any loss of benefits upon marriage must be weighed against the cost savings of consolidating two households into one. Similarly, cohabiting couples with no children in common may legally and appropriately form separate tax filing and public assistance units within a single household and may face a different set of marriage penalties and bonuses than those faced by our hypothetical families. Again, however, the large majority of low- and moderate-income cohabiting couples with children have at least one common child.

Because of the well-documented differences in the well-being of children living with their married biological parents and children in other living arrangements, policymakers are justifiably concerned about financial obstacles to marriage created by tax and transfer program rules. Focusing on a typical set of low- and moderate-income unmarried parents who live together with their children, we find that federal and state income taxes create a complicated array of marriage penalties and bonuses that vary substantially

based on couples' total and relative earnings. The transfer programs we considered, however, are largely marriage neutral in their rules (subject to our assumption of no misclassification).

Notes

1. Assessing marriage bonuses and penalties by computing what taxes and transfer benefits would be upon marriage for cohabiting couples in nationally representative survey data is a resource-intensive task beyond the scope of this report.
2. Our calculations assume that couples receive their earnings evenly over the course of the year. That assumption does not affect taxes, which are assessed on an annual basis. Transfer programs, however, assess eligibility and benefits on a monthly basis, so the month-to-month pattern of the couple's earnings during the year affects transfers and could influence marriage penalties and bonuses. See Maag et al. (2012).
3. Separate filing for married couples is not the same as filing as an unmarried couple. Filing separately requires each partner in the couple to be responsible for the accuracy of his or her return, rather than both partners in the couple attesting to the accuracy of the joint return. Couples who file separately must follow certain rules that mimic a joint return (e.g., both must itemize or both must take the standard exemption), and they are unable to claim certain tax credits, including the EITC and the child tax credit. For most low- and moderate-income families with children, filing separately results in substantially higher income taxes.
4. After 2017, the threshold will rise to \$10,000 (indexed for inflation after 2001), which will be approximately \$15,000 in 2018.
5. To minimize taxes, it would be beneficial to split the children between the two parents for families 3, 4, 5, and 6. However, data from a study of cohabiting couples using IRS data showed that in most cases, the partner with the higher AGI claimed all of the children. The same study showed only 7 percent of potentially cohabiting adults filed as two heads of household in the year before marriage. Fifty percent of potential cohabiters filed as both single, and 23 percent filed as one single and one head of household. The remaining households had only one tax filer in the potentially cohabiting unit (Lin and Tong 2012).
6. In a few cases, this splitting may be legal. For example, Lin and Tong's 2012 data identify as cohabiters adults who live in the same 12-digit zip code. In some cases, they may have identified neighbors in an apartment building, not cohabiters. There may also be cases in which a couple cohabits but maintains separate financial lives, and each partner in the couple is related to some but not all children in the household.
7. For a description of TANF, SNAP, and child care assistance, see the Urban Institute's "Safety Net Almanac," accessed April 30, 2015, <http://www.urban.org/safety-net-almanac/>. For a description of WIC, see the US Department of Agriculture's "Women, Infants, and Children (WIC)," last modified April 17, 2015, accessed April 30, 2015, <http://www.fns.usda.gov/wic/women-infants-and-children-wic>.
8. $15 \text{ percent} \times (\$16,000 - \$3,000) = \$1,950$.
9. The highest credit rates for the child and dependent care tax credit apply to families with incomes under \$15,000. The credit rate declines as earnings rise.

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