# TAX PENALTY PAID BY MARRIED WORKING PARENTS DUE TO FILING STATUS IN THE U.S.A.

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**ABSTRACT:** The United States Tax Code taxes married employed parents at a greater rate that unmarried employed parents based upon disparity in standard deduction for filing status.

## I. INTRODUCTION

The United States Tax Code systemically taxes married working parents at a higher rate than unmarried working parents. The United States Tax Code codifies the discrimination against married working parents through the disparity in standard deductions.

## II. CLASSIFCATION OF TAX PAYER CAUSES DISCRIMINATION AGAINST MARRIED WORKING PARENTS

Generally speaking, people living in the United States of America must file tax returns every April if they earn more than $10,400 in income for people under the age of sixty-five (65) according to the 2017 Internal Revenue ("IRS") guidelines [1]. United States citizens living abroad must also file income tax returns under certain circumstances, but this paper does not address the taxation of United states citizens living abroad separately from the analysis of taxation of unwed verses married employed parents. A tax return provides information to the United States Department of Treasury regarding the earning of the tax payer with the tax payer estimating owed taxes based upon the tax return. When filing their respective tax returns, tax payers must choose their filing status from: (1) single/married filing separately (2) married filing jointly or (3) Head of Household. Each filing status or classification allows for various tax benefits and deductions [2]. When a tax payer prepares his or her tax return, the Internal Revenue Code allows deduction from income based upon filing status. The Internal Revenue Code typically allows twice the amount of the single standard deduction for standard deduction of married couples. Heads of Household taxpayers may deduct a greater amount of income compared to a single tax payer, but less than that of a married couple filing jointly. Keeping in mind, that a married couple comprises two tax payers, the standard deduction of two tax payers filing as head of household is greater than two tax payers filing as a married couple. The standard deduction provided to two parents wherein on parent files as single and the other as head of household is greater than the deduction to married filing jointly. The following tables depict the disparity in the standard deduction allowed for married parents filing jointly verses either two head of household or one head of household with one single tax filer.

**Table 1 Table of Standard Deductions for the Years 2000 – 2017 [3]**

| YEAR | MARRIED | HEAD OF HOUSHOLD | SINGLE | Married Filing Separately | 2 HEAD OF HOUSEHOLD | HEAD OF HOUSEHOLD +SINGLE |
|---|---|---|---|---|---|---|
| 2000 | $7,350 | $6,450 | $4,400 | $3,675 | $12,900 | $10,850 |
| 2001 | $7,600 | $6,650 | $4,550 | $3,800 | $13,300 | $11,200 |
| 2002 | $7,850 | $6,900 | $4,700 | $3,925 | $13,800 | $11,600 |
| 2003 | $9,500 | $7,000 | $4,750 | $4,750 | $14,000 | $11,750 |
| 2004 | $9,700 | $7,150 | $4,850 | $4,850 | $14,300 | $12,000 |
| 2005 | $10,000 | $7,300 | $5,000 | $5,000 | $14,600 | $12,300 |
| 2006 | $10,300 | $7,550 | $5,150 | $5,150 | $15,100 | $12,700 |
| 2007 | $10,700 | $7,850 | $5,350 | $5,350 | $15,700 | $13,200 |
| 2008 | $10,900 | $8,000 | $5,450 | $5,450 | $16,000 | $13,450 |
| 2009 | $11,400 | $8,350 | $5,700 | $5,700 | $16,700 | $14,050 |
| 2010 | $11,400 | $8,400 | $5,700 | $5,470 | $16,800 | $14,100 |
| 2011 | $11,600 | $8,500 | $5,800 | $5,800 | $17,000 | $14,300 |

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|---|---|---|---|---|---|---|
| 2012 | $11,900 | $8,700 | $5,950 | $5,950 | $17,400 | $14,650 |
| 2013 | $12,200 | $8,950 | $6,100 | $6,100 | $17,900 | $15,050 |
| 2014 | $12,400 | $9,100 | $6,200 | $6,200 | $18,200 | $15,300 |
| 2015 | $12,600 | $9,250 | $6,300 | $6,300 | $18,500 | $15,550 |
| 2016 | $12,600 | $9,300 | $6,300 | $6,300 | $18,600 | $15,600 |
| 2017 | $12,700 | $9,350 | $6,350 | $6,350 | $18,700 | $15,700 |

**Table 2 Disparity Between Two Married Parents vs Two Unmarried Parents in Standard Deduction from 2000 - 2017**

| Year | Disparity Between Two HOH vs Married | Buying Power in 2018 | Disparity Between HOH + Single vs Married | Buying Power in 2018 |
|---|---|---|---|---|
| 2000 | $5,550 | $8,150 | $3,500 | $5,139 |
| 2001 | $5,700 | $8,069 | $3,600 | $5,096 |
| 2002 | $5,950 | $8,327 | $3,750 | $5,248 |
| 2003 | $4,500 | $6,140 | $2,250 | $3,069 |
| 2004 | $4,600 | $6,157 | $2,300 | $3,078 |
| 2005 | $4,600 | $5,978 | $2,300 | $2,989 |
| 2006 | $4,800 | $6,000 | $2,400 | $3,000 |
| 2007 | $5,000 | $6,123 | $2,500 | $3,061 |
| 2008 | $5,100 | $5,989 | $2,550 | $2,994 |
| 2009 | $5,300 | $6,222 | $2,650 | $3,111 |
| 2010 | $5,400 | $6,177 | $2,800 | $3,089 |
| 2011 | $5,400 | $6,078 | $2,700 | $3,039 |
| 2012 | $5,500 | $6,014 | $2,750 | $3,007 |
| 2013 | $5,700 | $6,135 | $2,850 | $3,068 |
| 2014 | $5,800 | $6,146 | $2,900 | $3,073 |
| 2015 | $5,900 | $6,257 | $2,950 | $3,129 |
| 2016 | $6,000 | $6,277 | $3,000 | $3,139 |
| 2017 | $6,000 | $6,124 | $3,000 | $3,062 |

## III. ANALYSIS OF MARRIAGE PENALTY

This analysis assumes two parents, each with independent taxable income sufficient to require the filing of an income tax return. When unmarried parents file their income tax return, if they have two or more children, then both parents may file independent tax returns electing the Head of Household filing status and claim one child as a dependent. The same couple, if married, may elect either married filing jointly or married filing separately. As Tables 1 and 2 depict, the unmarried parents will receive a greater standard deduction that reduced their respective adjusted gross income and thus their income tax.

**EXAMPLE 1 MARRIED 2000:**

Joe and Kelley are married parents of two minor children Katherine and Elizabeth. Joe and Kelley are both under the age sixty-five (65). In the year 2000, Joe earned $40,000 and Kelley earned $30,000. Pursuant to IRS guidelines, in 2000, tax payers earning more than $7,200 if single must file a tax return, $2,800 married filing separately, or $9,250 for head of household [4].

As a married couple, their combined income is $70,000. Their standard deduction as a married couple in the year 2000 is $7,350. (See Table 1) Therefore, without taking into account other adjustments, Joe and Kelley's Adjusted Gross Income ("AGI") would be $62,650. Joe and Kelley's income would further be reduced by the number of exemptions, four (4) (which comprises 2 parents + 2 children) times the $2,800 per exemption deduction [5] or $11,200. The AGI for Joe and Kelley would then be $51,450 resulting in a Federal Income Tax of $8,713 [5].

**EXAMPLE 2 UNMARRIED 2000**:

Alex and Alice are unmarried co-habituating parents of minor children Amy and Annie. Alex and Alice are under the age sixty-five (65). In the year 2000, Alex earned $40,000 and Alice earned $30,000.

Alex files his taxes as a Head of Household claiming Amy and therefore reduces his income by the $6,450 standard Head of Household Deduction and $5,600 for the two (2) exemptions, one for him and one for Amy. Alex's Adjusted Gross Income is then $27,950. Alex's Federal Income Tax for 2000 is $4,196.

Alice files her taxes as Head of Household claiming Annie. Alice is entitled to the $6,450 standard deduction for Head of Household and $5,600 deductions for her two exemptions, one for her and one for Annie. Alice's Adjusted Gross Income is $17,950. Alice's tax is $2,696. Alex and Alice's combined tax is $6,892 whereas Joe and Kelley's tax is $8,713 a difference of $1,821 in the year 2000 which equates to the buying power of $2,674 in 2018 [3]. Joe and Kelley paid $1,821 in additional taxes solely for being married verses cohabitating unmarried parents. Part of the marriage penalty

stems from the graduated income tax, which is not addressed in this paper. An analysis of Tables 1 and 2 clearly demonstrates the tax savings of two Heads of Households or one Head of Household and one Single flier.

## CONCLUSION

Pursuant to the tax code of the United States of America, marriage causes greater taxation for working parents verses unmarried working parents. Parents seeking to minimize their tax payments should consider cohabitating without marriage and electing to file as either two independent heads of households or one single tax payer and one head of household tax payer.

## REFERENCES

[1] United States Treasury, Internal Revenue Service, Publication 501, Table 1 (2017) and 26 U.S.C. §6012(a).
[2] 26 U.S.C. §6012 (a)-(b).
[3] Information for Tables 1 and 2 derived from the following Internal Revenue Forms:
Department of Treasury, Internal Revenue Service, Form 1040 pp. 2 (2000)
Department of Treasury, Internal Revenue Service, Form 1040 pp. 2 (2001)
Department of Treasury, Internal Revenue Service, Form 1040 pp. 2 (2002)
Department of Treasury, Internal Revenue Service, Form 1040 pp. 2 (2003)
Department of Treasury, Internal Revenue Service, Form 1040 pp. 2 (2004)
Department of Treasury, Internal Revenue Service, Form 1040 pp. 2 (2005)
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Department of Treasury, Internal Revenue Service, Form 1040 pp. 2 (2008)
Department of Treasury, Internal Revenue Service, Form 1040 pp. 2 (2009)
Department of Treasury, Internal Revenue Service, Instructions to Form 1040 pp. 33 (2010)
Department of Treasury, Internal Revenue Service, Form 1040 pp. 2 (2011)
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Department of Treasury, Internal Revenue Service, Form 1040 pp. 2 (2015)
Department of Treasury, Internal Revenue Service, Form 1040 pp. 2 (2016)
Department of Treasury, Internal Revenue Service, Form 1040 pp. 2 (2017)
Inflation Calculations based upon United States Bureau of Labor Statistics published in 2018 at https://data.bls.gov/cgi-bin/cpicalc.pl. All numbers rounded to the nearest dollar and compared at January of the tax year to January 2018.
[4] Department of Treasury, Internal Revenue Service, Publication 501 pp. 2 (2000).
[5] Department of Treasury, Internal Revenue Service, Form 1040 pp. 2 (2000).

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