

HJR

20

HFIN

FILE

HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: March 31, 1999

FURTHER REFERRALS:

Date of Committee Action: 4/14/99

The FINANCE Committee considered:

HJR 20

HOUSE JOINT RESOLUTION NO. 20

FEDERAL INCOME TAX MARRIAGE PENALTY

Urging the Congress to amend the Internal Revenue Code of 1986 to eliminate the marriage penalty by providing that income tax rate bracket amounts, and the amount of the standard deduction, for joint returns shall be twice the amounts applicable to unmarried individuals.

recommends it be replaced with the following committee substitute _____ the same title a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) APPROVES PREVIOUS: (Dept/Date)

fiscal note(s) _____ fiscal note(s) _____

zero fiscal note(s) _____ zero fiscal note(s) Misc Special Com on Ec Dev & Tourism 3/31/99

SIGNING WITH RECOMMENDATIONS		DP	DNP	NR	AM
<i>Gene Theriault</i>	Theriault	X			
<i>Ken Bloude</i>	Bunde	✓			
<i>Vin Kehrung</i>	Kehrung	X			
<i>(Vac. Clute)</i>	Austina	X			
<i>Ben Dussard</i>	Grossardt	X			
<i>Carol E. Moses</i>	Moses	X			
<i>David Davis</i>	Davis	X			
<i>W. J. Williams</i>	Williams	X			
<i>(Signature)</i>	Tom	X			

CHAIR'S SIGNATURE *Gene Theriault*
 Theriault

STATE OF ALASKA
1999 LEGISLATIVE SESSION

Revision Date: _____
Title: Urging Congress to amend ERS code
of 1986 to eliminate marriage penalty...
Sponsor: Phillips
Requester: _____

Dept. Affected _____
BRU _____
Component _____
Component Serial No. _____

Expenditures/Revenues		(Thousands of Dollars)				
OPERATING EXPENDITURES	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES []						
------------------------	--	--	--	--	--	--

FUND SOURCE		(Thousands of Dollars)				
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1091 Designated Program Receipts						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY98) cost: _____

POSITIONS						
Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Prepared by House Special Committee on Economic
Development and Tourism
Scott Phillips, Chairman

Phone _____
Phone 465-2689
Date 3-30-99

STATE OF ALASKA
1999 LEGISLATIVE SESSION

Revision Date: _____

Title: Urging Congress to amend ERS code of 1986 to eliminate marriage penalty...

Sponsor: Phillips

Requester: _____

Dept. Affected _____

BRU _____

Component _____

Component Serial No. _____

Expenditures/Revenues

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES []						
------------------------	--	--	--	--	--	--

FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1091 Designated Program Receipts						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY98) cost: _____

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Prepared by

House Special Committee on Economic Development and Tourism

Scott Phillips, Chairman

Phone _____

Phone 465-2689

Date 3.30.99

Alaska State Legislature



Official Business
Phone: (907)465-2689
Fax: (907)465-3472

State Capitol
Room 411
Juneau, Alaska 99801-1182

Representative Gail Phillips

SPONSOR STATEMENT

HJR 20 – REMOVING THE MARRIAGE TAX PENALTY

**Offered before the
House Special Committee on
Economic Development & Tourism
March 29, 1999**

For the past 28 years, married couples have paid a higher tax rate and have received a lower standard deduction than two single individuals under the Internal Revenue Service Code of 1986. This resolution sends a message to Congress emphasizing the Alaska Legislature's support of removing that penalty.

- In the past year, nearly 21 million married couples paid an average of \$1,400 more in taxes because of the marriage penalty. You have in your packets today a schedule that shows the differences in the 1998 federal individual income tax rates and the standard deductions allowed. The average family is now paying more money in taxes than it spends on housing, food, and clothing combined. With the Federal Government projected to run a surplus of \$1.6 trillion over the next 10 years, there is currently an opportunity for Congress to cut taxes so that working Americans can keep more of their hard-earned money.

At this time, there are several bills before Congress proposing eliminating the marriage tax penalty primarily through increasing the standard deduction allowed for married couples and adjusting the tax brackets. I hope you will support this effort by passing this resolution seeking changes to the tax code and demonstrate your willingness to honor the institution of marriage rather than penalize it.

1998 FEDERAL INDIVIDUAL INCOME TAX RATES

Col. 1	Single Individuals		Joint Returns & Surviving Spouses		Heads of Households		Married Filing Separately	
	Taxable Income	Tax on Col. 1	Rate on Excess	Tax on Col. 1	Rate on Excess	Tax on Col. 1	Rate on Excess	Tax on Col. 1
\$ 0	\$ 0	15%	\$ 0	15%	\$ 0	15%	\$ 0	15%
21,175							3,176.25	28%
25,350	3,802.50	28%						
33,950					5,092.50	28%		
42,350			6,352.50	28%				
51,150							11,569.25	31%
61,400	13,896.50	31%						
77,975							19,885	36%
87,700					20,142.50	31%		
102,300			23,138.50	31%				
128,100	34,573.50	36%						
139,225							41,935	39.6%
142,000					36,975.50	36%		
155,950			39,770	36%				
278,450	88,699.50	39.6%	83,870	39.6%	86,097.50	39.6%		

STANDARD DEDUCTIONS

	Single Individuals	Joint Return/ Surviving Spouses	Heads of Households	Married Filing Separately
Basic	\$4,250	\$7,100	\$6,250	\$3,550
Over 65	5,300	7,950 (one) 8,800 (both)	7,300	4,400
Blind	5,300	7,950 (one) 8,800 (both)	7,300	4,400
Over 65 & Blind	6,350	8,800 (one) 10,500 (both)	8,350	5,250

Taxpayers may "itemize" deductions when deductions total more than the standard deductions shown. Itemized deductions are reduced by 3% of a taxpayer's adjusted gross income (AGI) over \$124,500 (\$62,250 for married persons filing a separate return). Maximum reduction is 80% of affected deductions. Taxpayers who take the standard deduction are unaffected.

S.CON.RES.20

Setting forth the congressional budget for the United States Government for fiscal years 2000 through 2009. (Placed on the Calendar in the Senate)

SEC. 301. SENSE OF THE SENATE ON MARRIAGE PENALTY.

(a) FINDINGS- Congress finds that--

(1) differences in income tax liabilities caused by marital status are embodied in a number of tax code provisions including separate rate schedules and standard deductions for married couples and single individuals;

(2) according to the Congressional Budget Office (CBO), 42 percent of married couples incurred 'marriage penalties' under the tax code in 1996, averaging nearly \$1,400;

(3) measured as a percent of income, marriage penalties are largest for low-income families, as couples with incomes below \$20,000 who incurred a marriage penalty in 1996 were forced to pay nearly 8 percent more of their income in taxes than if they had been able to file individual returns;

(4) empirical evidence indicates that the marriage penalty may affect work patterns, particularly for a couple's second earner, because higher rates reduce after-tax wages and may cause second earners to work fewer hours or not at all, which, in turn, reduces economic efficiency; and

(5) the tax code should not improperly influence the choice of couples with regard to marital status by having the combined Federal income tax liability of a couple be higher if they are married than if they are single.

(b) SENSE OF THE SENATE- It is the sense of the Senate that the levels in this resolution and legislation enacted pursuant to this resolution assume that significantly reducing or eliminating the marriage penalty should be a component of any tax cut package reported by the Finance Committee and passed by Congress during the fiscal year 2000 budget reconciliation process.

STATE OF ALASKA
 1999 LEGISLATIVE SESSION

Revision Date: _____
 Title: Urging Congress to amend I.R.S code
of 1986 to eliminate marriage penalty...
 Sponsor: Phillips
 Requester: _____

Dept. Affected _____
 BRU _____
 Component _____
 Component Serial No. _____

Expenditures/Revenues		(Thousands of Dollars)				
OPERATING EXPENDITURES	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE		(Thousands of Dollars)				
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1091 Designated Program Receipts						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY98) cost: _____

POSITIONS						
Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Prepared by House Special Committee on Economic
Development and Tourism
Scott Phillips, Chairman

Phone _____
 Phone 465.2689
 Date 3.30.99

The Heritage Foundation
Background

No. 1250

February 8, 1999

HOW TO FIX THE MARRIAGE PENALTY IN THE TAX CODE

DANIEL J. MITCHELL

Approximately 21 million American couples pay higher taxes simply because they are married and their combined incomes push them into a higher tax bracket. The average extra tax bill for these couples is \$1,400, but the added tax burden can be as high as \$20,000.¹

The marriage penalty is bad tax policy for several reasons. It is unfair to impose different tax burdens on couples that have equal incomes just because one of those couples is married. Moreover, it is unwise for politicians to use the tax code to subsidize or penalize behavior, particularly when such policies send counterproductive messages about marriage and work. Imposing higher marginal tax rates on a lower-earning spouse artificially discourages employment, thereby diminishing the couple's economic security as well as reducing the country's economic growth.

A flat tax would eliminate the tax code's bias against marriage. But to the extent that such fundamental reform is not immediately possible, there are other ways to address the marriage penalty. For example, increasing the standard deduction for married couples and raising the levels at which

higher tax rates take effect would eliminate almost the entire penalty. Congress should adopt the approach that provides the largest degree of tax relief with the least amount of complexity. Fortunately, legislation is being sponsored in the House and Senate that is designed to address these problems.

PENALIZING MARRIED COUPLES

Marriage should not affect a couple's tax liability. The tax code should impose the same tax on two couples having the same income, regardless of marital status. Several sections of the current income tax code contribute to the penalty imposed on married couples, including:

Produced by
The Thomas A. Roe Institute
for Economic Policy Studies

Published by
The Heritage Foundation
214 Massachusetts Ave., N.E.
Washington, D.C.
20002-4999
(202) 546-4400
<http://www.heritage.org>



1. Congressional Budget Office, "For Better or for Worse: Marriage and the Federal Income Tax," CBO Study, June 1997. Available at <http://www.cbo.gov/jtpdoc.cfm?index=7&type=1>.

- **Tax brackets.** For the tax code to be marriage-neutral, the income level at which higher tax rates take effect should be twice as high for married couples as it is for single taxpayers. But this is not the case. In 1998, the 28 percent bracket takes effect at \$25,350 for single taxpayers, but at \$42,350 for married taxpayers; \$50,700 would ensure marital status neutrality. For higher-earning couples, the penalty is ever more severe. The "millionaire's surtax" for both individuals and married couples takes effect when income reaches \$278,250.
- **Standard deductions.** The tax code allowed single taxpayers a deduction of \$4,250 in 1998. A marriage-neutral tax code therefore would allow married couples to protect \$8,500 of their income with the standard deduction; instead, married couples are allowed to deduct only \$7,100. This permits unmarried couples to shield a greater proportion of their income and lower their total tax liability.
- **Phase-outs.** According to the American Institute of Certified Public Accountants, there are "63 provisions in the tax code where tax liability depends on whether a taxpayer is married or single."² Many of these force married couples to pay more taxes than two cohabiting single adults. This occurs because, even though the code takes away tax preferences as income rises, the income level at which the preferences disappear is not twice as high for married couples as it is for unmarried couples. For example, the child tax credit enacted in 1997 begins to disappear at \$75,000 for single taxpayers, but at \$110,000 for married taxpayers.

It is also worth noting that various spending programs also impose marriage penalties. For example, the earned income tax credit, a wage subsidy that is operated as part of the tax code, has

created substantial marriage penalties for lower-income workers.

Discriminatory tax rates are the root of the problem. As the Congressional Budget Office (CBO) notes,

A tax structure with progressive rates, however, cannot attain both goals [marriage neutrality and equal treatment].³

This is the reason a flat tax is the ideal solution. According to the CBO,

Forgoing progressivity... would allow a tax system to satisfy both the goal of marriage neutrality and that of equal treatment of married couples.⁴

WAYS TO REMOVE THE MARRIAGE PENALTY

Implementing a flat tax would be the best way to eliminate the marriage penalty. Political circumstances and the legislative calendar, however, imply that fundamental tax reform is not likely this year. Fortunately, there are several interim steps that lawmakers could take to redress in part this pernicious feature of the tax code.

Some of these proposals raise concerns about complexity and the propriety of restricting tax relief only to couples who face the penalty (some of the proposals would reduce tax liabilities even for couples not affected by the marriage penalty). Although any of these proposals are preferable to the current system, Congress should select the option that is simple, fair to all families, and offers the most tax relief:

Option #1: Increase the standard deduction for married couples and raise the income

2. American Institute of Certified Public Accountants, "AICPA Testifies Before Congress on Marriage Penalty," January 28, 1998. Available at <http://www.aicpa.org/members/div/tax/marpen.htm>.
3. *Ibid.*
4. *Ibid.* The sentence actually should refer to *progressive tax rates*, not *progressivity*. The generous family allowance under a flat tax, for example, would mean lower-income taxpayers would enjoy a lower average tax rate than higher-income taxpayers. As such, graduated tax rates, *not* progressivity per se, cause the conflict in the tax code.

level at which the higher tax rates take effect. If tax brackets and deductions for married couples were twice their current level for single taxpayers, almost all the marriage penalty would disappear. This option would provide a significant tax cut of more than \$25 billion annually; only about half the tax cut would go to those who suffer from the marriage penalty. This approach would not add complexity to the tax code and, in effect, would restore the "income-splitting" policy that existed from 1948 to 1969. Eight states use this approach.

Option #2: Let couples choose their filing status. Allowing taxpayers to choose their filing status would eliminate the marriage penalty because couples could opt to file individual returns when doing so would lower their tax bill. This option would provide a significant annual tax cut of about \$30 billion. Married taxpayers would need to calculate their taxes both individually and jointly to ascertain which approach saved more money (including decisions on ways to split their joint income, deductions, and exemptions). Nine states and the District of Columbia use this option.

Option #3: Require individual filing. The federal government followed this policy prior to 1948. Marriage penalties would disappear under this option, but taxes on couples with non-working spouses would increase. Increasing the individual standard deduction or lowering the tax rates could offset that inadvertent tax increase. These additional changes would result in a tax cut for many taxpayers who are not affected by the marriage penalty.

Option #4: Provide second-earner deductions or credits. Between 1982 and 1986, the tax code allowed working spouses a deduction equal to 10 percent of the earnings of the spouse with the lower income (up to a maximum of \$3,000). This type of policy targets relief to those affected by the marriage penalty,

in effect by lowering the marginal tax rate on the second earner. Restoring the 1982 legislation would eliminate only one-third of the total marriage penalty, resulting in a static revenue loss of \$9 billion, according to the CBO.⁵ Eliminating the entire marriage penalty would necessitate a larger tax cut.

The Best Solution

Of the choices listed above, the first option—increasing the standard deduction for married couples and raising the income level at which the higher tax rates take effect—is the most desirable. It would eliminate the marriage penalty without any increase in complexity in the code. And it would provide substantial tax relief at a time in which the tax burden consumes more of the economy's output than ever before. Representatives David McIntosh (R-IN), Gerald Weller (R-IL), and Pat Danner (D-MO) are sponsoring legislation in the House based on the principles outlined in Option #1. Kay Bailey Hutchison (R-TX) has introduced similar legislation (S. 12) in the Senate.

The "Marriage Bonus"

Some critics argue that the marriage penalty is not a serious issue because the number of couples receiving marriage bonuses is larger than the number experiencing penalties. Their complaint is based on the fact that the higher standard deduction for joint tax returns already results in some married couples' paying less in taxes than single taxpayers with the same level of income. Critics therefore argue that solving the marriage penalty, especially by increasing the standard deduction, would create more of a bias against single workers.

But the standard deduction is not a policy designed to promote marriage or explicitly provide relief to married couples. Instead, this "zero-bracket" amount (income shielded from tax) is best understood as a minimum amount of tax-free income that filers can use to cover basic expenses before any income tax is assessed. This deduction should be—at least in a world in which no

5. Congressional Budget Office, "For Better or for Worse."

marriage penalties existed—twice as large for married couples because there are two people involved. Likewise, each of two single people sharing a house would be able to take the individual deductions that would add up to the same amount a married couple deducted.

CONCLUSION

Clearly, the marriage penalty is bad tax policy. It is an inadvertent but perverse form of social engineering that imposes higher taxes on the institution of marriage. Although there is some evidence to suggest that taxation does have an impact on marriage, divorce, and/or illegitimacy,⁶ an even bigger problem may be the counterproductive message the marriage penalty sends to Americans. Moreover, because the marriage penalty has the

unambiguous effect of driving lower-earning spouses out of the workforce, there is a clear economic argument for its repeal.

A flat tax is the best way to repeal the marriage penalty. Short of such fundamental reform, however, lawmakers should adopt the approach that provides the largest degree of tax relief with the least amount of complexity. Adjusting tax brackets and standard deductions so that marriage does not cause a tax increase appears the best solution in the short term.

—Daniel J. Mitchell is McKenna Senior Fellow in Political Economy for The Thomas A. Roe Institute for Economic Policy Studies at The Heritage Foundation.

6. Isaac Ehrlich and Jian-Gou Zhong, "Social Security and the Real Economy: An Inquiry into Some Neglected Issues," *American Economic Review*, May 1998, pp. 151–157.

S 284 IS Marriage Penalty Elimination Act of 1999 (Introduced in the Senate)

106th CONGRESS 1st Session

To amend the Internal Revenue Code of 1986 to eliminate the marriage penalty by increasing the standard deduction for married individuals filing joint returns to twice the standard deduction for unmarried individuals.

IN THE SENATE OF THE UNITED STATES

January 21, 1999

Mr. MCCAIN introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to eliminate the marriage penalty by increasing the standard deduction for married individuals filing joint returns to twice the standard deduction for unmarried individuals.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; AMENDMENT OF 1986 CODE.

(a) SHORT TITLE- This Act may be cited as the 'Marriage Penalty Elimination Act of 1999'.

(b) ELIMINATION OF 1986 CODE- Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

SEC. 2. ELIMINATION OF MARRIAGE PENALTY IN STANDARD DEDUCTION.

(a) IN GENERAL- Section 63(c) (relating to standard deduction) is amended by adding at the end the following new paragraph:

(7) ELIMINATION OF MARRIAGE PENALTY FOR JOINT FILERS-

(A) IN GENERAL- In the case of a joint return or a surviving spouse (as defined in section 2(a)), the basic standard deduction under paragraph (2)(A) shall be increased by an amount equal to the applicable percentage of the excess of--

(i) 200 percent of the basic standard deduction in effect for the taxable year under paragraph (2)(C); over

(ii) the basic standard deduction in effect for the taxable year under paragraph (2)(A) (without regard to this paragraph).

(B) APPLICABLE PERCENTAGE- For purposes of subparagraph (A), the applicable percentage shall be determined as follows:

(over)

'For taxable years beginning in calendar year:

The applicable percentage is:

1999	20
2000	40
2001	60
2002	80
2003 and thereafter	100.'

(b) CONFORMING AMENDMENT- Section 63(c)(2)(A) is amended by inserting 'except as provided in paragraph (7),' before '\$5,000'.

(c) EFFECTIVE DATE- The amendments made by this section shall apply to taxable years beginning after December 31, 1998.

S 284 IS Marriage Penalty Elimination Act of 1999 (Introduced in the Senate)

106th CONGRESS 1st Session

To amend the Internal Revenue Code of 1986 to eliminate the marriage penalty by increasing the standard deduction for married individuals filing joint returns to twice the standard deduction for unmarried individuals.

IN THE SENATE OF THE UNITED STATES

January 21, 1999

Mr. MCCAIN introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to eliminate the marriage penalty by increasing the standard deduction for married individuals filing joint returns to twice the standard deduction for unmarried individuals.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; AMENDMENT OF 1986 CODE.

(a) SHORT TITLE- This Act may be cited as the 'Marriage Penalty Elimination Act of 1999'.

(b) ELIMINATION OF 1986 CODE- Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

SEC. 2. ELIMINATION OF MARRIAGE PENALTY IN STANDARD DEDUCTION.

(a) IN GENERAL- Section 63(c) (relating to standard deduction) is amended by adding at the end the following new paragraph:

(7) ELIMINATION OF MARRIAGE PENALTY FOR JOINT FILERS-

(A) IN GENERAL- In the case of a joint return or a surviving spouse (as defined in section 2(a)), the basic standard deduction under paragraph (2)(A) shall be increased by an amount equal to the applicable percentage of the excess of--

(i) 200 percent of the basic standard deduction in effect for the taxable year under paragraph (2)(C); over

(ii) the basic standard deduction in effect for the taxable year under paragraph (2)(A) (without regard to this paragraph).

(B) APPLICABLE PERCENTAGE- For purposes of subparagraph (A), the applicable percentage shall be determined as follows:

(over)

'For taxable years beginning in calendar year:

The applicable percentage is:

1999	20
2000	40
2001	60
2002	80
2003 and thereafter	100.'

(b) CONFORMING AMENDMENT- Section 63(c)(2)(A) is amended by inserting 'except as provided in paragraph (7),' before '\$5,000'.

(c) EFFECTIVE DATE- The amendments made by this section shall apply to taxable years beginning after December 31, 1998.

Bill targets marriage tax penalty

By CURT ANDERSON
The Associated Press

WASHINGTON — Most Americans have never heard of Vivien Kellems. But if they are married and each spouse earns roughly the same salary, they should keep her in mind while filling out their income tax returns.

Kellems, who died in 1975, was a prominent Connecticut businesswoman who successfully lobbied Congress in 1969 to change the tax code so it would not discriminate against unmarried adults. Single people had been at a tax disadvantage to married couples since 1948.

But when one group gains from tinkering with the progressive tax code, another loses. Such is the case with the "marriage penalty" now affecting 21 million couples who pay an average of \$1,400 more than if they had not tied the knot.

Congress is weighing at least one proposal to help some married couples, hoping to tap the budget surplus to cover the reduced revenue.

The disparity

Say an unmarried couple makes \$63,000 a year, \$31,500 each. Each gets a standard deduction and personal exemption. Result: Each pays \$3,682 in tax, or \$7,364 combined. But if they marry, they get only \$12,500 for the personal exemption and standard deduction, owing \$8,635 in tax — a penalty of \$1,271.

Kellems, of East Haddam, Conn., was a manufacturer of cable grips who founded War Widows of America with actress Gloria Swanson and campaigned against unfair tax treatment for single women.

She noted millions of women in her generation were unmarried because of a post-World War II shortage of potential husbands.

"What do you do if you can't get a husband? Should you be taxed for that?" she testified before a congressional committee, according to "The Decline (and Fall?) of the Income Tax" by Yale University law professor Michael Graetz.

Decades later, Congress is wrestling with the opposite problem: The entry of millions of women into the work force is exacerbating the marriage penalty in the tax code.

"Today the only form one can file to avoid the marriage tax penalty is paperwork for divorce," said Rep. Jerry Weller, R-Ill., sponsor of a bill with 230 co-sponsors aimed at eliminating the disparity.

Please see Back Page, TAX

TAX: Bill aims to eliminate penalty for married couples

Continued from Page A-1

The penalty is caused by America's progressive tax system, which taxes income at different rates based on how much someone earns and whether a taxpayer is single or married.

Without a flat tax rate equal for all taxpayers, it is impossible to end all inequities in the code.

"The government cannot attain marriage neutrality," the Congressional Budget Office concluded in a recent study.

Spouses who earn similar amounts are the most affected by the disparity. In contrast, households where one spouse brings home significantly more — again, subject to different tax rates — gain a marriage "bonus" averaging about \$1,300.

Graetz argues that this winds up punishing people who decide to marry,

unless they fit what he calls the "Ozzie and Harriett" model, in which one spouse stays home and the other works.

Republicans in Congress have made fixing the marriage penalty one of their top tax priorities, and many Democrats embrace the change.

Budget resolutions passed last month by the House and Senate put the penalty at the top of the list for some \$800 billion in tax cuts the GOP wants over the next decade, using some of the budget surplus.

But whether the change is made this year depends on the outcome of the battle between President Clinton and the GOP-led Congress over the \$1.6 trillion surplus.

Both say 62 percent of that should be set aside for Social Security, but Clinton wants the rest used for Medicare, new retirement accounts and more spending

instead of the tax relief sought by Republicans.

Weller's bill — which counts a dozen Democrats among its sponsors — would get at the marriage penalty two ways:

- Increase the 15 percent income tax bracket for married couples from \$41,200 to \$49,300 — or twice the \$24,650 bracket for single people. That would give married couples an additional \$8,100 subject to the lower 15 percent rate instead of the 28 percent rate.

- Increase the standard deduction for married couples from \$6,900 to \$8,300, twice the amount now enjoyed by singles.

The change would cost the government an estimated \$144 billion over five years.

It also would continue one tax inequality by increasing the "bonus" paid to married couples with one main breadwinner.

FISCAL NOTE

STATE OF ALASKA
1999 LEGISLATIVE SESSION

BILL NO. HJR 20

Revision Date: _____

Dept. Affected _____

Title: Uraining Congress to amend ERS code

BRU _____

of 1986 to eliminate marriage penalty...

Component _____

Sponsor: Phillips

Component Serial No. _____

Requester: _____

Expenditures/Revenues

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES []						
------------------------	--	--	--	--	--	--

FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1091 Designated Program Receipts						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY98) cost: _____

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Prepared by _____

Scott Phillips, Chairman

Phone _____

Phone 465-2689

Date _____