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Marriage Penalties and Bonuses in the Federal Tax Code

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Marriage Penalties and Bonuses in the Federal Tax Code

When a couple marries, their federal income tax payments are likely to be impacted. Marriage may cause a couple's tax payments to increase, resulting in a *marriage tax penalty*, or decrease, resulting in a *marriage tax bonus*.

Marriage penalties and bonuses emerge because of the impossibility of balancing three competing goals in the income tax code: *progressivity* (higher-income taxpayers pay higher marginal tax rates), *horizontal equity* (households with the same income and the same number of people pay the same taxes), and *marriage neutrality*. The federal income tax achieves progressivity and to some extent horizontal equity, but does so at the expense of marriage neutrality.

Marriage tax penalties and bonuses are common in the income tax code. Estimates suggest that roughly two out of five couples experience a marriage penalty, with the average penalty being around \$2,000; slightly more couples receive a marriage bonus, with various estimates suggesting that the average bonus ranges from \$3,000 to \$5,000. A minority of couples, especially couples with very low incomes, receive neither a marriage bonus nor a marriage penalty. Marriage penalties are most common among two-earner households and couples with children, whereas marriage bonuses are most common for one-earner households and childless couples.

This report discusses how and why marriage penalties and bonuses emerge in the federal tax code. It discusses the prevalence of penalties and bonuses, explains the impossibility of balancing the three principles listed above, and describes six major provisions creating penalties or bonuses: the standard deduction; marginal tax brackets; head of household filing status; the earned income tax credit (EITC); Affordable Care Act (ACA) premium tax credits; and the state and local tax (SALT) deduction cap. The standard deduction, marginal tax brackets, and ACA premium tax credits are more likely to result in marriage bonuses than penalties, whereas head of household filing status, the EITC, and the SALT cap often create penalties.

The report also describes potential reforms that could eliminate or decrease marriage tax penalties, including broad reforms to the general tax system (e.g., switching to individual tax filing, implementing a flat tax, or adjusting taxes for family size); provision-specific reforms (including to the EITC, the SALT cap, and the top marginal tax bracket); and new provisions that could be added to the tax code (e.g., a second-earner deduction or credit). The report also discusses the literature on the empirical effects of marriage tax penalties and bonuses, noting that marriage tax penalties and bonuses do not appear to have a large effect on marriage rates or labor supply. These findings suggest that lawmakers may wish to consider the inherent fairness or unfairness of marriage penalties and bonuses when considering reforms to create greater marriage neutrality or larger marriage bonuses.

Other provisions that create smaller marriage penalties or bonuses, or that affect a relatively small number of taxpayers, are discussed in **Appendix A**. **Appendix B** discusses the history of marriage penalties and bonuses, focusing on three long-standing provisions that have major effects on bonuses and penalties—the standard deduction, marginal tax brackets, and the EITC.

Overall, this report provides specific information on why marriage penalties and bonuses emerge in theory, how they have emerged in practice, and how the tax code could be reformed to reduce penalties. This report's findings suggest that targeted policy reforms could significantly decrease marriage penalties for many couples.

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Introduction

It is impossible to achieve a tax system that is simultaneously *progressive* (in terms of both effective and marginal income tax rates), *horizontally equitable* (households with the same income and family size pay the same taxes), and *marriage neutral* (couples pay the same taxes regardless of whether they are married or unmarried).¹ Congress has designed the federal income tax system with progressivity and quasiequitable treatment of similar taxpayers, but also with marriage bonuses and penalties (along with corresponding single penalties and bonuses). Thus, taxpayers who marry or divorce may find their combined tax liability changed. This bonus or penalty may arise from general features such as the marginal rate brackets, as well as others like head of household filing status and income-based phaseouts for tax credits.

Marriage has financial implications outside the tax code (such as inheritance) as well as personal implications, so that marriage penalties can be minor by comparison. These issues are outside the scope of this report.

Married persons accounted for 53% of all taxpayers in 2023. They generally file one joint return.² Joint returns constitute slightly more than one-third of tax returns (34%, or 55 million out of 161 million returns in 2023). Marriage penalties can apply to couples in higher income brackets because of the top bracket's income cutoff. This affects about 1 million (less than 2%) of 55 million joint returns.³ Roughly 33 million joint returns (about 61%) do not have child or dependent credits and are likely to have marriage bonuses.⁴ About 21.5 million joint returns (around 39%) claim children or other dependents; marriage penalties or bonuses might apply to these returns relative to how couples would have been taxed under head of household schedules if they were not married.⁵ Roughly 10% of joint returns potentially face marriage penalties because

¹ This impossibility is based on the simultaneous achievement of horizontal equity, marriage neutrality, and progressive marginal tax rates. Professor Daniel Hemel has pointed out that a flat tax rate paired with a per-individual refundable tax credit would achieve horizontal equity, marriage neutrality, and progressive effective tax rates. For further discussion, see Daniel J. Hemel, "Beyond the Marriage Tax Trilemma," Public Law and Legal Theory Working Paper Series, No. 726, 2019. Professors James Alm and J. Sebastian Leguizamon have also noted that progressive marginal tax rates are incompatible with full horizontal equity and marriage neutrality. See James Alm and J. Sebastian Leguizamon, "Whither the Marriage Tax?," *National Tax Journal*, vol. 68, no. 2 (June 2015), p. 254.

² Although married couples may file separate returns, filing separately is generally not advantageous. In 2023, 50.7% of all taxpaying individuals were part of a married couple filing a joint return, while 1.9% were married separate filers. See Internal Revenue Service (IRS), Statistics of Income, "Table 1.2. All Returns: Adjusted Gross Income, Deductions, and Tax Items, by Size of Adjusted Gross Income and by Filing Status," <https://www.irs.gov/statistics/soi-tax-stats-individual-statistical-tables-by-filing-status>.

³ Internal Revenue Service (IRS), Statistics of Income, "Table 3.4. All Returns: Tax Classified by Both the Marginal Rate and Each Rate at Which Tax Was Computed, by Filing Status," <https://www.irs.gov/statistics/soi-tax-stats-individual-statistical-tables-by-tax-rate-and-income-percentile>. Estimates include returns filed by qualified surviving spouses.

⁴ Data on returns by marital status, income, and child and dependent credits are from IRS, Statistics of Income, "Table 1.2. All Returns: Adjusted Gross Income, Deductions, and Tax Items, by Size of Adjusted Gross Income and by Filing Status," and "Table 1.3," <https://www.irs.gov/statistics/soi-tax-stats-individual-statistical-tables-by-filing-status>.

⁵ This estimate is based on data from IRS, Statistics of Income, "Table 1.3. All Returns: Sources of Income, Adjustments, Deductions, Credits, and Tax Items, by Filing Status," <https://www.irs.gov/statistics/soi-tax-stats-individual-statistical-tables-by-filing-status>. Table 1.3 shows that just over 21.5 million married joint filers received the nonrefundable portion of the child tax credit (CTC) and/or the credit for other dependents in 2022. This estimate does not include extremely high-income taxpayers (who are ineligible for both credits), taxpayers who receive only the refundable portion of the CTC, and taxpayers with child dependents aged over 17. (Students aged 19-23 and 18-year-olds are qualifying children for purposes of head of household filing status but not for purposes of the CTC.) For these reasons, the fact that 21.5 million married joint filers qualify for the CTC and/or the credit for other dependents understates the number who face a marriage penalty due to the loss of head of household filing status.

of the earned income tax credit.⁶ Whether lower-income households with children have marriage penalties or bonuses also depends on the division of income within the couple. The Treasury Department's Office of Tax Analysis has estimated that 53% of joint returns receive bonuses and 37% receive penalties, with the remaining 20% having neither penalties nor bonuses (largely because they lack any tax liability).⁷

Because a marriage bonus is a singles penalty, many of the 80 million single filers (about 50% of returns) pay more in income taxes than they would if they married another single filer. Singles penalties are larger for couples with more unequal incomes. Single people with qualifying dependents may file as a head of household. The 22 million head of household filers (13% of total returns) may pay a bonus or a penalty depending on their income level, the filing status of their partner, and the division of income. About 4 million head of household returns (about 2% of total returns) claimed an EITC. About 6 million returns claimed an EITC with no children, and most of those appear to be single returns. The EITC is small for childless workers.

These numbers illustrate that bonuses and penalties are pervasive in the income tax, and marriage penalties are more significant for two-earner families, families with children, and middle-income families.

This report explains the tax provisions that lead to marriage penalties and bonuses, how they vary across incomes and family structures, provisions that have attracted attention, the evidence of the effects of penalties and bonuses on the decisions to marry and work, and policy options to reduce marriage penalties.

The report focuses predominantly on the federal income tax because it is the main source of marriage penalties and bonuses. This report does not discuss the corporate income tax, excise taxes, or taxes on imports (tariffs), all of which are marriage neutral. Two other types of federal taxes—payroll taxes and estate taxes—create marriage penalties or bonuses for a small number of taxpayers and are discussed in **Appendix A**. **Appendix B** provides a brief historical overview of marriage tax penalties and bonuses.

⁶ The IRS does not routinely report the earned income credit by marital status. However, the most recent estimates indicated that married couples received 25% of the value of the credit. See CRS Report R43805, *The Earned Income Tax Credit (EITC): How It Works and Who Receives It*, by Brendan McDermott, Margot L. Crandall-Hollick, and Conor F. Boyle. If married couples also accounted for 25% of all returns that claimed the EITC, that would equal 5.75 million returns out of the 23 million claiming the credit in 2024. For number of returns claiming the credit, see IRS, "Statistics For Tax Returns With The Earned Income Tax Credit (EITC)," <https://www.irs.gov/tax-professionals/eitc-central/statistics-for-tax-returns-with-the-earned-income-tax-credit-eitc#previous>.

⁷ Rachel Costello et al., *Marriage Penalties and Bonuses by Race and Ethnicity: An Application of Race and Ethnicity Imputation*, Department of the Treasury, Office of Tax Analysis (OTA), January 2024, p. 10, <https://home.treasury.gov/system/files/131/WP-124.pdf>.

Marriage and Tax Filing Statuses

When individuals and couples submit their end-of-year tax returns, they must select a *tax filing status*. The statuses they may select are *Single*, *Head of household*, *Married filing jointly*, *Married filing separately*, and *Qualifying surviving spouse*.⁸

Single filers are unmarried individuals without children or other qualifying dependents.⁹ Head of household (HoH) filers are unmarried individuals with one or more qualifying dependent(s). Individuals who can be claimed as qualifying dependents include

1. children ages 18 and under;
2. children ages 19-23 who are full-time students;
3. disabled adult children;
4. dependent parents;
5. other qualifying relatives (including nieces, nephews, grandparents, siblings, etc.); and
6. non-family members who live with the taxpayer the entire year.¹⁰

Both the qualifying dependent and the HoH filer must meet certain additional tests. Dependents qualifying under the first three categories (qualifying children) must not have provided over half their own *total support* (i.e., paid over half their own expenses) during the year. To qualify under the fourth through sixth categories, dependents must have gross incomes of less than \$5,300, and the HoH filer must have provided over half the dependent's total support.¹¹ Finally, regardless of which type of dependent is claimed, the HoH filer must live with the dependent at least half the year (except in the case of a dependent parent) and pay over half the costs of keeping up the shared living space.¹² Nearly 90% of HoH filers claim a child as their dependent.¹³

Married joint filers are married couples who file one tax return and pay taxes on their combined income. Married separate filers are married couples who file as individuals. Each member of the couple submits a distinct, unique tax return and pays taxes on their own individual income. They generally (though not always) pay the same marginal tax rates and qualify for the same deductions as single filers, although rules for tax credits sometimes differ for single filers and married separate filers.¹⁴

Certain widows and widowers may file as qualifying surviving spouses and pay the same income taxes as married joint filers. For the year in which a spouse passes away, the surviving spouse may use the married filing jointly status. Starting with the next year, the surviving spouse may no

⁸ See IRS Form 1040, available at <https://www.irs.gov/forms-pubs/about-form-1040>.

⁹ CRS In Focus IF13143, *Federal Tax Filing Statuses*, by Nicholas E. Buffie.

¹⁰ IRS, "Publication 501: Dependents, Standard Deduction, and Filing Information," accessed January 2, 2026, <https://www.irs.gov/pub/irs-pdf/p501.pdf>.

¹¹ The gross income limitation of \$5,300 is for tax year 2026 (filing year 2027). It was \$5,200 in tax year 2025 and \$5,050 in tax year 2024. For more information on the gross income limitation, see 26 CFR 601.602, available at <https://www.irs.gov/pub/irs-drop/rp-25-32.pdf#page=20>.

¹² IRS, "Publication 501: Dependents, Standard Deduction, and Filing Information." The costs of keeping up the shared living space do not include all the costs used to calculate total support; they are more narrowly restricted to the costs associated with owning, renting, and/or maintaining a home. The IRS defines these costs as the total annual payments associated with rent, mortgage interest, utilities, property taxes, home repairs, home maintenance, property insurance, food consumed at home, and "other household expenses."

¹³ Congressional Budget Office (CBO), *Options for Reducing the Deficit: 2019 to 2028*, December 13, 2018.

¹⁴ CRS In Focus IF13143, *Federal Tax Filing Statuses*, by Nicholas E. Buffie.

longer use that status. However, a widow or widower who cares for one or more qualifying dependent children or stepchildren can file as a qualifying surviving spouse for up to two years after their spouse’s death.¹⁵

With the exception of widows and widowers whose spouse dies during the tax year, a tax filer’s marital status is based on whether they were legally married as of December 31 of the tax year.¹⁶

How Tax Filing Status Affects Statutory Income Tax Rates

The federal income tax includes seven different marginal tax rates, or tax rates that are applied to specific portions of taxpayer incomes. Although the rates themselves are the same for all taxpayers, they are applied to different amounts of income based on taxpayers’ filing statuses. In addition, most taxpayers can deduct a certain amount of their income from taxation using the standard deduction, with the amounts differing by filing status. (See the section “The Standard Deduction” for more information.)

Table 1 displays the standard deduction and amounts of income subject to each marginal tax rate for different types of tax filers. The tax structure portrayed in **Table 1** applies to ordinary income, including wages, salaries, and most other income, but not to long-term capital gains and qualified dividends. These tax rules are used to calculate statutory income tax rates, that is, tax payments as a share of income before consideration of any tax credits (used to reduce payments).

Table 1. Standard Deduction and Marginal Tax Brackets, Tax Year 2026

	Single Filers and Married Separate Filers (MSFs)	Head of Household Filers	Married Joint Filers
Standard Deduction	\$16,100	\$24,150	\$32,200
<i>Tax Rates Applied to Taxable Income</i>			
10% Marginal Tax Rate	First \$12,400	First \$17,700	First \$24,800
12% Marginal Tax Rate	\$12,100 to \$50,400	\$17,700 to \$67,450	\$24,800 to \$100,800
22% Marginal Tax Rate	\$50,400 to \$105,700	\$67,450 to \$105,700	\$100,800 to \$211,400
24% Marginal Tax Rate	\$105,700 to \$201,775	\$105,700 to \$201,750	\$211,400 to \$403,550
32% Marginal Tax Rate	\$201,775 to \$256,225	\$201,750 to \$256,220	\$403,550 to \$512,450
	\$256,225 to:		
35% Marginal Tax Rate	\$640,600 for single filers \$384,350 for MSFs	\$256,200 to \$640,600	\$512,450 to \$768,700
	Taxable Income above:		
37% Marginal Tax Rate	\$640,600 for single filers \$384,350 for MSFs	Taxable Income above \$640,600	Taxable Income above \$768,700

Source: Internal Revenue Service (IRS), *Revenue Procedure 2025-32*.

Notes: Table is for tax year 2026 (filing year 2027). The standard deduction and income thresholds for all marginal tax brackets are adjusted annually for inflation. The table is restricted to ordinary income and does not include lower tax rates for long-term capital gains and qualified dividends.

¹⁵ IRS, “Publication 501: Dependents, Standard Deduction, and Filing Information.”

¹⁶ CRS In Focus IF13143, *Federal Tax Filing Statuses*, by Nicholas E. Buffie.

Marriage Penalties and Bonuses

Marriage penalties and bonuses are relatively commonplace. Estimates from the Treasury Department's Office of Tax Analysis (OTA) show that in tax year 2023, 37% of married joint filers paid higher taxes as a result of being married, while 53% paid lower taxes.¹⁷ (Many tax provisions from 2023 were extended to the 2030s by P.L. 119-21, enacted in 2025, so penalties and bonuses for 2023 inform potential outcomes under current law.)¹⁸ The OTA estimates that the average marriage penalty was \$1,820, while the average bonus was \$4,911. Those estimates likely understate marriage penalties and overstate marriage bonuses, however, insofar as penalties discourage some couples from marrying, those unmarried couples will not be counted in estimates exclusively of married couples. Similarly, if some couples opt to marry or marry earlier in order to claim additional tax benefits, then already-married couples will be more likely than unmarried couples to have marriage bonuses. It is therefore likely that more than 37% of all couples (including both married and unmarried couples) face marriage penalties, whereas fewer than 53% receive marriage bonuses.

The OTA report includes other broad takeaways about marriage penalties and bonuses. Some of the key points include the following:

- marriage tax penalties are most common and largest for couples with children;
- the only couples whose tax payments are generally unaffected by marriage are those with very low incomes; and
- high-income couples are the most likely to benefit from marriage bonuses, whereas middle-income couples are the most likely to face marriage penalties.¹⁹

Relative to the OTA study, a study of 2018 tax law from the Urban-Brookings Tax Policy Center (TPC) found a larger share of married couples with penalties and a smaller share with bonuses—both 43%.²⁰ The average penalty (\$2,064, or 1.5% of income) reported by TPC was slightly larger, and the average bonus (\$3,062, or 2.7% of income) was smaller. This study used both different data and different methodology for calculating the prevalence and magnitude of marriage penalties and bonuses.²¹ It did not include the premium tax credit (discussed later in this

¹⁷ Rachel Costello et al., *Marriage Penalties and Bonuses by Race and Ethnicity: An Application of Race and Ethnicity Imputation*. The other 10% of married joint filers paid neither higher nor lower taxes due to being married. The calculation of marriage penalties and bonuses for couples with children depends on the assumption of who would claim the children as dependents on their tax form if the couple was unmarried. The study assigns dependents and HoH filing status to the higher-earning spouse. It also assumes that capital income is allocated proportionally to earned income.

¹⁸ For information on the tax reforms enacted in the FY2025 reconciliation law, see CRS Report R48611, *Tax Provisions in P.L. 119-21, the FY2025 Reconciliation Law*, coordinated by Anthony A. Cilluffo.

¹⁹ For the very lowest-income joint filers—those with nonnegative adjusted gross incomes below \$15,000—6% faced a marriage penalty, 16% had a marriage bonus, and 78% paid neither higher nor lower taxes due to being married.

²⁰ Janet Holtzblatt et al., *Racial Disparities in the Income Tax Treatment of Marriage*, Urban-Brookings Tax Policy Center, February 2023, https://taxpolicycenter.org/sites/default/files/publication/164930/racial_disparities_in_the_income_tax_treatment_of_marriage.pdf.

²¹ The TPC study relies on survey data from the Federal Reserve's Survey of Consumer Finances, whereas the OTA study uses administrative tax return data. In addition, the TPC study assumes that capital income would be divided evenly between the spouses if they were unmarried, whereas the OTA study assumes that capital income would be divided proportionally to earned income. Finally, when deductions are not clearly allocated to specific individuals, the TPC study assumes that the higher-income partner would claim all itemized deductions and above-the-line deductions if the couple were unmarried, whereas the OTA study allocates all remaining deductions "in proportion to the couple's earned, unearned, or total income shares, depending on the nature of the expenses." Both studies allocate dependents and HoH filing status to the higher-earning spouse, and for deductions based on expenses linked to a specific individual (e.g., contributions to retirement accounts), both studies allow that spouse to claim the deduction when unmarried.

report), although it included estimates for couples not filing tax returns, thus potentially including a wider range of couples than the OTA report.²²

The converse of marriage penalties and bonuses is what may be called “single penalties and bonuses” for unmarried taxpayers. Estimating these effects is more difficult because it requires knowledge of who these individuals would hypothetically marry. According to Census data, 46% of households are comprised of married couples and 7% of at least two unmarried, unrelated individuals. The share of households with married couples declined from 55% to 46% from 1990 to 2020, while the share with two unmarried, unrelated individuals rose from 5% to 7%.²³

Although CRS did not identify any recent studies of the share of penalties and bonuses among unmarried couples, such couples are likely to face single penalties (i.e., pay more than if they were married) if the difference between their earnings is large. A study based on 2007 tax law indicated that 48% of cohabiting couples received a singles bonus, while 38% faced a singles penalty.²⁴ As with married couples, marriage penalties (singles bonuses) were found to be more common among cohabitating couples with children than among such couples without children.

Why Marriage Penalties and Bonuses Emerge

Marriage penalties and bonuses occur because of the impossibility of balancing three competing policy goals:

1. Progressivity (i.e., requiring taxpayers to pay higher marginal tax rates as their incomes rise);
2. Horizontal equity across households (i.e., requiring households with the same income and the same number of people to pay the same amount in taxes); and
3. Marriage neutrality (i.e., requiring couples to pay the same taxes regardless of whether they are married or unmarried).²⁵

To illustrate why achieving all three outcomes is impossible, consider two hypothetical couples. In the first couple (henceforth “the dual-earner couple”), both partners have annual incomes of \$50,000. In the second couple (henceforth “the one-earner couple”), one partner has an annual income of \$100,000, while the other partner earns \$0.

If both couples are unmarried, all four individuals will pay taxes as single filers. In a progressive tax system, the individual earning \$100,000 will pay a higher share of income than the other three individuals. As a result, the person earning \$100,000 will pay *more than twice as much in taxes* as

²² Janet Holtzblatt et al., *Racial Disparities in the Income Tax Treatment of Marriage*, pp. 32, 50; and Rachel Costello et al., *Marriage Penalties and Bonuses by Race and Ethnicity: An Application of Race and Ethnicity Imputation*, p. 9. The OTA study notes: “For a couple that claims the premium tax credit (PTC) on the joint return, the [OTA tax] calculator splits the total premium payment in proportion to the spouses’ earned income and allows both spouses to claim the PTC on individual returns. This treatment is consistent with the PTC rules for divorced couples.”

²³ Thomas Gryn et al., “Married Couple Households Made Up Most of Family Households,” U.S. Census Bureau, May 25, 2023, <https://www.census.gov/library/stories/2023/05/family-households-still-the-majority.html>.

²⁴ Emily Y. Lin and Patricia K. Tong, “Marriage and Taxes: What Can We Learn From Tax Returns Filed by Cohabiting Couples?” *National Tax Journal*, vol. 65, no. 4 (December 2012), pp. 807-826.

²⁵ As noted in footnote 1, this impossibility is based on the simultaneous achievement of horizontal equity, marriage neutrality, and progressive *marginal* tax rates. Professor Daniel Hemel has pointed out that a flat tax rate paired with a per-individual refundable tax credit would achieve horizontal equity, marriage neutrality, and progressive *effective* tax rates. For further discussion, see Daniel J. Hemel, “Beyond the Marriage Tax Trilemma,” Public Law and Legal Theory Working Paper Series, No. 726, 2019. Professors James Alm and J. Sebastian Leguizamon have also noted that progressive marginal tax rates are incompatible with full horizontal equity and marriage neutrality. See James Alm and J. Sebastian Leguizamon, “Whither the Marriage Tax?,” *National Tax Journal*, vol. 68, no. 2 (June 2015), p. 254.

the individuals earning \$50,000.²⁶ For the tax code to achieve marriage neutrality, neither couple's combined tax payments could change once they married. As a result, the married one-earner couple would pay higher taxes than the married dual-earner couple, which would violate the principle of horizontal equity across households.

Conversely, under a progressive tax system, the government could set a rule stating that all married couples earning the same total income would pay the same taxes. This rule would preserve both progressivity and horizontal equity across households. However, for the rule to work, it would require either that the two-earner couple pay higher taxes when they marry (a marriage penalty) or that the one-earner couple pay lower taxes when they marry (a marriage bonus).

The tax code could preserve marriage neutrality and horizontal equity across households if taxes were directly proportional to income. For example, if the tax rate were set at 10% of income for all unmarried individuals and married couples, then couples' combined tax payments would not change when they married, and both the dual-earner couple and the one-earner couple would pay the same amount. However, this system would by definition be a *flat tax* rather than a *progressive tax*, requiring filers to pay an identical share of their income in federal taxes regardless of ability to pay.

The federal income tax is closest to the second system described above—a system that prioritizes progressivity and horizontal equity over marriage neutrality. The federal income tax is progressive, with high-income tax filers generally paying higher rates than low-income filers.²⁷ The income tax also promotes horizontal equity across households by setting uniform, broadly applicable marginal rates for all taxpayers of a given filing status, although certain tax breaks create horizontal inequity among high-income households.²⁸ Approximately 90% of married couples face either marriage penalties or marriage bonuses, with annual penalties or bonuses of thousands of dollars being relatively common.

It is sometimes argued that different tax filing statuses are meant to reflect differences in household size, given that larger households must earn higher total income to maintain the same per capita living standards as smaller households.²⁹ This is not entirely consistent with the federal income tax approach under current law, as the federal income tax bases payments on people's marital status, not on their household size. For example, two unmarried individuals living together as roommates cannot file a joint tax return; conversely, a married couple that is living apart can still use the married filing jointly status. Therefore, it is more accurate to say that the

²⁶ For example, if the individuals earning \$50,000 pay a 10% effective tax rate, they will each owe \$5,000. If the individual earning \$100,000 is taxed at a rate above 10%, he or she will owe more than \$10,000 (i.e., more than twice the amount owed by the individuals earning \$50,000).

²⁷ CRS Report R48313, *Overview of the Federal Tax System in 2024*, by Donald J. Marples and Brendan McDermott; Joint Committee on Taxation (JCT), *Overview of the Federal Tax System as in Effect for 2025*, 119th Cong., 1st sess., September 5, 2025, JCX-38-25; and CBO, *The Distribution of Household Income in 2021*, September 11, 2024.

²⁸ Treasury, OTA, *Variation in Average Tax Rates Within and Across Income Levels*, August 5, 2015, <https://home.treasury.gov/system/files/131/Variation-in-Average-Tax-Rates-2016.pdf>; and CRS Report R44787, *Statutory, Average, and Effective Marginal Tax Rates in the Federal Individual Income Tax: Background and Analysis*, by Molly F. Sherlock. Two aspects of the income tax that create substantial horizontal inequity among high-income households are the lower tax rates for long-term capital gains and qualified dividends relative to other sources of income, and the different amounts of itemized deductions claimed by different households.

²⁹ The extent to which the tax system meets this objective is discussed in CRS Report R46193, *Federal Income Tax Treatment of the Family Under the 2017 Tax Revision*, and CRS Report RL33755, *Federal Income Tax Treatment of the Family*, by Jane G. Gravelle.

federal income tax imposes different tax rates on married persons and unmarried persons than on households of different sizes.

Major Sources of Marriage Tax Penalties and Bonuses

This section discusses aspects of the federal income tax that create marriage penalties or bonuses for broad swaths of taxpayers and/or create large penalties or bonuses for a more limited number of taxpayers. **Appendix A** describes provisions that affect a small number of taxpayers and/or have a small effect on tax payments.

The Standard Deduction

Deductions allow taxpayers to reduce their taxable incomes, thus lowering the amount they owe in taxes. For example, an individual earning \$100,000 and qualifying for a \$20,000 deduction would pay the same income taxes as someone earning \$80,000 but not receiving a deduction.

When individuals and couples submit their annual tax returns, they may claim either itemized deductions or the standard deduction. Itemized deductions are for specific expenses incurred by the taxpayer; the most common itemized deductions are for charitable contributions, state and local tax payments, and mortgage interest payments.³⁰ The standard deduction allows taxpayers who do not claim itemized deductions to reduce their taxable incomes by a flat amount. For tax year 2026, the standard deduction is \$16,100 for single filers, \$24,150 for HoH filers, \$32,200 for married joint filers, and \$16,100 for married separate filers.³¹ Additional standard deduction amounts (i.e., larger deductions) are available for seniors, the blind, and victims of certain natural disasters.³² For married separate filers, if one spouse itemizes their deductions, the second spouse is given a standard deduction of \$0, making it preferable for the second spouse to also itemize.³³

Taxpayers only benefit from itemizing their deductions if their itemizable expenses are greater than the standard deduction amount. This is not the case for most taxpayers. In 2023 (the most recent year for which data are available), 90% of tax filers claimed the standard deduction, including 98% of filers with adjusted gross incomes (AGIs) below \$50,000.³⁴

In almost all instances, for households without dependents, the standard deduction either is marriage neutral or creates marriage bonuses. It only creates marriage penalties in unique circumstances that are particular to couples with specific levels of itemizable expenses. The standard deduction also creates marriage penalties when one or both of the partners is an HoH filer; this report discusses such penalties in the “Head of Household Tax Filing Status” section.

³⁰ CRS Insight IN12517, *Selected Issues in Tax Reform: Itemized Deductions*, by Nicholas E. Buffie.

³¹ CRS In Focus IF13143, *Federal Tax Filing Statuses*, by Nicholas E. Buffie; and IRS, “IRS Releases Tax Inflation Adjustments for Tax Year 2026, including Amendments from the One, Big, Beautiful Bill,” press release, October 9, 2025, <https://www.irs.gov/newsroom/irs-releases-tax-inflation-adjustments-for-tax-year-2026-including-amendments-from-the-one-big-beautiful-bill>.

³² CRS In Focus IF12574, *The Nonbusiness Casualty Loss Deduction*, by Brendan McDermott; and IRS, “Topic No. 551, Standard Deduction,” January 5, 2026, <https://www.irs.gov/taxtopics/tc551>.

³³ *Investopedia*, “Married Filing Separately Explained: How It Works and Its Benefits,” September 4, 2025.

³⁴ IRS, Statistics of Income, “Table 1.2,” <https://www.irs.gov/statistics/soi-tax-stats-individual-statistical-tables-by-filing-status>. On the other hand, approximately 87% of filers with AGIs of \$10 million or more claimed itemized deductions.

For couples with zero or near-zero incomes, the standard deduction is marriage neutral, as it ensures that couples will not owe any income taxes regardless of their marital status. The standard deduction is also marriage neutral for two-earner couples in which both partners are in the same marginal tax bracket (or would be if they were unmarried).

The standard deduction typically creates marriage bonuses for one-earner couples. This is because the standard deduction is larger for married joint filers (\$32,200) than for single filers (\$16,100). As a result, when a one-earner couple remains unmarried, the income-earning spouse can only claim a standard deduction of \$16,100 (or \$24,150 for an HoH filer). However, after the couple marries, they may claim a standard deduction of \$32,200, thereby increasing the amount of income excluded from taxation.

For two partners with different income levels, the standard deduction creates marriage bonuses. This is because the couple will generally be taxed at two distinct marginal rates if they are unmarried, but will be taxed at a single marginal rate if they are married. Due to the structure of the federal income tax, the single marginal rate is higher than the average of the two distinct marginal rates. As a result, for two-earner couples with different income levels, the standard deduction allows the couple to reduce their tax liabilities more when they are married than when they are unmarried.

The standard deduction does not affect (and is therefore implicitly marriage neutral toward) couples who itemize their deductions. In tax year 2023, approximately 87.6% of married joint filers claimed the standard deduction, while 12.1% itemized their deductions, indicating that the standard deduction is an important provision for the vast majority of tax filers.³⁵

The standard deduction can create tax penalties for couples in which one partner prefers itemized deductions and the other prefers the standard deduction. Specifically, if one partner would like to claim a standard deduction of \$16,100, and the other plans to claim itemized deductions of \$16,101 or more, the couple will claim a lower deduction if they are married than if they are unmarried.

Marginal Tax Brackets

Tax brackets are the ranges of taxable income to which tax rates apply. All taxable income within a bracket is taxed at that bracket's rate, and the tax rate applies only to income within the corresponding bracket. Tax brackets and rates apply to taxable income, after taxpayers have claimed any deductions for which they are eligible. Tax brackets are adjusted for inflation each year, and the rates are progressive, meaning the rates increase as a taxpayer's income increases.

For example, assume that a single filer has a taxable income of \$22,900 in 2026. The filer's first \$12,400 would be taxed at 10% under current law, and the remaining \$10,500 would be taxed at 12%. The taxpayer's precredit tax liability is \$2,500 as determined by the following formula:

$$(\$12,400 \times 0.10) + (\$10,500 \times 0.12) = (\$1,240 + \$1,260) = \$2,500.$$

Marginal Tax Brackets: Marriage Bonuses for Most Taxpayers

All of the individual income tax brackets except for the highest begin at twice the income level for married joint filers as for single filers. This system ensures no marriage bonus or penalty exists for two individuals with equal taxable incomes, but it creates a marriage bonus for those with different incomes.

³⁵ IRS, Statistics of Income, "Table 1.2."

For two individuals with equal taxable incomes (which, when combined, are below the start of the highest marginal bracket), the couple's combined taxable income is twice their individual taxable incomes, but the tax rates apply at income levels that are twice as high. The tax attributable to each rate and bracket is the same whether they file as singles or file jointly, giving them the same combined tax liability (before applying tax credits).

For example, assume two taxpayers both have taxable incomes of \$22,900 in 2026, as the example taxpayer above did. If they file as two single individuals, they would have a combined precredit tax liability of \$5,000 (2 x \$2,500). If they file as married filing jointly, they would have a combined taxable income of \$45,800 (2 x \$22,900). The 10% bracket would apply on their first \$24,800 of taxable income, while the remaining \$21,000 would be taxed at 12%. Their combined liability would still be \$5,000.³⁶ These taxpayers would face neither a marriage bonus nor a marriage penalty.

This parity does not necessarily hold when the two individuals have different incomes, where such cases can result in a marriage bonus. If they filed as singles, the higher-earning individual could have more income facing higher tax rates than the lower-earning individual. The married joint brackets effectively allow the higher-earning spouse to “shift” some of their taxable income from higher brackets to lower ones.

For example, consider the same couple as above, except one of the individuals earns the entire \$45,800 of taxable income. The other has no taxable income. Their tax liability if married filing jointly would remain \$5,000. However, their tax liability if filing as two single individuals would be higher: the income earner would pay \$5,248, and the other partner would have no tax liability.³⁷ Choosing to marry and file jointly would reduce their precredit tax liability by \$248.

Marginal Tax Brackets: Marriage Penalties for High-Income Taxpayers

Not all bracket levels are twice as high for married joint filers as for single filers. In 2026, the start of the bracket corresponding to the top marginal rate is \$768,700 for joint filers, less than twice as high as the \$640,600 level for single filers. Marriage can cause more of the combined income of two-earner couples to face the highest tax rate, thus creating a marriage penalty.

For example, assume two individuals both have taxable incomes of \$1 million. Regardless of whether they are married or unmarried, the couple will have \$512,450 of income taxed at the five lowest marginal rates.³⁸ However, if the couple is unmarried, they will have \$768,750 of combined income taxed at the 35% rate and \$718,800 taxed at the 37% rate. On the other hand, if the couple is married, they will have \$256,250 taxed at the 35% rate and \$1,231,300 taxed at the 37% rate. By increasing the couple's tax rate 2 percentage points on \$512,500 of income, the tax code imposes a marriage penalty of \$10,250. (This is the maximum penalty created by this provision.)

This penalty only applies to couples in which both spouses have taxable incomes of more than \$384,350.³⁹ However, the tax bracket structure always creates marriage bonuses for one-earner couples, regardless of the incongruent income thresholds for the top marginal tax bracket.

³⁶ This is based on the formula: $(\$24,800 \times 10\%) + (\$21,000 \times 12\%) = (\$2,480 + \$2,520) = \$5,000$.

³⁷ The tax payment for the higher-earning individual is based on the formula: $(10\% \times \$12,400) + (12\% \times \$33,400) = (\$1,240 + \$4,008) = \$5,248$.

³⁸ The five lowest marginal income tax rates are 10%, 12%, 22%, 24%, and 32%, respectively.

³⁹ The \$384,350 threshold is for 2026; it is equivalent to half the taxable income threshold for the top marginal tax rate for married joint filers. The \$384,350 threshold will rise over time as inflation increases the nominal income threshold for the top marginal rate.

These marriage penalties may be further compounded by the 2/37ths limitation on itemized deductions. Starting in 2026, individuals and couples with *taxable incomes plus itemized deductions* above the cutoff for the top marginal bracket may have their itemized deductions reduced by 2/37ths. Because the income cutoff for the top tax bracket is less than twice as high for married couples as for unmarried individuals, the 2/37ths limitation can increase marriage penalties for couples already being taxed at the top marginal rate. The Joint Committee on Taxation (JCT) has estimated that for tax year 2025, 67% of all tax returns with incomes of \$500,000 or more will claim itemized deductions, indicating that the limitation will increase marriage penalties for most couples in the top tax bracket.⁴⁰

Head of Household Tax Filing Status

Head of household (HoH) filing status was introduced to the federal tax system in 1951 for the express purpose of lowering tax payments for single parents.⁴¹ It was for the purpose of recognizing the financial burdens on single-parent households and intended to provide some of the benefits of joint filing to these families. A consequence of this change was to create marriage penalties for most of these households. In 2023, the most recent year for which data are available, 21.5 million taxpayers (13.5% of all filers) used the HoH status.⁴² HoH filers reported average adjusted gross income (AGI) of \$53,519 and median AGI of \$38,419.⁴³ HoH tax filing status is reserved for unmarried individuals who financially support qualified dependents. Nearly 9 out of 10 HoH filers claim a child as their dependent.

Relative to filing as single, HoH filing status holds two main benefits for unmarried taxpayers. First, HoH filers are given a larger standard deduction than single filers. Second, as compared to single filers, HoH filers have more of their income taxed at the two lowest marginal rates (10% and 12%). However, because these benefits only exist so long as the taxpayer remains unmarried, they also implicitly create marriage penalties. An unmarried couple consisting of one HoH filer and one single filer can use the standard deduction to lower their taxable incomes by \$40,250, whereas a married couple may only deduct \$32,200. Similarly, an unmarried HoH filer and single filer will have more of their combined income (up to \$117,850) taxed at the two lowest marginal rates, whereas a married couple will have at most \$100,800 taxed at those rates.

Marriage tax penalties are most severe when two HoH filers marry each other. If two HoH filers are unmarried, they may claim two standard deductions of \$24,150 each, or \$48,300 total; if they marry, they may claim one standard deduction of \$32,200. Potential HoH filers also have more of their income taxed at the two lowest rates when they are unmarried than when they are married. HoH tax filing status can also create marriage penalties in a similar way through the rate schedule for long-term capital gains and qualified dividends income, and through the different income thresholds (relative to single filers) for the Saver's Credit and the Saver's Match credit.

⁴⁰ JCT, *Estimates of Federal Tax Expenditures for Fiscal Years 2025-2029*, JCX-45-25, December 3, 2025, p. 45, <https://www.jct.gov/publications/2025/jcx-45-25/>. For more information on the 2/37ths limitation, see CRS Insight IN12686, *The 2/37ths Limitation on Itemized Deductions*, by Nicholas E. Buffie.

⁴¹ Robert Orr, "Head of Household Filing Status Is a Flawed Way to Help Children," Niskanen Center, June 28, 2022, <https://www.niskanencenter.org/head-of-household-filing-status-is-a-flawed-way-to-help-children/>.

⁴² IRS, Statistics of Income, "Table 1.2," <https://www.irs.gov/statistics/soi-tax-stats-individual-statistical-tables-by-filing-status>.

⁴³ IRS, Statistics of Income, "Table 1.2." The average AGI value includes 98,000 taxpayers with zero or negative incomes. When excluding such taxpayers from the calculation, average AGI for HoH filers was \$52,094 in 2022. The estimated median income for HoH filers is based on IRS statistics showing that 37% of HoH filers had AGIs below \$30,000 and 47.6% had AGIs of \$40,000 or more; the point estimate for median income was calculated through linear interpolation among the 15% of HoH filers earning \$30,000.00 to \$39,999.99.

Earned Income Tax Credit

The Earned Income Tax Credit (EITC) is a refundable credit that boosts the incomes of eligible low-income workers, especially those with children.⁴⁴ The structure of the EITC can create marriage penalties in several ways.

The amount of the EITC is based on several factors, chiefly the taxpayer’s earned income and the number of qualifying children. The credit phases in as a percentage of a taxpayer’s earned income (i.e., the taxpayer’s wages and salaries) before reaching a maximum value, which is based on the number of qualifying children in the household. The credit is reduced by 5% of a taxpayer’s modified adjusted gross income in excess of a threshold, determined by the household’s filing status and the number of eligible children.

Table 2. Earned Income Tax Credit Parameters, 2026

	No Children	One Child	Two Children	Three or More Children
Maximum Credit	\$664	\$4,427	\$7,316	\$8,231
Phase-In Rate	7.65%	34%	40%	45%
Income at Which Maximum Credit Reached	\$8,680	\$13,020	\$18,290	\$18,290
Phaseout Rate	7.65%	15.98%	21.06%	21.06%
Phaseout Begins (Single or Head of Household)	\$10,860	\$23,890	\$23,890	\$23,890
Phaseout Begins (Married, Filing Jointly)	\$18,140	\$31,160	\$31,160	\$31,160
Phaseout Ends (Single or Head of Household)	\$19,540	\$51,593	\$58,629	\$62,974
Phaseout Ends (Married, Filing Jointly)	\$26,820	\$58,863	\$65,899	\$70,244

Source: Internal Revenue Code Section 32 and IRS, *Revenue Procedure 2025-32*.

Notes: Taxpayers who are married filing separately generally cannot claim the EITC, although exceptions apply. Note that the credit phases in with earned income but phases out with modified adjusted gross income. The dollar values are all adjusted annually for inflation. The credit is limited to those with investment income below a threshold (\$12,200 in 2026; adjusted for inflation), which does not vary by filing status.

Several components of the EITC introduce marriage penalties. First, the maximum credit does not vary by filing status. If two filers qualify for the maximum credit when unmarried, they cannot qualify for as large a maximum combined credit when married. For example, two unmarried childless individuals would qualify for maximum credits of \$664 each, or \$1,328 combined. However, if married, they would only qualify for a maximum credit of \$664.

Two individuals with children could also face a marriage penalty from the EITC if they chose to marry. The maximum credit rises with each child included in the filing unit (up to three), but by a smaller amount for each additional child added. As a result, two individuals receiving the maximum credit could potentially receive a larger credit if unmarried than if married, because the number of children would be split between two filings.

⁴⁴ For more information, see CRS Report R43805, *The Earned Income Tax Credit (EITC): How It Works and Who Receives It*.

The EITC's phaseout structure also imposes a marriage penalty. The thresholds at which the credit begins to phase out are higher for married joint filers than for single or head of household filers, but they are not twice as high. As a result, two unmarried individuals could have a combined income that would push them into (or further along) the credit's phaseout range if they chose to marry. For example, if two individuals with no children both earned \$18,140 (the highest income at which a childless individual receives the maximum EITC), their combined income would be \$36,280, which is too high for childless joint filers to claim any EITC.

The EITC is also limited to filers with investment income below a threshold, which is \$12,200 in 2026. This threshold is not adjusted for filing status. As a result, two unmarried filers who each have investment income between \$6,100 and \$12,200 would qualify for the EITC, but the couple would not qualify if they married.

While the EITC primarily introduces marriage penalties, marriage bonuses are possible for two people with low incomes if at least one of them has a qualifying child. This is because the phase-in rate increases with the number of children claimed. The same combined income can result in a larger total credit if the earned income of one individual phases in at a faster rate due to a child's presence. For example, if two individuals each earn \$5,000 and one has a child, they may claim a credit of \$3,400 if married ($\$10,000 \times 34\%$), which is greater than the sum of the credits they may claim separately [$(\$5,000 \times 7.65\%) + (\$5,000 \times 34\%) = \$2,082.50$]. This does not hold at higher incomes because the credit plateau makes the increased phase-in rate irrelevant.

Affordable Care Act (ACA) Premium Tax Credit

The Affordable Care Act (ACA; P.L. 111-148) created tax credits for premiums on health insurance plans purchased under exchanges for individuals and families with incomes between 100% and 400% of the federal poverty level (FPL). The credit is available in advance (at the time insurance is purchased) and later reconciled on an income tax return. Enhanced premiums enacted in P.L. 117-2 (the American Rescue Plan Act of 2021) and extended by P.L. 117-169 (commonly referred to as the Inflation Reduction Act of 2022) also provided premium credits for people with incomes over 400% of the FPL if insurance cost more than 8.5% of their income, as well as increased credits for lower incomes. These enhancements expired after 2025.

The premium credits can produce both marriage penalties and bonuses. Bonuses are more likely at lower incomes and with greater inequality in earnings between spouses. Bonuses can occur because marriage increases the amount of income eligible for the credits. However, at higher incomes and with more even spousal earnings, higher combined incomes can reduce the bonuses and sometimes create penalties. Bonuses are larger for households with children. One study showed an average subsidy of \$1,840 for married couples and \$1,440 for cohabitating couples, but also a wide range of marriage bonuses and penalties.⁴⁵

Family eligibility for premium credits was previously limited by the "family glitch." Individuals who could purchase insurance through their employers could only receive the credits if the offerings from their employer were considered unaffordable or did not meet certain minimum coverage standards. Before 2023, IRS regulations based affordability on the employee's cost for

⁴⁵ Elliott Isaac and Haibin Jiang, "Tax-Based Marriage Incentives in the Affordable Care Act," *National Tax Journal*, vol. 78, no. 2 (June 2025), <https://www.journals.uchicago.edu/doi/10.1086/734569>. The authors show these relationships with heat maps and a distribution showing significant shares of both subsidies and penalties. These findings did not reflect the enhanced credits.

individual coverage rather than the employee's cost for family coverage. This regulation was subsequently changed to eliminate the "family glitch."⁴⁶

In 2025, an estimated 24.3 million individuals and families enrolled in the marketplace, and 19 million received tax credits.⁴⁷ One study estimated that 7.3 million will lose credits and 4.8 million will no longer be covered by any insurance in 2026 if the enhanced credits expire as scheduled.⁴⁸

There are 134.8 million households nationwide, and 95.5 million of them contain a householder under age 65.⁴⁹ Combining the estimates above, 19.9% of non-elderly households received premium credits, with that share projected to fall to 12.3% after the enhanced credits expire. Thus, a broad share of families are affected by both the marriage penalties and bonuses arising from this credit, and could see their tax situations change with the enhanced credits' expiration.

State and Local Tax (SALT) Deduction Cap

Individuals and couples who itemize their deductions may claim a deduction for state and local taxes paid (the SALT deduction). Eligible tax payments include certain real estate taxes, personal property taxes, and either income taxes or sales taxes. The deduction is capped, with the level of the cap varying by a taxpayer's filing status and modified adjusted gross income.⁵⁰ Several elements of the cap impose marriage penalties on taxpayers.

Under a temporary provision in place through 2029, filers can deduct up to \$40,400 in state and local taxes paid (2026 value; increases 1% annually through 2029). The only adjustment based on filing status is that the cap is lower, at \$20,200, for married separate filers. As a result, two unmarried individuals can deduct up to \$80,800 in aggregate, but can only deduct \$40,400 if they marry. If both individuals have income in the second-highest marginal tax bracket of 35%, this limitation imposes a marriage penalty of up to \$14,140 in 2026.

The cap declines for those whose income exceeds a threshold, and that threshold is the same for married joint filers and other filers (except for married separate filers), creating another marriage penalty. In 2026, the cap falls by 30% of a filer's modified adjusted gross income above \$500,500 (\$250,250 for married separate filers; both values increase 1% annually through 2029). The cap cannot fall below \$10,000. As a result, some two-earner couples may qualify for a smaller deduction if they are married than either would receive individually if unmarried.

From 2030 onward, the cap is scheduled to be \$10,000 for all taxpayers, except for married separate filers (who have a \$5,000 cap). This cap would also create marriage penalties, as two unmarried individuals will be able to claim up to \$20,000 of SALT deductions, while a married couple will be able to deduct \$10,000.

⁴⁶ See Louise Norris, "IRS Regulations Fix the ACA's 'Family Glitch' as of 2023," HealthInsurance.Org, April 19, 2023, <https://www.healthinsurance.org/obamacare/irs-regulations-fix-the-acas-family-glitch-as-of-2023/#:~:text=The%20%22family%20glitch%22%20refers%20to,it's%209.12%25%20in%202023.>

⁴⁷ Matthew Buettgens et al., *4.8 Million People Will Lose Coverage in 2026 If Enhanced Premium Tax Credits Expire*, September 2025, Urban Institute and Commonwealth Fund, <https://www.urban.org/sites/default/files/2025-09/4.8-Million-People-Will-Lose-Coverage-in-2026-If-Enhanced-Premium-Tax-Credits-Expire.pdf>.

⁴⁸ Matthew Buettgens et al., *4.8 Million People Will Lose Coverage in 2026 If Enhanced Premium Tax Credits Expire*.

⁴⁹ Census Bureau, Historical Households Tables, Table HH-3, December 2025, <https://www.census.gov/data/tables/time-series/demo/families/households.html>. Individuals eligible for employer or government plans, including Medicare, cannot receive premium credits.

⁵⁰ CRS Report R46246, *The SALT Cap: Overview and Analysis*, by Grant A. Driessen.

Starting in 2026, individuals and couples with taxable incomes plus itemized deductions above the cutoff for the top marginal bracket may have their itemized deductions reduced by 2/37ths. (The reduction is less significant for some couples; see **Appendix A** for more information.) For example, a couple claiming a \$40,400 SALT deduction could have their deduction reduced to \$38,216. Because the limitation applies to unmarried filers with more than \$640,600 of income and to married joint filers with more than \$768,700, the 2/37ths limitation may compound SALT marriage penalties for taxpayers in the top marginal bracket.⁵¹

Illustrative Examples of Major Marriage Tax Penalties and Bonuses

Table 3 and **Table 4** provide examples of marriage penalties that reflect several basic, widely used provisions of the income tax code: filing status (including the standard deduction and marginal tax brackets), the child tax credit (CTC), and the EITC. Effective income tax rates (income taxes as a percentage of income) are shown for lower- and middle-income couples in **Table 3** and for higher-income couples in **Table 4**. The calculations are presented separately for married couples filing joint returns and for unmarried couples filing as single and/or head of household.

The marriage penalty or bonus as a percentage of income is found by comparing effective tax rates. For example, for a combined income of \$50,000, a married couple pays an effective tax rate of 3.6% while two singles with one earning all of the income pay 7.6%, for a marriage bonus of 4% of income, which is \$2,000.

The tables include examples of zero-, one-, and two-child families. While the CTC does not depend on marital status, it is not fully refundable at low incomes, so some couples can receive larger credits by marrying and combining their incomes on a joint tax return. The credit is also phased out at higher income levels, which can create a marriage bonus. These effects are described in **Appendix A**.

Some of the values in **Table 3** and **Table 4** are negative, meaning that a couple's tax credits are greater than their statutory tax payments—that is, the couple receives a subsidy through the income tax code. For example, the first row in **Table 3** shows a tax rate of -0.6% for a childless married couple with an income of \$25,000; this means that the couple receives a tax refund equal to 0.6% of the couple's income, or roughly \$150.⁵²

The largest marriage bonus in **Table 3** is for a two-child couple in which a single filer earns \$15,000 and an HoH filer earns \$0. This couple will receive a refund equal to 2.3% of their combined pretax income if they are unmarried, but the refund will increase to 52.5% if they marry. This is consistent with the analyses in previous sections of this report, which indicate that one-earner couples typically receive larger marriage bonuses than two-earner couples.

The couple mentioned above has a \$0 statutory tax liability regardless of whether or not they are married.⁵³ However, the couple receives refundable credits of \$7,875 if they are married and \$347

⁵¹ CRS Insight IN12686, *The 2/37ths Limitation on Itemized Deductions*, by Nicholas E. Buffie. Although the limitation generally creates marriage penalties, it can create marriage bonuses for some one-earner couples or couples with highly unequal incomes. For example, a one-earner couple earning \$700,000 per year would be subject to the 2/37ths limitation if they are unmarried but not if they are married.

⁵² The exact refund, in this case, is an EITC of \$139, which is 0.557% of the couple's income; this rounds to 0.6%.

⁵³ The couple's total income (\$15,000) is below the standard deduction for both married joint filers (\$32,200) and single filers (\$16,100), meaning that the couple has no taxable income regardless of their marital status.

if they are not. Specifically, if the couple is unmarried, the childless single filer receives an EITC of \$347. If the couple marries, they will be in the 40% phase-in range for the two-child EITC, and they will receive a credit of \$6,000; the married couple may also claim a CTC of \$1,875, whereas the unmarried couple does not receive the CTC.⁵⁴ The couple’s increased refund creates a marriage bonus of \$7,528, equivalent to 50.2% of the couple’s \$15,000 pretax income.

The largest marriage penalty in **Table 3** is for two one-child parents each earning \$25,000 per year. Such a couple experiences an annual marriage penalty of \$5,931, equivalent to 11.9% of the couple’s pretax income. If the couple is unmarried, they will each use HoH filing status and claim standard deductions of \$24,150, in effect exempting \$48,300 of their income from taxation. However, if the couple marries, they lose the benefits of HoH filing status and may only exempt \$32,200 from taxation; as a result, their statutory tax liability rises from \$170 to \$1,780. Because they have higher tax liabilities, the couple’s CTC increases by \$830, offsetting roughly half of the statutory tax increase.⁵⁵ The couple then experiences a large marriage penalty due to the EITC: If the couple is unmarried, *both partners* may claim one-child EITCs of \$4,250, but if the couple marries, they will be more than halfway into the phaseout range of the two-child EITC and will receive \$3,348 *total*. On net, marriage causes the couple’s EITC to fall by \$5,151. Overall, the unmarried couple receives a net tax refund of \$11,899, or 23.8% of their pretax income; the married couple receives a refund of \$5,968, or 11.9% of pretax income. On net, marriage costs the couple \$5,931 per year, mostly due to a large drop in the couple’s EITC.

Table 3. Income Tax Rates for Lower- and Middle-Income Couples, 2026

By Amount and Division of Income, Married vs. Unmarried Couples

	Total Income for Couple			
	\$10,000	\$15,000	\$25,000	\$50,000
No Children				
<i>Married Couple (Filing Jointly)</i>	-6.6%	-4.4%	-0.6%	3.6%
Unmarried: 50% Single, 50% Single Income Split	-7.7%	-7.7%	-4.3%	3.6%
Unmarried: 75% Single, 25% Single Income Split	-7.7%	-6.1%	-1.1%	3.6%
Unmarried: 100% Single, 0% Single Income Split	-6.6%	-2.3%	3.6%	7.6%
One Child				
<i>Married Couple (Filing Jointly)</i>	-45.3%	-40.8%	-24.5%	-3.7%
Unmarried: 50% Single, 50% HoH Income Split	-24.6%	-25.8%	-25.2%	-10.1%
Unmarried: 75% Single, 25% HoH Income Split	-14.2%	-14.0%	-9.9%	-6.9%
Unmarried: 75% HoH, 25% Single Income Split	-34.9%	-36.2%	-26.4%	-7.3%
Unmarried: 100% Single, 0% HoH Income Split	-6.6%	-2.3%	3.6%	7.6%
Unmarried: 100% HoH, 0% Single Income Split	-45.3%	-40.8%	-23.8%	0.6%
Two Children				
<i>Married Couple (Filing Jointly)</i>	-51.3%	-52.5%	-42.8%	-11.9%

⁵⁴ The unmarried couple cannot receive the CTC because the single filer cannot claim the children on his or her tax return, and the HoH filer has no income. The married couple’s CTC refund is 15% of the couple’s wages above \$2,500.

⁵⁵ If the couple is unmarried, each partner may only claim a CTC of \$1,785, which is equivalent to each individual’s statutory tax liability (\$85) plus \$1,700 (the maximum CTC refund per child). If the couple marries, they qualify for the maximum CTC of \$2,200 per child, or \$4,400 total.

	Total Income for Couple			
	\$10,000	\$15,000	\$25,000	\$50,000
Unmarried: 50% Single, 50% HoH Income Split	-27.6%	-28.8%	-28.2%	-19.1%
Unmarried: 75% Single, 25% HoH Income Split	-15.7%	-15.5%	-11.4%	-8.4%
Unmarried: 75% HoH, 25% Single Income Split	-39.4%	-40.7%	-40.9%	-16.1%
Unmarried: 100% Single, 0% HoH Income Split	-6.6%	-2.3%	3.6%	7.6%
Unmarried: 100% HoH, 0% Single Income Split	-51.3%	-52.5%	-41.8%	-6.9%
Unmarried 50% HoH, 50% HoH Income Split	-41.5%	-44.0%	-46.0%	-23.8%
Unmarried 75% HoH, 25% HoH Income Split	-41.5%	-44.0%	-35.3%	-17.8%
Unmarried 100% HoH, 0% HoH Income Split	-45.3%	-40.8%	-23.8%	0.6%

Source: CRS calculations based on income tax parameters in IRS, *Revenue Procedure 2025-32*, and P.L. 119-21.

Notes: All taxpayers are assumed to claim the standard deduction, the earned income tax credit, and (if they have children) the child tax credit. It is assumed that couples do not claim any other deductions or credits. All income is treated as earned income (i.e., wages and salaries). “HoH” stands for “Head of Household.”

At the two lowest income levels shown in **Table 3**, only the EITC affects marriage bonuses and penalties, as taxpayers do not earn enough to incur statutory tax liabilities. Effects are largest during the phase-in of the credit and decline as taxpayers reach the maximum credit and the phaseout range (unless marriage pushes taxpayers into the phaseout range, as discussed above). Because the maximum credit is the same whether a filer is single or married, two-earner joint filers can face a penalty at low income levels, and one-earner couples have no penalty or bonus at incomes below the beginning of the phaseout. If an income earner marries a parent without earnings, the income earner can claim the child(ren) on the couple’s EITC, and the couple receives a marriage bonus. One-earner couples also experience an EITC marriage bonus if the income earner is past the point at which the credit begins phasing out for unmarried individuals, as credits in the phaseout range are higher for couples than for unmarried individuals with the same income.

As incomes increase, couples become ineligible for the EITC and typically become eligible for CTCs of \$2,200 per child (unless they are beyond the CTC phaseout). The standard deduction and marginal tax brackets therefore tend to be more important for higher-income taxpayers. As noted in the sections “The Standard Deduction” and “Marginal Tax Brackets,” these two factors create marriage bonuses for couples with uneven incomes, especially one-earner couples. One-earner couples may also receive larger CTCs if they are married when the nonearning spouse would otherwise have had custody of the children and claimed them on his or her tax return. Largely for these reasons, the two biggest marriage bonuses shown in **Table 4** are for one-earner, two-child couples. **Table 4** shows that if a single filer marries a nonearning HoH filer with two children, the couple’s combined tax payments will fall from 10.2% to 0.3% of income if the single filer earns \$75,000, and they will fall from 13.2% to 3.2% of income if the single filer earns \$100,000.

Marriage penalties still persist for some couples who would claim HoH filing status for at least one person if unmarried. Because the benefits of HoH filing status rise with income, these marriage penalties are largest for couples in which a substantial portion of the couple’s income comes from one or two potential HoH filers. For example, the largest marriage penalty shown in **Table 4** is for a couple consisting of two individuals who both have one child and both earn \$37,500 per year (i.e., \$75,000 total). This couple is eligible for the same CTC (\$4,400) regardless of whether they are married or unmarried. However, due to HoH filing status, the two

partners have a combined statutory tax liability of \$2,670 if they are unmarried and \$4,640 if they are married.

More importantly, this couple is affected by a factor that generally impacts lower-income couples—the loss of EITC benefits. Both individuals may claim an EITC of \$2,252 (or \$4,504 total) if they are unmarried, but the married couple is ineligible for the EITC because their combined income (\$75,000) is beyond the end of the credit’s income phaseout (\$65,899). As a two-earner, middle-income couple, this couple faces a marriage penalty that disproportionately affects high-income couples (loss of HoH filing status) and a penalty that disproportionately affects low-income couples (loss of EITC benefits), while not receiving the most common marriage bonus (use of married joint filing status for one income or two unequal incomes). The net effect is that this couple receives a tax refund of \$6,234 if they are unmarried, yet owes \$240 if they are married, resulting in a total marriage tax penalty of \$6,474 (or 8.6% of pretax income). For all couples, allowing the higher earner to claim the couple’s children as his/her dependents lowers the couple’s final tax bill, although penalties or bonuses can still occur depending on the couple’s income mix.

The calculations in both tables assume that all income is earned income and that taxpayers claim the standard deduction. Those assumptions probably do not reflect the attributes of the highest-income earners, as these individuals are more likely to itemize deductions, earn more of their income from long-term capital gains and qualified dividends, or receive pass-through business income. Adjusting for these factors would reduce marriage penalties and bonuses.

Table 4. Income Tax Rates for Higher-Income Couples, 2026
By Amount and Division of Income, Married vs. Unmarried Couples

	Total Income for Couple			
	\$75,000	\$100,000	\$250,000	\$500,000
No Children				
<i>Married Couple (Filing Jointly)</i>	6.2%	7.6%	15.0%	20.5%
Unmarried: 50% Single, 50% Single Income Split	6.2%	7.6%	15.0%	20.5%
Unmarried: 75% Single, 25% Single Income Split	6.4%	8.6%	15.6%	22.6%
Unmarried: 100% Single, 0% Single Income Split	10.2%	13.2%	20.5%	27.6%
One Child				
<i>Married Couple (Filing Jointly)</i>	3.3%	5.4%	14.1%	20.5%
Unmarried: 50% Single, 50% HoH Income Split	-1.1%	4.1%	12.6%	19.6%
Unmarried: 75% Single, 25% HoH Income Split	-2.1%	1.7%	14.3%	21.5%
Unmarried: 75% HoH, 25% Single Income Split	2.0%	4.4%	13.2%	21.7%
Unmarried: 100% Single, 0% HoH Income Split	10.2%	13.2%	20.5%	27.6%
Unmarried: 100% HoH, 0% Single Income Split	4.7%	7.4%	18.8%	26.7%
Two Children				
<i>Married Couple (Filing Jointly)</i>	0.3%	3.2%	13.2%	20.5%
Unmarried: 50% Single, 50% HoH Income Split	-6.9%	0.4%	11.8%	19.3%
Unmarried: 75% Single, 25% HoH Income Split	-6.9%	-2.8%	13.4%	21.7%
Unmarried: 75% HoH, 25% Single Income Split	-1.6%	2.2%	12.4%	21.7%

	Total Income for Couple			
	\$75,000	\$100,000	\$250,000	\$500,000
Unmarried: 100% Single, 0% HoH Income Split	10.2%	13.2%	20.5%	27.6%
Unmarried: 100% HoH, 0% Single Income Split	1.4%	5.2%	18.0%	26.7%
Unmarried 50% HoH, 50% HoH Income Split	-8.3%	0.6%	10.3%	18.8%
Unmarried 75% HoH, 25% HoH Income Split	-6.4%	-2.4%	11.9%	20.5%
Unmarried 100% HoH, 0% HoH Income Split	4.7%	7.4%	18.8%	26.7%

Source: CRS calculations based on income tax parameters in IRS, *Revenue Procedure 2025-32*, and P.L. 119-21.

Notes: All taxpayers are assumed to claim the standard deduction, the earned income tax credit, and (if they have children) the child tax credit. It is assumed that couples do not claim any other deductions or credits. All income is treated as earned income. “HoH” stands for “Head of Household.”

This disparate mix of bonuses and penalties reflects some of lawmakers’ original stated objectives. HoH filing status, for example, was adopted to support single parents. The EITC was enacted to encourage work, and was initially only allowed for families with children, largely aimed at single mothers; it was meant to substitute for cash welfare. It eventually was expanded significantly, and a small credit was added for families without children.⁵⁶ Similarly, the CTC adjusts final tax payments or refunds based on family size.⁵⁷ Pursuit of these policy goals has, perhaps unintentionally, often reduced marriage neutrality in the tax code, producing the results above.

Literature Review: Effects of Marriage Penalties and Bonuses

Two potential behavioral effects of marriage penalties and bonuses are the effect on marriage and divorce, and the effect on work incentives of the secondary earner. Decisions relating to marriage penalties and bonuses also affect equity in taxation across families.

In recent years, wives have contributed a median of 36% to 37% of family earnings.⁵⁸ Among opposite-sex married couple households, 79% had at least one working spouse, and of that 79%, 62% had both spouses working.⁵⁹ Non-earner households are primarily elderly, as labor force participation begins falling around age 55.⁶⁰ Of the couples with earnings, 29% are egalitarian, where the husband and wife earn about equal amounts.⁶¹ These variations produce significant scope for both marriage penalties and bonuses, and for effects on marriage and work.

⁵⁶ CRS Report R44825, *The Earned Income Tax Credit (EITC): Legislative History*.

⁵⁷ See CRS Report R46193, *Federal Income Tax Treatment of the Family Under the 2017 Tax Revision*, by Jane G. Gravelle, and CRS Report RL33755, *Federal Income Tax Treatment of the Family*, by Jane G. Gravelle.

⁵⁸ Bureau of Labor Statistics, BLS Reports, “Women in the Labor Force: A Databook,” Table 25, <https://www.bls.gov/opub/reports/womens-databook/2022/home.htm>.

⁵⁹ Bureau of Labor Statistics, Economic News Release, “Table 2. Families By Presence and Relationship of Employed Members and Family Type, 2023-2024 annual averages,” <https://www.bls.gov/news.release/famee.t02.htm>.

⁶⁰ Bureau of Labor Statistics, “Employment Projections, Civilian Labor Force Participation Rate by Age, Sex, Race, and Ethnicity,” <https://www.bls.gov/emp/tables/civilian-labor-force-participation-rate.htm>.

⁶¹ Pew Research Center, “In a Growing Share of U.S. Marriages, Husbands and Wives Earn About the Same,” April 13, 2023, <https://www.pewresearch.org/social-trends/2023/04/13/in-a-growing-share-of-u-s-marriages-husbands-and-wives-earn-about-the-same/>.

Marriage and Divorce

Marriage penalties are larger relative to income for lower-and middle-income individuals, who can face increased taxes and reduced credits upon marriage. The penalties in the tax system are most significant for those with children and arise from the head of household rate schedule and the earned income tax credit (EITC). The EITC can also create marriage bonuses, for example, when a single parent with no earnings marries someone with earnings and no children.

Isaac found that the EITC increases the divorce rate of lower-income married women but has no effect on the likelihood of getting married. The review of the literature reported mixed, but generally small, effects on marriage and more variability in effects on divorce. Specifically, Isaac finds that Aid to Families with Dependent Children (AFDC) and Temporary Assistance to Needy Families (TANF) do not affect marriage or divorce rates, but that the EITC increases the divorce rate among women without affecting marriage rates for either sex. Many studies in the literature examine only the probability of being married without distinguishing between marriage and divorce.⁶²

Friedberg and Isaac use a natural experiment based on the court ruling requiring the federal government to recognize same-sex marriage and provide a unique form of identification. They find that marriage penalties and bonuses have statistically significant but small effects on marriage among same-sex couples, with somewhat larger effects for low-income couples than for middle- or high-income couples.⁶³ Isaac and Jiang found that the ACA premiums had a small but statistically significant positive effect on marriage.⁶⁴

Labor Supply

The primary inefficiency concern with respect to the marriage penalty is with the secondary earner. Although marriage can create a bonus in that combined tax rates are lower (thus, increasing after-tax wages), it can also create a work disincentive for the secondary worker, since their earnings are taxed at married joint tax rates that are higher than the secondary worker would face if single (thus, decreasing after-tax wages). This disincentive is greater when earnings are more unequal.

The labor supply response is divided into a participation elasticity (the percentage change in labor force participation divided by the percentage change in wages) and an hours elasticity (the percentage change in hours for those already working divided by the percentage change in wages). These are types of *substitution effects* that reflect the underlying choice between labor and leisure (with “leisure” simply referring to time not working for wages, and including hours devoted to home production and child care). They are measured as substitution elasticities (the percentage change in the ratio of work to leisure hours divided by the percentage change in marginal wages). There are also *income effects*, the reduction of hours worked due to a higher after-tax wage, which allows more income with less work.

Studies of secondary earners often focus on the effects for married women, who are more likely than married men to be secondary earners. Much of the earlier evidence on the response of

⁶² Elliott Isaac, “Marriage, Divorce, and Social Safety Net Policy,” *Southern Economic Journal*, vol. 86, no. 4 (April 2020), pp. 1576-1612, <https://www.jstor.org/stable/26968379?seq=3>.

⁶³ Leora Friedberg and Elliott Isaac, “Same-Sex Marriage Recognition and Taxes: New Evidence about the Impact of Household Taxation,” *The Review of Economics and Statistics*, vol. 106, no. 1 (January 2024), pp. 85-101, <https://direct.mit.edu/rest/article/106/1/85/109924/Same-Sex-Marriage-Recognition-and-Taxes-New>.

⁶⁴ Elliott Isaac and Haibin Jiang, “Tax-Based Marriage Incentives in the Affordable Care Act,” *National Tax Journal*, vol. 78, no. 2 (June 2025), pp. 369-413, <https://www.journals.uchicago.edu/doi/10.1086/734569>.

married women to wage changes found significant participation responses, and historically, married women have had a low employment rate. In 1967, among married couples, 47% of families with earners had both spouses employed, with 7% of couples being no-earner families (likely largely because of age). By 2020, 64% of families with earners had both spouses employed, and 18% of couples had no earners.⁶⁵

A Federal Reserve Bank of Cleveland analysis of labor participation by gender and marital status illustrates that from the 1980s to the 2020s, the married woman labor participation rate grew from about 60% to consistently above 70%. Meanwhile, other groups' participation declined slightly (married and unmarried men) or remained steady (unmarried women). The analysis also examines marginal tax rates faced by the secondary earner across income levels as a possible explanatory factor. It shows higher average tax rates relative to the spouse's earnings, with a rapid increase in the difference as incomes increase at lower income levels, reflecting, in part, the EITC—then another increase as spousal income moves through the marginal rate schedule.⁶⁶

With the increase in participation, there has also been a fall in the estimated married female labor supply response to wage changes. One study found a decline in participation elasticities from 0.8 in the mid-1980s to around 0.4 in the early 2000s. The same study found that hours worked elasticities and income elasticities are close to zero and are not always statistically significant.⁶⁷

A review of other studies and their own estimates by McClelland et al. shows significant declines in the labor participation response of married women and secondary earners, with the authors' own estimates finding elasticities of effectively zero.⁶⁸ Blau and Kahn find that married women's participation elasticities with respect to their own wages fell from a range of 0.53-0.61 in 1980 to a range of 0.27-0.30 in 2000.⁶⁹ They also find that married women's participation elasticities with respect to their spouses' wages fell by half over the same 1980 to 2000 period. Heim also studies the decline in elasticities among married women using March CPS data from 1978 through 2002. He estimates the decline in estimated elasticities using a series of cross-sectional analyses. He concludes that hours and participation elasticities fell substantially over those years, with participation elasticities with respect to wages falling from 0.66 to 0.03.⁷⁰ Heim (2009) uses a structural model that accounts for taxes and finds elasticities of 0.07-0.18.⁷¹

⁶⁵ Bureau of Labor Statistics, "BLS Reports, Women in the Labor Force: A Databook," Table 24B. COVID-19 did not appear to have a large effect on these statistics in that year. In 2019, the year before the COVID-19 pandemic, 65% of couples with earners had two earners, and 17% of couples had no earners.

⁶⁶ Lara Lowenstein, *Increasing the (Female) Labor Supply*, Federal Reserve Bank of Cleveland, March 6, 2023, <https://www.clevelandfed.org/publications/economic-commentary/2023/ec-202305-increasing-the-female-labor-supply>.

⁶⁷ Anil Kumar and Che-Yuan Liang, "Declining Female Labor Supply Elasticities in the U.S. and Implications for Tax Policy: Evidence from Panel Data," *National Tax Journal*, vol. 69, no. 3 (September 2016), pp. 481-516, <https://www.dallasfed.org/-/media/documents/research/papers/2015/wp1501.pdf>.

⁶⁸ Robert McClelland et al., *Labor Force Participation Elasticities of Women and Secondary Earners within Married Couples*, CBO, Working Paper 2014-06, September 2014, <https://www.cbo.gov/sites/default/files/113th-congress-2013-2014/workingpaper/49433-laborforce.pdf>.

⁶⁹ Francine D. Blau and Lawrence M. Kahn, "Changes in the Labor Supply Behavior of Married Women: 1980–2000," *The Journal of Labor Economics* vol. 25, no. 3 (July 2007), pp. 393–438, https://www.jstor.org/stable/pdf/10.1086/513416.pdf?refreqid=fastly-default%3A4824bde6eac2b617a3da94bf291d2031&ab_segments=&initiator=&acceptTC=1.

⁷⁰ Bradley T. Heim, "The Incredible Shrinking Elasticities: Married Female Labor Supply, 1978-2002," *The Journal of Human Resources*, vol. 42, no. 4 (Fall 2007), pp. 881-918, <https://www.jstor.org/stable/pdf/40057333.pdf>.

⁷¹ Bradley T. Heim, "Structural Estimation of Family Labor Supply with Taxes: Estimating a Continuous Hours Model Using a Direct Utility Specification," *The Journal of Human Resources*, vol. 44, no. 2 (Spring 2009), pp. 350-385, <https://www.jstor.org/stable/20648901?seq=1>.

These small and falling elasticities may reflect the increasing attachment of women to the labor force, which likely reflects various changes to both labor market conditions and cultural norms. First, women's wages have risen faster than men's, and an increasing share of marriages feature either equal-income spouses or a higher-earning wife.⁷² Second, the average age at first marriage has increased, which gives both spouses more time to establish their careers and become attached to the labor force before marrying. Third, women have generally shifted into more stable jobs (including jobs with more reliable hours), which may make it easier for them to maintain employment during periods when other aspects of their lives are changing.⁷³ A fourth hypothesis—that women have used jobs to insure against a higher risk of divorce in modern marriages—may also have been true in the 1980s, 1990s, and 2000s, but divorce rates have declined precipitously in recent years.⁷⁴ In addition, the response to wage reductions due to taxes may be muted by the lack of recognition, knowledge, and understanding of the tax consequences. A large body of research has found that taxpayers are often not aware of the consequences of taxes on net incomes.⁷⁵

Horizontal Equity and Family Composition

How to differentiate taxes across families with different characteristics is a central concern of creating a fair tax system. In this discussion, the focus is primarily on ability to pay. There is little dispute that a larger family has less ability to pay than a smaller family with the same income, and the tax code has long recognized this concern with personal exemptions, standard deductions, and child and other dependent credits.

The first difficulty in examining this issue is determining how much more income a larger family needs. Economists often use *equivalency scales* that seek to adjust for economies of scale in living arrangements (e.g., sharing bathrooms, kitchens, and so forth). One simple, commonly used equivalency scale is the square root of family size. For example, the Congressional Budget Office (CBO) uses this scale in its distributional analyses. However, this scale gives adults and children the same weight, when it is generally agreed that children consume less than adults. One study convening a number of experts suggested a scale of $(A + 0.7C)^{0.7}$, where A is the number of adults and C is the number of children.⁷⁶ This scale has been used in CRS reports.⁷⁷ The Census Bureau uses the square root of household size for childless households. For single-parent households, it uses a scale of $(A + 0.8 * \text{First C} + 0.5 * \text{Additional Cs})^{0.7}$. For two-parent families, it

⁷² The Pew Research Center found that in 2022, 29% of heterosexual marriages featured spouses with roughly equal incomes, 10% featured a majority-breadwinner wife, and 6% featured a wife as the exclusive breadwinner. In 1972, these percentages were 11%, 3%, and 2%, respectively. See Richard Fry et al., “In a Growing Share of U.S. Marriages, Husbands and Wives Earn About the Same.”

⁷³ Robert McClelland et al., *Labor Force Participation Elasticities of Women and Secondary Earners within Married Couples*, p. 2.

⁷⁴ Jaden Loo, “Divorce: More than a Century of Change, 1900-2022,” Bowling Green State University, 2024, <https://www.bgsu.edu/ncfmr/resources/data/family-profiles/FP-24-11.html>; and Wendy Wang, “The U.S. Divorce Rate Has Hit a 50-Year Low,” Institute for Family Studies, November 10, 2020, <https://ifstudies.org/blog/the-us-divorce-rate-has-hit-a-50-year-low>.

⁷⁵ Jane G. Gravelle and Sean Lowry, “The Affordable Care Act, Labor Supply, and Social Welfare,” *National Tax Journal*, vol. 69, no. 4 (December 2016), pp. 863-882, <https://www.journals.uchicago.edu/doi/abs/10.17310/ntj.2016.4.07>.

⁷⁶ Constance F. Citro and Robert T. Michael, *Measuring Poverty: A New Approach* (National Academy Press, 1995), p. 178.

⁷⁷ See CRS Report R46193, *Federal Income Tax Treatment of the Family Under the 2017 Tax Revision*, by Jane G. Gravelle, and CRS Report RL33755, *Federal Income Tax Treatment of the Family*, by Jane G. Gravelle.

uses $(A + 0.5 * C)^{0.7}$.⁷⁸ The Organisation for Economic Co-operation and Development (OECD) modified equivalence scale commonly used in Europe gives a weight of 1 to the first adult, 0.5 to the second adult and any children aged 14 and over, and 0.3 to children aged under 14.⁷⁹

Studies generally find a fair amount of horizontal tax equity in the middle of the income distribution, but more significant variation at both high incomes and low incomes.⁸⁰ A CRS report, using examples, also indicates that variation due to the single and joint rate schedules (for singles and couples without children) is typically around 2% of income, becoming smaller at higher incomes when rates tend to flatten.⁸¹ Higher tax rates for singles reflect the CRS equivalency scale, which indicates that a married couple does not need twice the income of a single individual; this difference would be more pronounced with the square root equivalency used by the CBO. Families with children pay much lower rates or receive subsidies in the lower part of the rate schedule due to the EITC and the CTC, which are large relative to income. Although there is significant horizontal inequality at higher incomes, there is relatively little tax variation across family types, and variations in effective tax rates likely reflect differences from other sources, such as the preferential capital gains tax rates and the disparate use of itemized deductions. For low-income families, variation in tax rates owes in part to the lower EITC amounts for childless workers than for working parents.

Another issue that arises with the effects of the tax system on horizontal equity is with one-earner married couples. These families have the benefit of not being taxed for the home production of the nonworking spouse. For example, one-earner families may have a higher standard of living than two-earner families with the same income because they do not need to spend as much money on childcare, and may save by performing their own cooking and cleaning. Entering the work force would also increase associated costs, such as transportation. Kearney and Turner report that, relative to one-earner couples, two-earner couples spend 260% more on childcare, 30% more on transportation, and 36% more on food away from home.⁸² At a minimum, there would be more leisure time for one or both of the partners when only one has to work outside the home.

Policy Reform Options

This section discusses policy reforms that would reduce or eliminate marriage tax penalties. Options that would create both marriage neutrality and marriage bonuses are included. The section discusses only reforms to the income tax code and does not discuss other types of taxes, such as sales taxes or excise taxes. CRS takes no position on such policy reform options.

⁷⁸ Census Bureau, “Equivalence Adjustment of Income,” <https://www.census.gov/topics/income-poverty/income-inequality/about/metrics/equivalence.html>.

⁷⁹ United Kingdom, Office for National Statistics, “Chapter 3: Equivalised Income,” December 8, 2015, <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/compendium/familyspending/2015/chapter3equivalisedincome#equivalisation-methodology>.

⁸⁰ See for example, Victoria Bryant, et al., “Marriage Penalty Relief in the 2001 and 2003 Tax Cuts: Implications for Horizontal Equity,” paper presented at National Tax Association, Proceedings of the 101st Annual Conference on Taxation, 2008, pp. 193-200, <https://ntanet.org/wp-content/uploads/proceedings/2008/021-bryant-marriage-penalty-relief-2008-nta-proceedings.pdf>; and CRS Report R44787, *Statutory, Average, and Effective Marginal Tax Rates in the Federal Individual Income Tax: Background and Analysis*.

⁸¹ CRS Report R46193, *Federal Income Tax Treatment of the Family Under the 2017 Tax Revision*, by Jane G. Gravelle.

⁸² Melissa S. Kearney and Lesley J. Turner, *Giving Secondary Earners a Tax Break: A Proposal to Help Low- and Middle-Income Families*, The Hamilton Project, December 2013, <https://www.brookings.edu/wp-content/uploads/2016/06/04-proposal-help-low-income-families-kearney.pdf>.

As discussed above, research suggests that the effects of marriage penalties and bonuses on marriage and divorce, and on labor supply, are small. These findings suggest that fairness, rather than efficiency, might guide policy choices that address marriage penalties and bonuses.

A Flat Tax

The simplest way to achieve marriage neutrality would be to replace the income tax's escalating, progressive marginal rates with a *flat tax*. Under a true flat tax, there would be no standard deduction, and all taxpayers (regardless of their filing status) would pay the same percentage of income in federal taxes.

A true flat tax would create marriage neutrality, meaning that it would eliminate both marriage penalties and marriage bonuses. A flat tax would also create horizontal equity across households. A flat tax can be converted into a progressive tax by allowing a refundable per person credit. Refundable credits for dependents could also be used to account for differences in the cost of living for households with different numbers of children or other dependents.

While a flat tax can in theory achieve marriage neutrality, in practice, most proposals that have been advertised as "flat taxes" have retained standard deductions, personal exemptions, and sometimes certain itemized deductions.⁸³ As such, they would generally create marriage bonuses for some couples, especially one-earner married couples.

Individual Filing

Another way to achieve marriage neutrality would be to tax people on their individual incomes.

Roughly 75% of OECD countries use an individual filing system or some variant of one.⁸⁴ The vast majority of rich nations (1) tax their citizens on their own individual incomes, (2) allow married individuals to pay taxes on their own incomes *or* half the couple's total income, or (3) allow married couples to choose whether they will pay taxes separately as individuals or jointly as a couple.⁸⁵ While the U.S. tax system may seem to mimic the third option due to the existence of married separate filing, the third option is more akin to allowing married individuals to file single returns or HoH returns. Tax rules for married separate filers differ from those for unmarried filers; married separate filers frequently pay higher taxes than single filers and almost always pay higher taxes than HoH filers.

For purposes of the married separate filing status, the tax system contains provisions for allocating taxable income across spouses; the treatment differs for community property states and

⁸³ For examples, see H.R. 1040; IRS, *Theme 3: Fairness in Taxes, Lesson 4: Proportional Taxes, Info Sheet 2*, <https://apps.irs.gov/app/understandingTaxes/teacher/downloads.jsp>; Citizens for Tax Justice, "Flat Tax Proposals: An Introduction to Recent Legislation," November 1, 1998, <https://ctj.org/flat-tax-proposals-an-introduction-to-recent-legislation/>; and CRS Report RL33545, *The Advisory Panel's Tax Reform Proposals*, by Jane G. Gravelle.

⁸⁴ Organisation for Economic Co-operation and Development (OECD), *Taxing Wages 2024: Tax and Gender through the Lens of the Second Earner*, OECD Publishing, pp. 47-48, 64, <https://doi.org/10.1787/dbcbac85-en>; and James Alm and Mikhail I. Melnik, "Taxing the 'Family' in the Individual Income Tax," *Public Finance and Management*, vol. 5, no. 1 (March 2005), p. 19.

⁸⁵ OECD, *Taxing Wages 2024: Tax and Gender through the Lens of the Second Earner*, pp. 47-48, 64; James Alm and Mikhail I. Melnik, "Taxing the 'Family' in the Individual Income Tax," pp. 16-19; Giacomo Boesso, *Family and Personal Income Tax in Europe: How the Fiscal Framework Takes Account of Marriage and Children*, 2002, p. 27, <https://ssrn.com/abstract=826458>; and Cathal O'Donoghue and Holly Sutherland, "Accounting for the Family in European Income Tax Systems," *Cambridge Journal of Economics*, vol. 23, no. 5 (September 1999), pp. 574, 579.

common law states.⁸⁶ For couples in community property states, wages and property acquired during the marriage are divided equally, whereas in common law states, income allocations are based on who earns the given income and who owns the given property or asset. These rules follow Supreme Court decisions from the 1930s.⁸⁷ A federal individual filing system that dealt with separate income allocation rules in different states could prove difficult to implement.⁸⁸

Exclusively Individual Filing

A system of exclusively individual filing creates universal marriage neutrality (because marriage cannot affect tax payments) and can be paired with progressive marginal tax rates. However, a progressive tax system with individual filing would create horizontal inequity across households, as married couples with the same total income would pay different taxes based on the division of income between the spouses. In general, two-earner couples would pay lower taxes than one-earner couples, and two-earner couples with equal incomes would pay lower taxes than two-earner couples with unequal incomes. (Individual filing creates horizontal equity across individuals, which some may view as a separate goal from horizontal equity across households.)

Switching to a system of individual filing would decrease marginal tax rates for secondary earners and increase marginal tax rates for primary earners. OTA research suggests that in tax year 2016, prior to the enactment of the 2017 tax revision (P.L. 115-97, commonly referred to as the Tax Cuts and Jobs Act, TCJA) and the FY2025 budget reconciliation law (P.L. 119-21), two-earner married couples faced an average marginal tax rate of 19.1% on their last dollar of earnings.⁸⁹ However, the OTA found that under a system of individual filing, primary earners' marginal tax rates would rise to 21.0% (+1.9 percentage points), while secondary earners' marginal rates would fall to 14.1% (-5.0 percentage points).⁹⁰ The OTA also simulated average marginal tax rates for nonworking spouses if they were to obtain jobs within certain assumed income bands.⁹¹ The OTA projected that their average marginal tax rate would be 17.1% under married joint filing, but would be 5.6% if they filed individual returns.⁹² These results suggest that if the United States switched to a system of individual filing, the decrease in marginal tax rates for secondary earners would be greater than the increase in marginal tax rates among primary earners.

Holter et al. simulate the effects of switching to a system of individual filing. They find that labor supply would increase more among secondary earners than it would decrease among primary earners; this is in part due to the changes in marginal tax rates described above, and also because

⁸⁶ For an explanation of the differences between community property states and common law states, see Lena Borrelli and Arturo Conde, "Community Property States vs. Common Law States," SmartAsset, March 19, 2025, <https://smartasset.com/financial-advisor/community-property-states-vs-common-law-states>.

⁸⁷ Edward Fox, "Do Taxes Affect Marriage? Lessons from History," *American Law and Economics Review*, vol. 25, no. 1 (2023), pp. 27-85.

⁸⁸ One law review article takes the position that there is no constitutional impediment to overriding community property laws as long as Congress provides rules for attribution. See Pamela B. Gann, "Abandoning Marital Status as a Factor in Allocating Income Tax Burdens," *Texas Law Review*, vol. 59, no. 1 (December 1980), pp. 1-69.

⁸⁹ Treasury, OTA, *The Income Tax Treatment of Married Couples*, November 2, 2015, p. 7, <https://home.treasury.gov/system/files/131/Two-Earner-Penalty-and-Marginal-Tax-Rates.pdf>. Recent tax legislation lowered tax rates slightly and increased the standard deduction significantly.

⁹⁰ Treasury, OTA, *The Income Tax Treatment of Married Couples*, p. 7.

⁹¹ The OTA assumed the nonworking spouses' earnings by comparing them to secondary earners who were married to spouses with the same primary earnings.

⁹² Treasury, OTA, *The Income Tax Treatment of Married Couples*, p. 7.

the lower labor incomes of primary earners would induce a positive income effect among secondary earners.⁹³

Individual Filing with Income Transfer Rules

Individual filing is one way of creating marriage neutrality—that is, of eliminating both marriage penalties and marriage bonuses. As discussed in the section above, individual filing can be paired with progressive taxation, although that pairing creates horizontal inequity across households. Individual filing would also likely increase the labor supply of secondary earners.

Some policymakers may appreciate certain aspects of individual filing, such as its elimination of marriage penalties, while remaining concerned about other aspects, such as its elimination of marriage bonuses or its effects on horizontal inequity. These concerns could be addressed through an *income transfer rule*, though such a rule would likely decrease federal revenues. This section explains what an income transfer rule is, describes four transfer rules that could be paired with individual filing, and explains how these rules would interact with the EITC (which complicates the application of many such rules). This section generally does not address itemized tax deductions, which present additional complications to the systems described below.

Individual Filing with Full Income Transfers Between Spouses

An *income transfer rule* allows one spouse to transfer a portion of their income to their partner when submitting their tax returns. Notably, this is only a transfer on paper and does not actually require money to be shifted from one spouse to the other. For example, if a one-earner couple with \$100,000 of income were to file two individual tax returns, they could allocate \$30,000 to one partner while allocating \$70,000 to the other if that would lower their combined tax bill. The couple could also allocate \$50,000 to each spouse, \$25,000 to one spouse and \$75,000 to another, or any other combination that the couple found beneficial.

Full income transfers would allow for horizontal equity across households. With progressive taxation and an income transfer rule, a one-earner couple could allocate half the couple's income to one spouse and half to the other, allowing them to pay the same taxes as a two-earner, equal-income couple. This approach also preserves marriage bonuses, since one-earner couples and two-earner, unequal-income couples can lower their tax bills by marrying and transferring income to the lower-earning spouse. The downside to this approach is that, by allowing married couples to minimize their tax bills, full income transfers would reduce federal revenues and decrease the incentives for secondary earners to join the labor force.

One complication that is unique to the United States is how income transfers would interact with the EITC (and to a lesser extent the CTC). The general purpose of income transfers is to allow couples with unequal spousal incomes to be taxed the same as spouses with equal incomes. But in theory, couples could use income transfers to redistribute incomes more *unequally* and thereby claim a larger EITC. This contradicts the goals of the EITC, which aims to encourage work and boost the after-tax earnings of low-wage individuals. Possible methods for addressing this complication include (1) letting income transfer rules apply only to statutory income tax payments, not credits; (2) letting income transfer rules apply to statutory tax payments and most tax credits, but not to credits associated with labor market earnings; or (3) only allowing income transfers that result in more equal spousal incomes, with a rule that income transfers cannot

⁹³ Hans A. Holter et al., *Until the IRS Do Us Part: (Optimal) Taxation of Households*, University of Delaware, University of Oslo and Nova SBE, University of Pennsylvania, and University of Southampton, May 1, 2023, <https://bpb-us-w2.wpmucdn.com/web.sas.upenn.edu/dist/9/544/files/2023/05/IRS.pdf>.

increase the EITC for either spouse. Unequal EITC amounts may still allow for some horizontal inequity across households.

Optional Split-Income Filing

As noted in the section “Individual Filing,” some countries allow married individuals to pay taxes on their own individual incomes or half the couple’s total income. This is a type of income transfer known as *split-income filing*.

Split-income filing holds many of the same policy implications as full income transfers. Relative to a system of exclusively individual filing, the option for split-income filing can create greater horizontal equity across households and preserve marriage bonuses. It also provides a simple formula for allocating capital income across married spouses with jointly held assets. Compared to a system of exclusively individual filing, split-income filing would reduce revenues and decrease incentives for secondary earners to join the labor force.

As with full income transfers, the option for split-income filing would require policymakers to grapple with potential EITC reforms. One option would be to apply split-income filing to most aspects of the tax code, including statutory payments, but not to the EITC or certain other credits. Unequal EITC amounts would create some horizontal inequity across households.

Optional Joint Filing

A third option would be to allow married couples to file taxes either separately as individuals or jointly as a couple. This would not be an income transfer rule per se, though if marginal tax brackets were set at twice the level for married couples as for single filers, it could have similar effects to split-income filing. The U.S. tax system currently allows married individuals to use the married filing separately status, though as noted elsewhere in this report, married separate filers are often subject to certain restrictions (including tax credit limitations) not imposed on unmarried individuals.

Relative to a system of exclusively individual filing, optional joint filing would preserve marriage bonuses, allow for horizontal equity across households (except for potential EITC amounts), and reduce federal revenues. For couples filing jointly, there would be no need to determine the proper allocation of capital income across spouses with jointly held assets.

Optional joint filing would still allow couples with the same overall incomes to receive different EITC amounts if they had different income splits. In this sense, it would not completely resolve the issue of horizontal inequity across households. Lawmakers could require married couples to claim the EITC based on their joint incomes (i.e., not allow individual EITCs), but doing so would reintroduce marriage penalties for married couples who lost the EITC. Alternatively, the EITC could be restructured to be twice as high for married couples as for individuals and also to apply to an income range that was twice as high. However, this policy would increase the EITC for certain high-income, one-earner couples when they married, which does not support the EITC’s goal of aiding low-wage workers; this policy could discourage work for the zero-income spouse (because the couple could lose their EITC if the second individual started earning). The EITC presents significant complications in a system with optional joint or individual filing.

A proposal from the 106th Congress (1999-2001, S. 1429) would have introduced a variant of optional joint filing. Under that proposal, married couples would have had the option of paying individual-level taxes on their earned (labor) income and their proportional share of the couple’s capital income (50% for income from jointly held assets), while claiming some individual deductions (e.g., for employer-sponsored retirement plan contributions) and claiming proportional

shares of other deductions.⁹⁴ Credits would still have been claimed exclusively on joint returns. The proposal was not enacted into law and has not been reintroduced in more recent Congresses.

Three Options: Joint Filing, Split-Income Filing, or Individual Filing

Another policy approach would be to allow married couples to (1) pay taxes on their own individual incomes; (2) use split-income filing; or (3) pay taxes jointly as a couple. Allowing all three options would present the same trade-offs described above. Relative to allowing only two options (individual filing plus one of the other two), allowing all three options would further maximize marriage bonuses, as it would allow couples to reduce their tax payments to the greatest degree possible, though it would also further reduce federal revenues and work incentives for secondary earners.

Eliminating or Curtailing Head of Household (HoH) Filing Status

As noted in the section “Head of Household Tax Filing Status,” HoH filing status creates tax benefits for single parents, which implicitly results in tax penalties for married parents. For example, two single filers each earning \$50,000 per year face neither a marriage penalty nor a marriage bonus; by contrast, if one of those partners is an HoH filer, the couple faces an annual marriage penalty of \$1,072.

HoH filing status is unique in that it distinguishes between single-headed households with zero dependents and single-headed households with one or more dependent(s). There are no distinct filing statuses for single-headed households with different numbers of dependents (e.g., one vs. two vs. three dependents, etc.), nor are there separate filing statuses for married couples with different numbers of dependents.

The tax benefits provided by HoH filing status do not adhere to the three goals typically pursued by policymakers.

- *Progressivity*: Although HoH filing status is used by a disadvantaged group (single parents), its benefits rise with income, such that larger tax benefits are provided to high-income single parents than to low-income single parents.
- *Horizontal equity across households*: HoH filing status achieves horizontal equity in one way and violates it in another. For individuals who are not part of a couple, HoH filing status provides the same tax treatment for HoH filers with the same income (unless such individuals have specific forms of capital income or qualify for certain tax credits). On the other hand, unmarried couples with the same overall levels of income often pay different taxes depending on the income split between the HoH filer and the single filer.
- *Marriage neutrality*: HoH filing status creates marriage penalties. The loss of HoH filing status can increase tax payments by thousands of dollars per year for married couples with children.

Some analysts have called for eliminating HoH filing status, arguing (per the bulleted points above) that doing so would reduce marriage penalties and increase tax progressivity.⁹⁵ They also

⁹⁴ These proportional shares would have been determined by dividing the spouse’s AGI by the couple’s total AGI.

⁹⁵ Jacob Goldin and Zachary Liscow, “Beyond Head of Household: Rethinking the Taxation of Single Parents,” *Tax Law Review (Stanford Law School)*, vol. 71 (2018), <https://law.stanford.edu/publications/beyond-head-of-household-rethinking-the-taxation-of-single-parents/>; Joshua McCabe, “Reducing Marriage Penalties in TCJA 2.0,” Niskanen (continued...)

argue that HoH filing status does not adjust correctly for differences in household size, given that single parents with one child receive the same benefits as single parents with multiple children.⁹⁶

Without HoH filing status, many unmarried individuals with dependents would use single filing status, while others would likely marry and file joint returns with their partners. Low-income unmarried individuals with dependents would experience a small tax increase, while high-income unmarried individuals with dependents would experience a larger increase. According to a December 2024 CBO revenue estimate (prior to the enactment of P.L. 119-21), eliminating HoH status would increase federal revenues by \$209 billion over a 10-year budget window (FY2025-FY2034).⁹⁷

To ameliorate the impact on single parents, particularly low-income single parents, opponents of HoH filing status have recommended using the revenues from HoH repeal to fund higher tax credits for dependents.⁹⁸ Opponents of HoH filing status have recommended policies such as a larger, more refundable child tax credit; higher tax credits for all dependents (not only children); and an additional child tax credit amount for children of single parents.⁹⁹ All of these policies would increase tax progressivity, and the first two would remove HoH marriage penalties. (The third option, a higher tax credit for children of single parents, would increase marriage penalties for low-income single parents and decrease penalties for high-income single parents.) These policies would also increase tax benefits for larger families, as per-dependent credits give more benefits to families with more dependents; HoH filing status provides the same benefits irrespective of the number of dependents.

Some policymakers may want to limit HoH tax benefits rather than repeal them. HoH benefits could be scaled back in various ways, including by further restricting who counts as a qualifying dependent (e.g., removing eligibility for full-time college students), requiring HoH filers to pay a higher share of the costs of keeping up the shared living space (e.g., over 75% rather than over 50%), requiring qualifying dependents to live with the HoH filer year-round, reducing the additional standard deduction amount for HoH filers, or reducing the amounts of marginal income taxed at the 10% and 12% rates.

Repealing or curtailing HoH filing status could be paired with other reforms considered in this report, including individual filing, adjusting taxes for family size, a secondary earner deduction, and other policy options.

Center, March 11, 2025, <https://www.niskanencenter.org/reducing-marriage-penalties-in-tcja-2-0/>; Robert Orr, “Head of Household Filing Status Is a Flawed Way to Help Children”; and Andrew Lautz, “Paying the 2025 Tax Bill: Simplifying Filing for Parents,” Bipartisan Policy Center, December 5, 2024, <https://bipartisanpolicy.org/explainer/paying-the-2025-tax-bill-simplify-filing-for-parents/>.

⁹⁶ Jacob Goldin and Zachary Liscow, “Beyond Head of Household: Rethinking the Taxation of Single Parents”; Robert Orr, “Head of Household Filing Status Is a Flawed Way to Help Children”; and Andrew Lautz, “Paying the 2025 Tax Bill: Simplifying Filing for Parents.”

⁹⁷ CBO, *Eliminate or Modify Head-of-Household Filing Status*, Budget Option 60941, <https://www.cbo.gov/budget-options/60941>.

⁹⁸ Joshua McCabe, “Reducing Marriage Penalties in TCJA 2.0”; Jacob Goldin and Zachary Liscow, “Beyond Head of Household: Rethinking the Taxation of Single Parents”; Robert Orr, “Head of Household Filing Status Is a Flawed Way to Help Children”; and Andrew Lautz, “Paying the 2025 Tax Bill: Simplifying Filing for Parents.”

⁹⁹ Joshua McCabe, “Reducing Marriage Penalties in TCJA 2.0”; Jacob Goldin and Zachary Liscow, “Beyond Head of Household: Rethinking the Taxation of Single Parents”; Robert Orr, “Head of Household Filing Status Is a Flawed Way to Help Children”; and Andrew Lautz, “Paying the 2025 Tax Bill: Simplifying Filing for Parents.”

Removing Marriage Penalties in the Earned Income Tax Credit

Lawmakers could eliminate the potential marriage penalties (and/or bonuses) in the EITC by changing the parameters of the credit. Fully eliminating marriage penalties in the EITC while retaining its existing structure would require changing the following parameters:

1. **The maximum credit:** Set the maximum credit for childless married joint filers to twice that of childless unmarried filers.
2. **The change in the maximum credit caused by an additional qualifying child:** Provide that each additional qualifying child increases the maximum credit by the same dollar amount.
3. **The income threshold at which the credit begins phasing out:** Set the income threshold at which the credit begins to phase out for married joint filers at twice that of unmarried filers.
4. **The phase-in rate:** Eliminate the change in the phase-in rate based on the number of children, and instead set the rate twice as high for married joint filers as for unmarried filers.
5. **The investment income limitation:** Lawmakers could eliminate the limitation, and thus the marriage penalty associated with it. If they do not wish to allow those with unlimited investment income to claim the EITC, they could also set the investment income limitation for married joint filers at twice the level for unmarried filers. This would still leave marriage penalties in place when someone with more than \$24,400 of investment income marries an individual who is otherwise eligible for the EITC.

Altering any of these parameters in isolation could reduce EITC marriage penalties without eliminating them in full. Implementing some or all of them could expand marriage bonuses.

If lawmakers wanted to completely eliminate EITC marriage penalties, they could change the structure of the credit in more fundamental ways. One such change would be to calculate the EITC based on an individual's earnings rather than collectively for a household. Marriage would therefore not impact the calculation of the credit. To prevent the need to allocate children among two caretakers, both of whom may qualify to claim the child for the credit, such proposals often separate the EITC into a per-worker credit and a per-child credit (either integrated into the existing child tax credit or added to it).¹⁰⁰

Alternatively, lawmakers might choose to reduce the marriage bonuses within the EITC to increase horizontal equity across families. One way to do so would be to increase the EITC rate and phaseout threshold for childless singles and couples to make it closer to the benefit for families with children. This increase would make the tax system more marriage neutral—in this case by removing a marriage bonus—among low-income families with children, since a single who is the primary earner (yet still low-wage) would not gain a large EITC by marrying a

¹⁰⁰ For examples, see Taxpayer Advocate Service, *2026 Purple Book: Compilation of Legislative Recommendations to Strengthen Taxpayer Rights and Improve Tax Administration*, December 31, 2025, p. 125, https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2026/01/ARC25_PurpleBook.pdf; and Joshua McCabe and Leah Sargeant, *Disentangling In-Work and Child Tax Credits to Address Improper Payments: An Incremental Approach to Comprehensive Reform*, Niskanen Center, March 26, 2025, pp. 3-10, <https://www.niskanencenter.org/disentangling-in-work-and-child-tax-credits-to-address-improper-payments/>.

nonworker with a child. This change would increase horizontal equity among low-income families with different compositions, as the EITC is a major source of horizontal inequity.¹⁰¹

Adjusting Taxes for Family Size

Lawmakers could consider alternatives to the filing status system that still account for the number of individuals living in a household. Several countries adjust taxable income for household size, rather than using separate rates and brackets based on marital status; the former can eliminate marriage penalties while still accounting for differences in household size.

Depending on its parameters, this system could achieve near-perfect horizontal equity across households and could be paired with progressive taxation.

In Germany, married couples who choose to file jointly calculate their tax liability by dividing their joint income in half, applying the income tax rates and brackets (which do not differ from those of single filers), and then doubling the result. This results in the same tax liability as would occur if the filers used brackets twice as high as those for unmarried filers. This system eliminates all marriage penalties but continues to provide marriage bonuses for couples with disparate incomes.

The French income tax builds further on this concept by dividing a taxpayer's income by the number of "shares" it has (known as the family quotient), which is based on household structure. Single individuals start with one share while married couples start with two.¹⁰² Taxpayers then add a half-share for each of the first two children in the household, and a whole share for each additional child.¹⁰³ The household's per-share income is taxed under a set of progressive marginal rates, and the resulting per-share tax is then multiplied by the number of shares in the household.¹⁰⁴ This system imposes the highest effective tax rates on small, high-income families, and applies the lowest tax rates to large, low-income families. The general effect of France's household-based income tax is to eliminate marriage penalties and preserve marriage bonuses.

These systems can eliminate the relevance of differences between rate structures for different filing statuses but are not marriage neutral. They retain the ability of married higher earners to subject some of their income to their partner's lower marginal tax rate. Such a system would preserve marriage bonuses (for couples with unequal incomes) and neutrality (for couples with relatively equal incomes) associated with joint filing and eliminate the penalties associated with the existing federal rate structure. Such a system could also reduce (though not eliminate) the marriage penalties associated with HoH filing status. If the presence of a dependent allows a filer to divide their income by a greater number *regardless of marital status*, an HoH filer has less to lose by marrying. Thus, the system would continue and expand marriage bonuses.

The French tax system takes the concept distinguishing single filers and married couples in the U.S. system—that is, allowing more income to be untaxed or taxed at low rates for larger tax units—and applies it to the entire household (including children) rather than to only the taxpaying adults. A similar system utilizing the existing U.S. tax structure would presumably allow larger households to claim a greater standard deduction and use wider tax brackets than smaller

¹⁰¹ CRS Report R46193, *Federal Income Tax Treatment of the Family Under the 2017 Tax Revision*, by Jane G. Gravelle.

¹⁰² National Research Institute for Agriculture, Food and Environment (INRAE), "Income Tax in France," April 1, 2025, <https://guide-for-international-scientists.inrae.fr/working-at-inrae/understanding-french-income-tax/income-tax-in-france/>.

¹⁰³ INRAE, "Income Tax in France."

¹⁰⁴ INRAE, "Income Tax in France." Marginal tax brackets in France start at 0% and rise to 45% for the top earners.

households. Because of the progressive nature of the U.S. income tax, under such a household-based system, the birth of an additional child would reduce tax payments more for high-income households than for low-income households.¹⁰⁵

Some lawmakers might want to adjust tax payments for household size while allowing low-income households to receive the same per-child tax benefits as high-income households. This could be done by allowing a per-child (or per-dependent) tax credit rather than by adjusting the standard deduction and marginal tax brackets. Under such a system, the tax code would have two filing statuses (“single” and “married couple”), a standard deduction and marginal brackets for couples that were twice as high as for singles, and a refundable per-child tax credit. This policy would create horizontal equity across households; would remove marriage penalties while preserving marriage bonuses; would allow for progressive taxation; and would provide the same per-child tax benefits to all families with children.

A variation of the approach above could pair those reforms with individual filing. Lawmakers could enact a new tax system with: one filing status (“individual taxpayer”); convert the EITC to a per-worker credit; and provide a refundable per-child tax credit to all families. This policy would create universal marriage neutrality, allow for progressive taxation, provide the same per-child tax benefits to all families with children, and potentially increase the incentive to work among secondary earners. However, such a reform would create horizontal inequity among households. One-earner couples would pay higher taxes than two-earner couples, and two-earner couples with unequal incomes would pay higher taxes than couples with equal incomes.

A Second-Earner Deduction or Credit

A second-earner deduction would allow a lower-earning spouse to deduct a percentage of their earned income (wage and salary income), subject to an upper limit, from the couple’s taxable income. This option would not eliminate marriage penalties. However, it could reduce them for some households, such as joint filers impacted by the penalty associated with the top marginal income tax bracket or income-based phaseouts of certain credits and deductions. Such a proposal would also introduce new marriage bonuses, as it would lower the taxable incomes of two-earner couples who currently face marriage tax parity (i.e., marriage neutrality).

A second-earner deduction was briefly part of the income tax code. The Economic Recovery Tax Act of 1981 (P.L. 97-34) contained second-earner deduction provisions designed to reduce marriage tax penalties. Under the act, two-earner married couples were allowed to reduce their taxable income by an amount equal to 10% of the lower-earning spouse’s earned income. The maximum deduction was \$3,000 in 1981, \$1,500 in 1982, and \$3,000 in 1983-1986. The OTA estimates that 17.7 million couples claimed the deduction in 1983.¹⁰⁶ However, it was repealed in 1986 when the tax system was reformed to provide significantly flatter rate schedules.

In 2013, Kearney and Turner proposed a second-earner deduction equal to 20% of the secondary earner’s first \$60,000, with a phaseout beginning at \$110,000 of income.¹⁰⁷ They also suggested a

¹⁰⁵ For example, if two couples being taxed at the 10% and 35% marginal rates were to each receive an additional \$10,000 standard deduction for the birth of a new child, the first couple would reduce their tax payments by \$1,000, whereas the second couple would reduce theirs by \$3,500. (This was effectively how personal exemptions affected tax payments prior to the enactment of P.L. 115-97.)

¹⁰⁶ James R. Nunns, *Compendium of Tax Research 1987 Part 4: Tabulations from the Treasury Reform Tax Database*, Treasury, OTA, 1987, pp. 105, 109, and 125, <https://home.treasury.gov/system/files/131/Report-Compendium-1987-Part4.pdf>.

¹⁰⁷ Melissa S. Kearney and Lesley J. Turner, *Giving Secondary Earners a Tax Break: A Proposal to Help Low- and Middle-Income Families*.

revenue-neutral option that would have reduced the spousal personal exemption that was in place at the time. Because personal exemptions have since been replaced by larger standard deductions and child credits, an analogous present-day proposal would be to decrease the standard deduction for married couples. This would reduce an important work disincentive (discouraging labor force participation by married women). Relative to current law, taxes would rise for one-earner married couples.

Kearney and Turner noted that there are multiple costs to secondary earners entering the workforce: facing the marginal tax rate of the primary earner; the direct costs of working (childcare, transportation, and other expenses); loss of means-tested benefits; and potential loss of the EITC. For secondary earners within certain low-income ranges, these costs can offset half or more of the income gains from working. A secondary-earner deduction could partially reduce this burden.

An alternative approach would be to create a tax credit for secondary earners. An analysis of Canada's 1988 switch from a second-earner deduction to a second-earner nonrefundable tax credit found that the switch increased labor force participation among women married to high-income husbands.¹⁰⁸ The Obama Administration proposed a second-earner tax credit of up to \$500 in 2015, stating that the credit would benefit 24 million families while incurring fiscal costs of roughly \$9 billion per year.¹⁰⁹

Adjusting the Top Marginal Tax Bracket to Be Twice as High for Married Couples as for Single Filers

Lawmakers could eliminate the marriage penalty associated with the threshold at which the top marginal tax rate applies by either lowering the threshold for unmarried filers or raising it for joint filers. The former option would increase revenue, while the latter would reduce it. Lawmakers interested in eliminating this marriage penalty without changing federal revenues could also attempt to do both, such that the net effect of increased revenue from unmarried filers would offset the tax reduction for married joint filers.

Decreasing the Income Threshold for the Top Marginal Tax Bracket for Single Filers

Setting the income threshold for the top marginal tax bracket for unmarried filers at half that for joint filers would eliminate the marriage penalty associated with the top bracket. In 2026, the highest tax bracket (with a 37% marginal rate) applies to taxable income over \$768,700 for married joint filers and to taxable income over \$640,600 for unmarried filers. Lowering the threshold for unmarried filers to half that of married joint filers (i.e., to \$384,350) would eliminate the marriage penalty.

By applying the highest rate to a wider band of income for unmarried filers, this option would raise revenue. Using the Policy Simulation Library's Tax-Calculator microsimulation model, CRS

¹⁰⁸ Thomas F. Crossley and Sung-Hee Jeon, "Joint Taxation and the Labour Supply of Married Women: Evidence from the Canadian Tax Reform of 1988," *Fiscal Studies*, vol. 28, no. 3 (September 2007).

¹⁰⁹ Office of Management and Budget, *Fiscal Year 2016 Budget of the U.S. Government*, February 2, 2015, pp. 52-53, 120, <https://obamawhitehouse.archives.gov/sites/default/files/omb/budget/fy2016/assets/budget.pdf>.

estimates that this change could increase revenues by approximately \$35 billion from FY2026 to FY2035, relative to a current-law baseline.¹¹⁰

Increasing the Income Threshold for the Top Marginal Tax Bracket for Married Couples

Alternatively, lawmakers could set the top bracket's income threshold for married joint filers at twice the level for unmarried filers. For 2026, this would mean the top marginal income tax bracket would start at \$1,281,200 of taxable income. This would also require increasing the top marginal tax bracket's income threshold to \$640,600 for married separate filers.

This option would reduce federal revenue, as it would tax less of the income of married couples at the highest tax rate. CRS's analysis using the Tax-Calculator suggests this change could reduce revenues by roughly \$128 billion from FY2026 to FY2035.¹¹¹ The reduction in federal revenues for this option is greater than the increase in revenues from the previous option because married couples have more total income in the top marginal tax bracket than single filers and HoH filers.

Changing the Income Thresholds for the Top Marginal Tax Bracket in a Revenue-Neutral Way

Another option would be to raise the threshold at which the top marginal income tax rate applies to joint filers while lowering it for unmarried filers, while ensuring that unmarried filers face a threshold half as high as that for married joint filers. Calibrated correctly, this policy reform could lead to little or no change in federal revenues while eliminating a key marriage penalty for high-income taxpayers.

CRS analysis using the Tax-Calculator model suggests that lowering the threshold for single, HoH, and married separate filers to \$425,000 and raising it to \$850,000 for married joint filers and surviving spouses would reduce revenues by \$1 billion from FY2026 to FY2035.¹¹² The revenue loss from raising the threshold for joint filers would almost completely offset the revenue gain from decreasing the threshold for unmarried filers.

¹¹⁰ Policy Simulation Library, "Tax-Calculator 6.3.1," December 12, 2025, and CRS analysis. The JCT is Congress's official revenue estimator, and its estimates may differ from those of the Tax-Calculator.

¹¹¹ Policy Simulation Library, "Tax-Calculator 6.3.1," December 12, 2025, and CRS analysis.

¹¹² Policy Simulation Library, "Tax-Calculator 6.3.1," December 12, 2025, and CRS analysis. According to CRS calculations, these thresholds are the closest thresholds, *as rounded to the nearest \$5,000*, to revenue neutrality.

Appendix A. Narrow Sources of Marriage Penalties and Bonuses

Many provisions result in marriage penalties or bonuses for a narrow group of individuals and/or have a relatively small effect on tax payments. Most of these provisions affect higher-income individuals (roughly in the top third of the income distribution), largely due to the phaseouts of various tax deductions, but some affect low- and middle-income individuals. Other provisions are targeted toward seniors and people with disabilities rather than toward filers in specific income classes.

Provisions Affecting Seniors and People with Disabilities

The Temporary \$6,000 Senior Deduction

The FY2025 budget reconciliation law (P.L. 119-21) enacted a temporary senior deduction for tax years 2025-2028. The deduction is \$6,000 per individual aged 65 or older, such that a couple with two seniors is eligible for a deduction of \$12,000.¹¹³ The deduction is reduced by 6% of the taxpayer's modified adjusted gross income (MAGI) in excess of \$75,000 for an individual or \$150,000 for a couple, such that the deduction falls to \$0 when: (1) an unmarried senior has MAGI of \$175,000 or more; (2) a married couple with one senior and one nonsenior has MAGI of \$250,000 or more; or (3) two married seniors have MAGI of \$350,000 or more. The deduction is available both for seniors who itemize their deductions and for those who claim the standard deduction.

The general effect of this deduction is to create new marriage bonuses (or equivalent divorce penalties). A two-senior, one-income couple can effectively benefit from only one \$6,000 deduction if they are unmarried, but they may reduce their taxable income by \$12,000 if they are married. Similarly, a senior with low income may not be able to utilize his or her deduction, but if the senior marries a nonsenior, the couple may reduce their taxable income by \$6,000. Finally, the deduction's phaseout creates marriage bonuses—relative to a situation in which they divorce or remain unmarried, a senior with income above \$75,000 per year may receive a larger deduction if they marry someone with a lower income.

However, the senior deduction can create marriage penalties for high-income couples. A senior whose individual income is below the \$75,000 or \$175,000 thresholds may lose their deduction (or receive a smaller deduction) if they marry a high-income spouse. In such a scenario, the couple may be eligible for a deduction of up to \$6,000 if they are unmarried and as low as \$0 if they are married. This marriage penalty could apply to couples with one low-income senior and one high-income senior or nonsenior, though it would not apply to a low-income nonsenior and high-income senior (who could potentially benefit from a marriage bonus instead).

Phase-In of Taxation of Social Security Benefits

Social Security benefits are partially taxable depending on the size of adjusted gross income plus tax-exempt interest plus *one-half of Social Security benefits*. If this amount is below the first income limit—\$32,000 for married joint filers and usually \$25,000 for other filers—then no tax

¹¹³ Unmarried seniors and married couples with one senior are eligible for a \$6,000 deduction.

applies.¹¹⁴ If the amount is between the first limit and the second (\$44,000 for married joint filers and \$34,000 for others), taxes are applied to 50% of the difference between the two limits or 50% of Social Security benefits, whichever is smaller. When income is above the second limit, the federal income tax is applied to the lesser of (1) 85% of benefits or (2) 85% of provisional income above the second threshold plus the smaller of (a) \$4,500 (for single filers) or \$6,000 (for married filers) or (b) 50% of benefits.

This provision produces marriage penalties because the limits are not twice as high for joint returns as for unmarried filers. However, it also produces bonuses at low income levels when the earnings and/or Social Security benefits of one spouse are small.

Additional Standard Deduction for the Blind or Elderly

Individuals who take the standard deduction can take an additional deduction for being blind or elderly (aged 65 or older). The deduction per condition is \$1,650 per person for joint returns and \$2,050 for single returns in 2026 (e.g., an unmarried individual who is both elderly and blind may claim a deduction of \$4,100).¹¹⁵

These deductions are a rare case where the deduction per person and per condition is smaller for joint returns than for singles. This provision can produce a marriage penalty. However, these additional deduction amounts should be considered in light of the basic standard deduction, which is much larger—\$32,200 for a joint return, \$24,150 for a head of household return, and \$16,100 for a single return.

Provisions Affecting Low- and Middle-Income Taxpayers

Child Tax Credit Phase-In and Refund Cap

The child tax credit (CTC) has both a refundable portion and a nonrefundable portion. Their combined value cannot exceed \$2,200 per child. The refundable portion—the amount that a taxpayer may receive as a refund if their credit exceeds their tax liabilities—generally equals 15% of the taxpayer's earned income above \$2,500, up to a cap of \$1,700 per child (2026 figure; adjusted annually for inflation). For example, the refund would equal \$150 for a taxpayer earning \$3,500 per year, but would equal \$1,500 for a taxpayer earning \$12,500 per year. (This is true regardless of how many children the taxpayer claims.) An HoH filer with one child may receive this maximum \$1,700 refund without benefiting from the nonrefundable portion of the CTC if they earn less than the standard deduction amount (\$24,150 for an HoH filer in 2026).

This structure creates marriage bonuses in two ways. First, because the refundable portion increases in line with the tax unit's wages, married couples can benefit by combining their wages to receive a larger tax credit refund. Second, by marrying, a low-income parent may use the nonrefundable portion to offset their spouse's tax liabilities, thus creating lower tax obligations if the couple is married than if they are not. Both the \$1,700 per-child refund cap and the phase-in of the refundable portion of the CTC therefore create marriage bonuses.

¹¹⁴ The amount is zero for married separate filers who live together for at least part of the year, who pay the lesser of 85% of Social Security Benefits or 85% of income.

¹¹⁵ IRS, *Revenue Procedure 2025-32*, <https://www.irs.gov/pub/irs-drop/rp-25-32.pdf>.

The Charitable Contributions Deduction for Nonitemizers

Starting in 2026, married joint filers who do not itemize their deductions may claim a deduction of up to \$2,000 for charitable contributions, and other nonitemizing taxpayers may claim a deduction of up to \$1,000. In most cases, this provision creates a new marriage bonus, as an individual who gives more than \$1,000 to charity may deduct more when married than when unmarried (assuming that the individual's spouse gives less than \$1,000 to charity). If both spouses give \$1,000 and are in the same marginal tax bracket, the deduction is marriage neutral. Finally, in situations that are likely less common, a couple with unequal earnings and two individuals giving at least \$1,000 each to charity may see their marriage bonus (as created by the tax code's progressive marginal rate structure) reduced.

The Child and Dependent Care Credit

Taxpayers can receive a credit for child and dependent care expenses up to \$3,000 for one qualifying individual and up to \$6,000 for two or more qualifying individuals. The credit begins at 35% and is phased down to 20% between \$15,000 and \$43,000 of income. These income levels are the same for all taxpayers and can produce a marriage penalty.¹¹⁶

The Temporary Deduction for Tip Income

The temporary deduction for tip income, in place through 2029, is capped at a maximum of \$25,000 in qualified tips. This cap is not adjusted for filing status,¹¹⁷ creating a marriage penalty for couples in which both spouses receive tips.

Savers Credit and Savers Match

The Saver's Credit provides a tax credit equaling up to 50% of the contributions that taxpayers make to their own retirement accounts (or certain other savings accounts). The tax credit is capped at \$1,000 per unmarried tax filer and at \$2,000 per married couple filing a joint return. The credit is allowed for incomes at or below \$40,250 for single filers, \$60,375 for HoH filers, and \$80,500 for joint returns. Starting in 2027, taxpayers may qualify for a Saver's Match credit that largely replaces the Saver's Credit. The Saver's Match credit is less generous than the Saver's Credit in that it phases out and reaches \$0 at lower income levels, but it does not contain the original credit's benefit cliffs. The match phases out at incomes between \$20,500 and \$35,500 for single returns, between \$30,750 and \$53,250 for HoH returns, and between \$41,000 and \$71,000 for joint returns. The income limits can create marriage bonuses when spouses' incomes are not equal.¹¹⁸

Provisions Affecting Higher-Income Taxpayers

Marginal Capital Gains and Qualified Dividends Tax Rates

Most long-term capital gains and qualified dividends are received by high-income individuals and are taxed at rates of 0%, 15%, and 20%. The rate structure for such income follows the general

¹¹⁶ CRS Report R44993, *Child and Dependent Care Tax Benefits: How They Work and Who Receives Them*, by Brendan McDermott, Margot L. Crandall-Hollick, and Conor F. Boyle.

¹¹⁷ Married couples must file a joint return to claim the deduction.

¹¹⁸ See CRS In Focus IF11159, *The Retirement Savings Contribution Credit and the Saver's Match*, by Brendan McDermott, for a discussion of both provisions.

pattern of the regular rate structure: Middle- and upper-middle-income taxpayers without children receive a marriage bonus, while those with children can potentially face a penalty because of the head of household status. At high income levels, penalties can occur because the income level where the 20% rate begins is not twice as high for joint returns as for unmarried returns (both single and HoH). For 2026, the 20% rate begins at \$613,700 of taxable income for joint returns and \$545,500 for unmarried filers' returns.¹¹⁹ Long-term capital gains and qualified dividends are concentrated in the higher income classes, and roughly 70% of the tax is collected at the 20% rate.¹²⁰

Capital Gains Exclusion for Sale of Principal Residence

Capital gains on the sale of a principal residence can be excluded up to a maximum. The maximum excluded gain is \$500,000 for joint returns and \$250,000 for all other returns. This provision can create a marriage bonus with uneven ownership shares. In May 2025, about 35% of homes had sales prices of \$500,000 or more¹²¹ and were likely to have realized gains of \$250,000 or more. With around 4 million home sales a year,¹²² it is likely that millions of taxpayers per year benefit from the exclusion.

Limit on the Mortgage Interest Deduction

The mortgage interest deduction is limited to \$750,000 of mortgage debt for loans acquired after December 15, 2017 (\$1 million if acquired on or before that date). Because that amount is the same for married and single returns, it can produce a marriage penalty.

Floor Under Medical Expense Deduction

Itemized deductions for medical expenses are allowed for expenses that exceed 7.5% of a tax filer's adjusted gross income. This limit can create a marriage penalty if one spouse has high medical expenses since the spouses' adjusted gross income is combined.

Pass-Through Deduction

Current law allows a deduction for 20% of the qualified business income of individuals, which is phased out for some taxpayers at high incomes.¹²³ Because the phaseout range for joint returns is twice that for other returns, this provision can result in a marriage bonus. A higher phaseout rate is valuable to couples in which one partner earns significantly more of the qualified business income. The bonus begins at relatively high income levels, as the phaseout begins at \$201,750 of taxable income for single returns.¹²⁴

¹¹⁹ IRS, *Revenue Procedure 2025-32*.

¹²⁰ IRS, Statistics of Income, "Table 3.5. All Returns: Tax Generated, by Rate and by Size of Adjusted Gross Income," <https://www.irs.gov/statistics/soi-tax-stats-individual-statistical-tables-by-tax-rate-and-income-percentile>.

¹²¹ National Association of Realtors, "Regional Sales by Price Existing Single Family Homes," May 2025, <https://www.nar.realtor/sites/default/files/2025-06/ehs-05-2025-supplemental-data-2025-06-23.pdf>.

¹²² National Association of Realtors, "Summary of November 2025 Existing-Home Sales Statistics," <https://www.nar.realtor/sites/default/files/2025-12/ehs-11-2025-summary-2025-12-19.pdf>.

¹²³ See CRS In Focus IF12838, *Selected Issues in Tax Policy: Section 199A Deduction for Pass-Through Business Income*, by Mark P. Keightley, for further discussion. The deduction is reduced or disallowed by the phaseout for certain service business income and limited by wages and assets for others in the phaseout range.

¹²⁴ IRS, *Revenue Procedure 2025-32*.

Although the pass-through deduction is phased out for some taxpayers with high incomes, the deduction is still concentrated in higher-income returns. In 2022, 15.9% of all returns reported a pass-through deduction, compared to 49.7% of returns with incomes above \$200,000.¹²⁵ In 2026, the TPC estimates that tax units with incomes of \$200,000 or more will receive 90.8% of the deduction's benefits, and tax units with incomes of \$1 million or more—the top 0.8% of the income distribution—will receive 53.4% of its benefits.¹²⁶ As such, any effects on marriage bonuses are likely to be concentrated among high-income taxpayers.

Alternative Minimum Tax Exemptions and Rates

The alternative minimum tax (AMT) affects a limited number of high-income taxpayers. Overall, 0.2% of tax filers are affected, including 0.1% of single filers, 0.1% of HoH filers, and 0.4% of married joint filers.¹²⁷

The AMT imposes marginal tax rates of 26% and 28% on taxable income after adding back certain deductions and also allows a flat exemption amount. Because the exemption for joint returns is less than twice that for singles (\$90,100 for singles and heads of household, and \$140,200 for joint returns in 2026),¹²⁸ the provision can produce a penalty for couples with similar incomes (and a bonus for those with unequal incomes).

The 2/37ths Limitation for Itemized Deductions

Due to reforms enacted in the FY2025 reconciliation law, starting in tax year 2026, taxpayers' overall itemized deductions will be reduced by 2/37ths of the lesser of (1) the total value of itemized deductions claimed, or (2) the amount by which the sum of taxable income and all itemized deductions exceeds the dollar amount at which the 37% tax bracket begins. (The latter value equals zero for all taxpayers with adjusted gross incomes below the 37% marginal tax bracket cutoff.) For example, a married couple with \$1 million of taxable income and \$100,000 of itemized deductions under prior law would have their itemized deductions reduced by \$5,405 (equal to 2/37ths of \$100,000); because the couple would be taxed at the top marginal 37% rate, they would owe an additional \$2,000 of federal income taxes as a result.

This overall limitation is applied after other limitations for specific itemized deductions (such as the \$40,400 limitation on SALT deductions).

This limitation can create marriage penalties for high-income taxpayers. In effect, the limitation applies to unmarried filers with more than \$640,600 of taxable income, married joint filers with more than \$768,700 of taxable income, and two unmarried filers with more than \$1,281,200 of taxable income. Because most taxpayers in the top marginal tax bracket itemize their deductions, this limitation compounds preexisting marriage penalties for taxpayers in the 37% tax bracket.

¹²⁵ IRS, Statistics of Income, "Table 1.4. All Returns: Sources of Income, Adjustments Deductions and Exemptions, and Tax Items," <https://www.irs.gov/statistics/soi-tax-stats-individual-statistical-tables-by-size-of-adjusted-gross-income>.

¹²⁶ Urban-Brookings Tax Policy Center, "Tax Benefit of the Deduction for Qualified Business Income, by Expanded Cash Income Level, 2026," Model Estimate T25-0329, September 11, 2025, at <https://taxpolicycenter.org/model-estimates/T25-0329>.

¹²⁷ Urban-Brookings Tax Policy Center, "Characteristics of Alternative Minimum Tax (AMT) Payers in 2024-26, and 2035," Model Estimate T25-0266, September 11, 2025, at <https://taxpolicycenter.org/model-estimates/T25-0266>.

¹²⁸ IRS, *Revenue Procedure 2025-32*.

The Additional Medicare Tax

As noted in the introduction, this report focuses predominantly on the federal income tax because other federal taxes generally do not contain marriage penalties or bonuses.

One exception to this rule is the Additional Medicare Tax, which is a type of *federal payroll tax*. Federal payroll taxes are levied on workers' wages and salaries, and they nominally fund specific federal benefits, such as Social Security and Medicare. Most federal payroll taxes—including Social Security payroll taxes, Medicare payroll taxes, and Federal Unemployment Tax Act (FUTA) payroll taxes—are marriage neutral because they are levied on individual workers' wages.

However, the Additional Medicare Tax is different. It is a 0.9% tax on annual wages above \$200,000 for single filers and HoH filers, \$250,000 for married joint filers, and \$125,000 for married separate filers. These thresholds are fixed in nominal dollars.

For different types of couples, the Additional Medicare Tax can create either a marriage penalty or a marriage bonus. It can introduce a penalty because an unmarried couple can exempt up to \$400,000 of wages from taxation, whereas a married couple may exempt only up to \$250,000. A married couple with two individuals both earning over \$200,000 per year would face a maximum penalty of \$1,350. On the other hand, the tax creates a marriage bonus for couples in which one spouse earns between \$200,000 and \$250,000 and the other earns between \$0 and \$50,000. The maximum marriage bonus occurs for a one-earner couple with \$250,000 of annual wages; their bonus is \$450 per year.

Exemption from the Net Investment Income Tax

The net investment income tax imposes an additional tax of 3.8% on passive investment income (capital gains, dividends, interest, and passive earnings from partnerships and Subchapter S shareholders) on the lesser of investment earnings or the excess of modified adjusted gross income over \$200,000 for single filers and \$250,000 for joint returns.¹²⁹ According to IRS data from 2023, 5% of returns pay the tax.¹³⁰

Because the exemption for joint returns is 25% higher than for individual returns, this provision can produce a marriage penalty for couples with relatively even incomes. It can also produce a marriage bonus for one-earner married couples.

Phaseout of the Child Tax Credit

The CTC is phased out at starting at \$400,000 of income for joint returns and \$200,000 for HoH returns,¹³¹ which creates a marriage bonus if spousal incomes are unequal. The phaseout can also create marriage penalties when a lower-income parent marries a high-income individual and the couple has a combined income of more than \$400,000.

¹²⁹ See CRS In Focus IF11820, *The 3.8% Net Investment Income Tax: Overview, Data, and Policy Options*, by Mark P. Keightley for further discussion.

¹³⁰ IRS, Statistics of Income, "Table 3.3. All Returns: Tax Liability, Tax Credits, and Tax Payments," <https://www.irs.gov/statistics/soi-tax-stats-individual-statistical-tables-by-size-of-adjusted-gross-income>.

¹³¹ The definitions of "qualifying child" are generally stricter for the child tax credit than for HoH filing status, though in some rare circumstances, a single filer may claim the child tax credit (generally for a child who lives with the taxpayer for less than half the year). See CRS Report R41873, *The Child Tax Credit: How It Works and Who Receives It*, by Brendan McDermott, for more information.

Phaseouts for Individual Retirement Account (IRA) Deductions

Traditional IRAs have a deduction with a dollar limit for contributions and a tax on withdrawals, so that taxes are deferred. Roth IRAs have no upfront deduction and no tax on withdrawals, so that investment earnings are not taxed. Both forms of IRAs limit the amount of contributions, and phase the contributions out with income. For 2026, the combined limit for Roth contributions and traditional IRA contributions is \$7,500 for individuals aged less than 50 and \$8,600 for individuals aged 50 and older. The deduction for traditional IRAs is phased out between \$81,000 and \$91,000 of income for single returns, between \$129,000 and \$149,000 for joint returns where both spouses have employee retirement plans, and between \$242,000 and \$252,000 for joint returns with one spouse having employee coverage. Contribution limits on Roth IRAs are phased out from \$153,000 to \$168,000 for single returns and from \$242,000 to \$252,000 for joint returns. These income phaseouts can create marriage penalties or bonuses depending on relative incomes. In addition, although contributions generally are limited to earned income, a married couple can contribute to an IRA for the spouse who has no earnings, creating a marriage bonus.

Student Loan Interest Deduction

Interest on student loans may be deducted up to \$2,500. The deduction is phased out for incomes above \$175,000 for joint returns and \$85,000 for single returns, so a marriage bonus is possible. In 2023, 4.3% of all returns claimed the student loan deduction, and returns in the \$100,000 to \$200,000 income class claiming the deduction were 1.3% of all returns, so this provision has a limited effect.¹³²

However, the deduction is limited to \$2,500 per tax return, not \$2,500 per individual, so couples who both have student loan debt may incur a marriage penalty. Married separate filers are barred from claiming the deduction, so couples cannot avoid this penalty by filing separate returns.

Adoption Credit

A credit of up to \$17,670 is allowed for adoption expenses of either a child or an adult with special needs, with a phaseout beginning at \$265,080 of income for all taxpayers. Using the same income cutoff regardless of filing status can create a marriage penalty, but it affects a limited number of taxpayers. In 2023, 0.03% of taxpayers claimed the credit, and 0.001% of taxpayers both claimed the credit and were in the \$200,000 to \$500,000 income class, which is where the marriage tax penalty could potentially apply.¹³³

Tuition Tax Credits

The tax code allows filers to claim one of two credits for postsecondary tuition: the American Opportunity Tax Credit (AOTC), which allows a credit for 100% of the first \$2,000 of tuition and 25% of the next \$2,000 for the first four years, or the Lifetime Learning Credit (LLC), which allows a credit of 20% of the first \$10,000 of tuition, with no limit on the number of years. Only one type of credit can be used per student per year, and up to 40% of the AOTC is refundable. Both credits phase out between \$80,000 and \$90,000 of income for a single or HoH return and \$160,000 to \$180,000 for a joint return. These phaseouts can create a marriage bonus.

¹³² IRS, Statistics of Income, “Table 1.4,” <https://www.irs.gov/statistics/soi-tax-stats-individual-statistical-tables-by-size-of-adjusted-gross-income>.

¹³³ IRS, Statistics of Income, “Table 3.3,” <https://www.irs.gov/statistics/soi-tax-stats-individual-statistical-tables-by-size-of-adjusted-gross-income>.

In 2022, 5.4% of taxpayers claimed education credits, and in 2023, 1.1% claimed the credit and were in the \$100,000 or more income range.¹³⁴

Passive Loss Deduction

In general, individuals can deduct passive losses against their passive income (and only their passive income). Rental income is considered passive, but there is an exception that allows a loss against other income of up to \$25,000 for those who meet the rules for being an active participant. This deduction is phased out for incomes beginning at \$100,000 and ending at \$150,000, and is the same for all taxpayers. Based on forms filed, 5% of taxpayers claimed a passive loss deduction in 2022.¹³⁵ This provision can create a marriage penalty.

Excess Business Loss Deduction

Business losses in excess of \$512,000 for joint returns and \$256,000 for other returns cannot be used to offset other income, but can be carried forward to future tax years as net operating losses. This provision affects 0.03% of taxpayers.¹³⁶ It can create a marriage bonus.

Limits on Capital Losses

Capital losses can offset capital gains, and up to \$3,000 can be used to offset ordinary income regardless of filing status. Capital losses can be carried forward and used to offset capital gains and the limit on ordinary income in the future. Because this limit is the same for joint and single returns, it can create a marriage penalty.

Temporary Deduction for Interest on Auto Loans

P.L. 119-21 provided a deduction for up to \$10,000 of interest on auto loans on American-made vehicles. The deduction is phased out beginning at \$100,000 of income for individuals and \$200,000 for joint returns. This phaseout can create a marriage bonus.

The Estate Tax

The federal estate tax, which is levied on individuals' and couples' estates (i.e., their net wealth) when they die, can also create marriage bonuses. The estate tax is 40% of an estate's taxable value in excess of an exemption amount, which is \$15 million in 2026.¹³⁷ Widows and widowers

¹³⁴ The number of taxpayers filing form 8863, which is used to determine the number claiming the AOTC, LLC, or both, is from IRS, Statistics of Income, *Individual Income Tax Returns, Line Item Estimates*, 2022, <https://www.irs.gov/pub/irs-pdf/p4801.pdf>. Estimates of the number of taxpayers claiming education tax credits while falling into certain income ranges are from IRS, Statistics of Income, "Table 3.3," <https://www.irs.gov/statistics/soi-tax-stats-individual-statistical-tables-by-size-of-adjusted-gross-income>.

¹³⁵ The number of taxpayers filing form 8582 (which is used to claim the passive activity loss deduction) is from IRS, Statistics of Income, *Individual Income Tax Returns, Line Item Estimates*, 2022. The number of total returns is from IRS, Statistics of Income, "Table 1.4," <https://www.irs.gov/statistics/soi-tax-stats-individual-statistical-tables-by-size-of-adjusted-gross-income>.

¹³⁶ Data are for 2022. The number of taxpayers filing form 461 (which is used to claim the business loss deduction) is from IRS, Statistics of Income, *Individual Income Tax Returns, Line Item Estimates*, 2022. The number of total returns is from IRS, Statistics of Income, "Table 1.4," <https://www.irs.gov/statistics/soi-tax-stats-individual-statistical-tables-by-size-of-adjusted-gross-income>.

¹³⁷ This exclusion applies to both the taxpayer's estate and their lifetime gifts, for purposes of the gift tax. Gifts given to one individual in excess of an annual exclusion (\$19,000 in 2026) count against this lifetime limit, lowering the exemption once the taxpayer dies. Annual gifts at or below the exclusion do not reduce the estate tax exemption.

pay no tax on estates they inherit from their spouse, and they inherit their spouse's exemption as well, meaning their exemption can be up to \$30 million in 2026.

The federal estate tax creates marriage bonuses for couples in which one person would have taxable wealth above the \$15 million exemption and the other would have taxable wealth below it were they not married. By marrying and combining their exemptions, the couple can instead exempt their first \$30 million of net wealth from being taxed.

The estate tax exemptions create a maximum potential marriage bonus of \$6 million. Marriage bonuses in the estate tax affect a small share of taxpayers. According to projections from the TPC, 0.14% of decedents will pay the estate tax in 2026, and another 0.12% of decedents will have untaxed estates worth more than \$15 million, meaning that at most 0.25% of decedents (roughly 1 out of every 400) benefit from this marriage bonus.¹³⁸

¹³⁸ Urban-Brookings Tax Policy Center, "Estate Tax Returns and Liability, 2024-2035," Model Estimate T25-0261, September 11, 2025, <https://taxpolicycenter.org/model-estimates/T25-0261>. The TPC estimates that 0.136% of estates will be taxable and that 0.116% will have net wealth above \$15 million but not be taxable (which is why the two figures sum to approximately 0.25%). Not all decedents were or are married, and estates may be exempt from taxation for reasons other than the portable spousal exemption, so the share of decedents receiving a marriage bonus is likely lower than 0.25%.

Appendix B. History of Marriage Tax Penalties and Bonuses

Rate Schedule

The income tax as adopted in 1913 (the Revenue Act of 1913, P.L. 63-16) imposed taxes on an individual basis, so that each spouse was taxed on his or her own income. However, there were challenges in assigning income to spouses in community property states, where each spouse had an equal right to most income received during the marriage. (Community property states, in the West and South of the country, were those whose laws were based on Spanish law precedents, rather than English common law.)

Initially, the Treasury Department assigned all community property to the husband, but in 1919, it assigned each spouse their salary and split other income evenly between the spouses. There were legal challenges to this separate assignment, and in 1930, the Supreme Court ruled in *Poe vs. Seaborn* that all income must be split evenly between the two spouses in community property states. This ruling conferred benefits to some married couples, and as a result other states began adopting community property laws. In the Revenue Act of 1948 (P.L. 80-470), Congress responded by allowing all married couples to split their income equally for tax purposes.¹³⁹

These court decisions and laws created marriage bonuses for most couples, with individual taxes falling after marriage, particularly when one spouse earned most or all of the income. A marriage bonus is also a singles penalty, and the singles penalty became an issue.

The Revenue Act of 1951 (P.L. 82-183) adopted a head of household schedule to lower taxes for singles with dependents. This change was generally motivated as a recognition of the additional financial burden of caring for dependents. The Tax Reform Act of 1969 (P.L. 91-172), in explicit recognition of the singles penalty, created a separate singles schedule for unmarried individuals without dependents. The system now led to either marriage bonuses or marriage penalties, depending on the division of income between the partners.

The Economic Recovery Tax Act of 1981 (P.L. 97-34), in response to concerns about marriage penalties and work disincentives for two-earner couples, added a deduction for 10% of the second earner's wages, up to \$3,000. The Tax Reform Act of 1986 (P.L. 99-514), which significantly flattened the rate structure and reduced the effect of marriage penalties and bonuses, also eliminated the second-earner deduction. The addition of higher brackets in the Omnibus Reconciliation Act of 1993 (P.L. 103-66) increased marriage penalties for some high-income couples.

The Economic Growth and Tax Relief Reconciliation Act of 2001 (P.L. 107-16) eliminated marriage penalties arising from the rate structure for couples without children, except at high incomes, by making the tax brackets twice as wide for joint returns at the lower brackets, although penalties remained for couples with children through the head of household schedule. This treatment was continued, albeit with modified tax rates and brackets, by the 2017 tax revision (P.L. 115-97), which temporarily reduced tax rates. The 2025 Reconciliation Act (P.L. 119-21) made these reductions permanent.

¹³⁹ See Edward Fox, "Do Taxes Affect Marriage? Lessons from History."

The Standard Deduction

Virtually from its inception, the federal tax code allowed itemized deductions for nonfederal tax payments, interest payments, charitable contributions, and certain other personal expenses. The Individual Income Tax Act of 1944 (P.L. 78-315) allowed a standard deduction of 10% of adjusted gross income with a ceiling of \$500 as a substitute for these itemized deductions. A major reason for creating the standard deduction was to reduce the number of itemizers and make tax filing less complex. The Revenue Act of 1964 (P.L. 88-272) set a minimum standard deduction at \$200 plus \$100 for each personal exemption (with a maximum deduction of \$400). The minimum untaxed amount was effectively \$300 for singles and \$400 for joint and HoH returns. This minimum standard deduction was an alternative to the 10% deduction, whose ceiling was increased to \$1,000. This system created a minimum and a maximum. The Tax Reform Act of 1969 (P.L. 91-172) increased these standard deduction and exemption amounts substantially. The percentage standard deduction was gradually increased to 16%, and the ceiling was increased to \$2,000. A flat minimum deduction for all filers (called the low-income allowance) of \$1,100, to be reduced by \$50 in each of the next two years, was substituted for the minimum standard deduction. The low-income allowance was increased to \$1,300 in 1972.

The Tax Reduction Act of 1975 (P.L. 94-12) once again differentiated the low-income allowance based on filing status (joint, head of household, or single). The Tax Reform Act of 1976 (P.L. 94-455) increased the minimum standard deduction to \$2,100 and the maximum to \$2,800 for joint returns. The Tax Reduction and Simplification Act of 1977 (P.L. 95-30) consolidated the low-income allowance and the percentage standard deduction into a single flat allowance, called the *zero-bracket amount*, which was set at \$3,200 in 1977 and at \$3,400 in 1978. The Economic Recovery Tax Act of 1981 (P.L. 97-34) indexed the zero-bracket amount to inflation. The Tax Reform Act of 1986 (P.L. 94-455) raised the flat deduction amount, but continued to differentiate it with respect to tax return status (but not family size). The deduction amount was highest for married joint filers, then HoH filers, and then single filers. The act also added the standard deduction for the blind and those over 65, replacing an existing additional deduction in the form of a personal exemption. The Economic Growth and Tax Relief Reconciliation Act of 2001 (P.L. 107-16) increased the standard deduction for joint returns to twice that of single returns (in effect starting in 2003), with the HoH standard deduction set halfway between those two amounts; this arrangement has continued to the present.

The 2017 tax revision (P.L. 115-97) temporarily increased the standard deduction while eliminating personal exemptions. That change, along with the \$10,000 limit on the state and local tax deduction, substantially increased the share of taxpayers who chose the standard deduction (from around 70% to around 90%), thus making the standard deduction a more important contributor to marriage bonuses. These changes were set to expire after 2025, but were made permanent by the 2025 Reconciliation Act (P.L. 119-21). This legislation also temporarily raised the cap on the state and local tax deduction, modestly increased the basic standard deduction, and instituted the temporary \$6,000 deduction for the elderly, among other changes.

The Earned Income Tax Credit

The Tax Reduction Act of 1975 (P.L. 94-12) enacted the EITC, allowing a 10% refundable credit for wages up to \$4,000. It then phased out those with incomes between \$4,000 and \$8,000. It was limited to families with children. The credit was temporary, but was extended and eventually made permanent in by the Revenue Act of 1978 (P.L. 95-600), when the credit was increased to a maximum of \$500. The Tax Reform Act of 1986 (P.L. 94-455) increased the credit further to \$800 and adjusted for inflation.

The Omnibus Budget Reconciliation Act of 1990 (P.L. 101-508) provided a larger credit for families with two or more children. The Omnibus Budget Reconciliation Act of 1993 (P.L. 103-66) significantly increased the credit and differentiated it for families with one, two, or three or more children. A small credit was also added for childless filers.

The Economic Growth and Tax Relief Reconciliation Act of 2001 (P.L. 107-16) increased the phaseout range for married couples compared to other returns. The American Recovery and Reinvestment Act (P.L. 111-5) provided a higher credit for families with three or more children.

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