MN HOUSE RESEARCH

Marriage Penalties and Bonuses; Minnesota's Marriage Penalty Credit

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Executive Summary

When two individuals get married, the amount of state and federal tax the individuals owe may change relative to when they were unmarried. When their tax liability increases as a result of marriage, this is commonly referred to as a "marriage penalty." When their tax liability decreases as a result of marriage, this is commonly referred to as a "marriage bonus."

Minnesota's tax system has a number of features that generate both marriage penalties and bonuses, meaning Minnesota taxpayers may face marriage penalties or bonus depending on their particular circumstances. The marriage penalty in the state's rate and bracket structure is offset by Minnesota's marriage penalty credit, a nonrefundable income tax credit. About 443,800 returns claimed the credit in tax year 2023, which reduced tax revenues by about $101.1 million. The credit was claimed by about 27 percent of married taxpayers filing a joint return.

As long as Minnesota has progressive rates and brackets, it is not possible to design an income tax system that is neutral with regard to marriage; depending on how tax policies are designed, they will either result in marriage penalties or marriage bonuses. Policymakers must balance competing tax policy priorities when designing tax policies, and marriage penalties and bonuses are an important consideration to be weighed against other priorities.

Academic researchers have studied the degree to which marriage penalties discourage marriage, change the timing of marriage, or reduce workforce participation. They have attempted to measure the variation in marriage penalties faced by different socioeconomic groups. Policymakers designing tax policies must balance competing tax policy principles as they relate to marriage penalties and bonuses.

This publication describes how marriage penalties and bonuses arise, discusses policy concerns related to marriage penalties and bonuses, and offers a detailed description of Minnesota's marriage penalty credit. It further summarizes some of the academic literature on marriage penalties in the tax code. The appendix identifies some specific marriage penalties and bonuses in the state's tax code.

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Marriage Penalties and Bonuses

Married Minnesotans have the option to file their state and federal income taxes using a joint return, which combines the income of both spouses and calculates a single tax liability for the couple.[1] A couple filing jointly will rarely owe the same amount that they would owe if they filed separately as two single filers.

The difference in liability stems from two features of the income tax—first, the income tax has increasing tax rates applying at higher tax brackets, and second, several credits and deductions have income limits.

- A tax provision creates a **marriage penalty** when a married couple would pay more by filing a joint return (relative to filing two single returns).
- A tax provision creates a **marriage bonus** if filing a joint return would reduce the couple's taxes relative to filing two single returns.

Minnesota's tax code has many policies that result in marriage penalties and bonuses. The total net effect of marriage on an individual's tax liability will vary greatly depending on their individual circumstances. The appendix lists some policies in Minnesota's tax code that result in marriage penalties and bonuses (see page 16).

Marriage penalties are greatest when:

- two taxpayers getting married have very similar incomes; or
- the tax treatment of married taxpayers filing joint returns is identical to—or similar to—the tax treatment of single taxpayers.

Due to Minnesota's progressive rate structure, when taxpayers with similar incomes get married, the arithmetic of combining their incomes results in more income being subject to higher marginal rates and results in a marriage penalty. They may also lose means-tested tax benefits more quickly when their incomes are combined, particularly if the phaseout of means-tested benefits starts at similar levels for married and unmarried taxpayers.

[1] Married couples may also file separate returns, but doing so generally increases their tax liability relative to filing a joint return.

Marriage bonuses are greatest when:

- two taxpayers getting married have very different incomes; or
- rates and brackets—or phaseouts—are greater for married couples than for single taxpayers.

When two spouses have different incomes, that causes the higher-income spouse to have more income subject to lower marginal rates (or reduces the phaseout of an income-tested tax benefit). This effect is amplified if the rates and brackets (or phaseout) for the married couple are set at twice the amount for single taxpayers.

Example Marriage Penalty from Minnesota's Rate and Bracket Structure

Minnesota's rate and bracket structure creates a marriage penalty, because the married joint tax brackets are not twice the width of the single brackets. In practice, the state's marriage penalty credit mostly offsets the marriage penalty in the brackets.

Minnesota rates and brackets, tax year 2025

	Single	Head of Household	Married Joint
First Tier (5.35%)	$0-$32,570	$0-$40,100	$0-$47,620
Second Tier (6.80%)	$32,571-$106,990	$40,101-$161,130	$47,621-$189,180
Third Tier (7.85%)	$106,991-$198,630	$161,131-$264,050	$189,181-$330,410
Fourth Tier (9.85%)	$198,631 and above	$264,051 and above	$330,411 and above

The example below shows how Minnesota's bracket structure results in a marriage penalty for two example taxpayers with $60,000 of income.

Example 1: Marriage penalty in Minnesota's rate and bracket structure
Two taxpayers with $60,000 of income and no dependents, tax year 2025

	Single Taxpayer 1	Single Taxpayer 2	Total, Single Taxpayer 1 and 2	Married Joint Taxpayer
Income	$60,000	$60,000	$120,000	$120,000
Standard Deduction	14,950	14,950	$29,900	29,900
Minnesota Taxable Income	45,050	45,050	$90,100	90,100
Minnesota Income Tax	**$2,591**	**$2,591**	**$5,182**	**$5,436**
First Tier Tax (5.35%)	$1,742	$1,742	$3,484	$2,548
Second Tier Tax (6.80%)	$849	$849	$1,698	$2,889
Effective Tax Rate	4.32%	4.32%	4.32%	4.53%

In example 1, two taxpayers with $60,000 of income each pay about $2,591 in taxes, for a total combined tax bill of $5,182. If those taxpayers marry in Minnesota and file a joint return, their tax before credits would be $5,436. This represents a net marriage penalty of $254.

The reason for this marriage penalty is the rate and bracket structure. The combined Minnesota taxable income for the single taxpayer is the same as for the married joint taxpayer, but they pay less in tax. That's because when both taxpayers file as single, a combined $65,140 is subject to the first tier (5.35 percent) of the income tax, and $24,960 is subject to the second tier (6.80 percent) of the income tax. When the taxpayers file a joint return, less income ($47,620) is subject to the first tier and more income ($42,480) is subject to the second tier.

In practice, this marriage penalty is erased in Minnesota by the marriage penalty credit, which is discussed below.

Example Marriage Bonus from Minnesota's Rate and Bracket Structure

Minnesota's rate and bracket structure may also introduce marriage bonuses. This is because the bracket widths for married couples are greater than (but not double) the amounts for single taxpayers. When two spouses earn very different amounts of income, marriage can result in a tax reduction. Example 2 below illustrates how this may happen.

Example 2: Marriage bonus in Minnesota's rate and bracket structure
Taxpayers with $20,000 and $125,000 of income and no dependents

	Single Taxpayer 1	Single Taxpayer 2	Total, Single Taxpayer 1 and 2	Married Joint Taxpayer
Income	$20,000	$125,000	$145,000	$145,000
Standard Deduction	14,950	14,950	$29,900	29,900
Minnesota Taxable Income	5,050	110,050	$115,100	115,100
Minnesota Income Tax	**$270**	**$7,043**	**$7,313**	**$7,136**
First Tier Tax (5.35%)	$270	$1,742	$2,012	$2,548
Second Tier Tax (6.80%)	$0	$5,061	$5,061	$4,589
Third Tier Tax (7.85%)	$0	$240	$240	$0
Effective Tax Rate	1.35%	5.63%	5.04%	4.92%

In example 2, if the two spouses filed as single, they would face a combined tax bill of $7,313. If those taxpayers marry in Minnesota and file a joint return, their tax before credits would be $7,136. This represents a marriage bonus of $177.

This is again a consequence of the rate and bracket structure. When the spouses file as single, the lower-earning spouse has $5,050 of taxable income, whereas the first tier extends to

$32,570 for single filers. By filing a joint return, more of the higher-earning spouse's income is taxed at the first tier rate, and that spouse avoids paying any tax on the third tier.

Policy Concerns

Tax policies may be structured to create marriage penalties, marriage bonuses, or both. Designing a policy structure that is neutral with regard to marriage—and does not result in either marriage penalties or bonuses—is not possible within a progressive rate structure. As the Congressional Budget Office notes:

> On the one hand, the tax code seeks to levy the same tax on couples with the same income, regardless of who earns the income. On the other hand, the code tries to minimize the effect of marriage on a couple's tax liability. A tax structure with progressive rates, however, cannot attain both goals.[2]

When deciding how to structure tax policies with regard to marriage, policymakers must balance competing tax policy principles.

- **Horizontal equity:** Both marriage penalties and bonuses reduce horizontal equity, because they necessarily cause taxpayers with the same income to pay different amounts of tax (depending on filing status).
- **Vertical equity:** Marriage penalties and bonuses arise due to progressive rate structures and income-based phaseouts. Fully eliminating penalties and bonuses from the state's tax code would require that the tax system be made more regressive.
- **Simplicity:** Establishing different treatment for unmarried and married taxpayers introduces complexity into the tax system, particularly when a third treatment is provided for head of household taxpayers. This makes it difficult for taxpayers to understand the tax consequences of family and life choices.

Specific Policy Concerns with Marriage Penalties

Policymakers have historically expressed concerns over marriage penalties, and have been less concerned with marriage bonuses. There is a significant academic literature base on marriage penalties, which is described in detail in the last section of this report. The main concerns expressed by policymakers include:

- **Disincentive for marriage or work:** Marriage penalties may discourage individuals from getting married or may discourage one spouse from working. Academic research has found marriage penalties have small but measurable effects on marriage rates and workforce participation.

[2] Congressional Budget Office, "For better or for worse: marriage and the federal income tax," A CBO Study (June 1997):. https://www.cbo.gov/sites/default/files/105th-congress-1997-1998/reports/marriage.pdf

- **Disproportionate effects on Black and Hispanic taxpayers:** Some academic research has found that marriage penalties and bonuses are greater for Black and Hispanic taxpayers than white taxpayers.
- **Horizontal equity:** Marriage penalties are unfair to married couples, because they require married taxpayers to pay more in tax than they would if they filed as single. This violates the tax policy principle of horizontal equity—that people with equal ability to pay (income) should pay the same amount in tax.

Specific Policy Concerns with Marriage Bonuses

While most attention from policymakers has focused on marriage penalties, there are reasons policymakers may design policies with a penalty (and without a marriage bonus). The main reasons policymakers may design policies with a marriage penalty include:

- **Limited resources**: Designing policies with marriage bonuses and eliminating marriage penalties reduces tax collected or increases the cost of tax expenditures. Policymakers often opt to spend limited resources on other aspects of a policy, or to reduce the overall cost of a proposal.
- **Horizontal equity:** Marriage bonuses can also be seen as unfair because they violate the tax policy principle of horizontal equity. Two identical couples with the same incomes will pay different amounts of tax depending on their marriage status.
- **Targeting single parents:** Some policies are designed to benefit unmarried taxpayers with children, but they are often structured in a way that exacerbates marriage penalties for single parents. This topic is discussed in detail in the following section.

Tax Policies that Help Single Parents Tend to Create Larger Marriage Penalties

Unmarried taxpayers with dependents (either dependent children or other dependent relatives) may file their taxes using the head of household filing status. To qualify, a taxpayer must be unmarried at the close of the taxable year, pay more than half the cost of keeping up a home for the year, and have a dependent child or relative live with them for more than half the year.[3]

Head of household status provides three main benefits in Minnesota's income tax.[4]

- Increased standard deduction: the standard deduction for head of household taxpayers is $22,500, while it is $14,950 for single taxpayers.
- Increased phaseout threshold for the dependent exemption: the dependent exemption begins to phase out at $298,800 for head of household taxpayers, and $239,050 for single taxpayers.

[3] A taxpayer may also qualify for head of household status if the taxpayer's parent was a dependent of the taxpayer, even if the parent did not live with the taxpayer.

[4] The specific amounts referenced are for tax year 2025.

- Preferential bracket structure, relative to single filers.

Head of household filing status illustrates the policy tradeoffs involved in addressing marriage penalties and bonuses. Tax benefits for head of household filers reduced taxes for single parents, but they do so by treating single parents more like married taxpayers than single taxpayers. As a result, marriage penalties for head of household filers are often greater than for single filers—eliminating these penalties would require treating married taxpayers like two head of household taxpayers, which is both expensive and would create even larger marriage bonuses for single taxpayers without children.

Minnesota's Marriage Penalty Credit

Minnesota's marriage penalty credit[5] is a nonrefundable income tax credit designed to offset the marriage penalty in Minnesota's rate and bracket structure for taxpayers without children.

House Research modeling estimates that about 433,800 returns claimed about $101.1 million in marriage credits in tax year 2023. The average credit was about $233.[6] This implies that about 27.0 percent of married joint taxpayers, and about 12.8 percent of all returns, benefit from the credit. A distributional analysis is presented below.

To calculate the credit, the "lesser-earning spouse"—defined as the spouse with less earned income[7]—calculates the amount of tax the spouse would pay on that earned income if they filed as a single taxpayer (after subtracting the standard deduction for a single taxpayer). The spouse with greater earned income also calculates the tax the spouse would pay if they were to file as single, except all unearned income is assigned to the spouse with more earnings. The combined estimate of the tax each spouse would pay as a single taxpayer is compared to the amount of tax they owe when filing a joint return—if they owe more when filing a joint return, the couple is eligible for a credit equal to the difference.

Steps for Calculating the Marriage Penalty Credit

1) **Calculate the tax owed for a joint return:** A married couple filing a joint return calculates the tax owed under the rates and brackets for married joint taxpayers.
2) **Calculate the tax owed by each spouse if the spouse filed as single:** Each spouse calculates the tax they would owe if they filed a return as single. For the purposes of this calculation, the lesser-earning spouse uses only their earned income, and the spouse with greater earnings is assigned that spouse's earned income and the couple's combined unearned income.

[5] Minn. Stat. § 290.0675.

[6] House Research modeling using the House Income Tax Simulation (HITS) model, version 7.5, and November 2024 forecast assumptions.

[7] For the purposes of the credit, "earned income" includes wages, self-employment income, Social Security income, and retirement income.

3) **Compare the tax owed if the spouses filed as single, relative to the amount they owe if they filed a joint return:** If the combined amount of tax estimated under step 2 is less than the amount calculated under step 1, the couple receives a marriage penalty credit equal to the difference.

Limitations of the Marriage Penalty Credit

Minnesota's marriage penalty credit is only designed to offset marriage penalties on earned income in the state's rate and bracket structure, for taxpayers without children only. As a result, the credit does not reduce or offset marriage penalties caused by:

1) **Differences in unearned income**: Because unearned income (for example, capital gains, interest, rental income, etc.) is challenging to source to one spouse, the credit does not attempt to offset marriage penalties due to unearned income.
2) **Head of household filing status**: Because the credit calculates the tax owed by two single taxpayers (relative to a joint return), the credit may only partly offset the marriage penalty for head of household taxpayers, which is greater than for single taxpayers.
3) **Other features of the tax system**: As is discussed in appendix 1, many features of Minnesota's tax code other than the rate and bracket structure cause marriage penalties. The marriage penalty credit is not designed to offset these marriage penalties.

Distribution of the Marriage Penalty Credit

The table below shows the distribution of marriage penalty credits claimed in tax year 2023. The analysis is based on a sample of 2023 Minnesota individual income tax returns.

Taxpayers making less than $75,000 almost never receive any benefit from the credit.[8] This is because to receive any benefit, taxpayers must earn enough to pay on the second tier of the income tax (because the progressive rate structure is the cause of the penalty). In tax year 2023, the year of the analysis below, a married couple filing jointly would need to earn around $71,600 to receive any benefit from the credit; this amount is the standard deduction ($27,650) plus the starting point of the second bracket for married taxpayers filing jointly ($43,950).

[8] There are rare exceptions where taxpayers have low or negative adjusted gross incomes but still owe Minnesota income tax due to income that is exempt from federal taxes but subject to tax in Minnesota, such as interest or dividends earned on municipal bonds from another state or its local units of government. Taxpayers in these situations are listed in the first two rows of the distributional table.

Income Distribution of Minnesota Marriage Credits, Tax Year 2023

Adjusted Gross Income	Total Returns Benefiting	% of All Returns Benefiting	% of Joint Returns Benefitting	Total Tax Benefit ($1,000)	Share of Total Benefit	Average Tax Savings
Less than $10,000	<20	0.0%	0.0%	<10	0.0%	-
$10,000 to $30,000	<20	0.0%	0.0%	<10	0.0%	-
$30,000 to $50,000	0	0.0%	0.0%	0	0.0%	$0
$50,000 to $75,000	1,000	0.2%	0.5%	30	0.0%	$27
$75,000 to $100,000	39,300	10.8%	15.8%	4,310	4.3%	$110
$100,000 to $125,000	89,800	28.3%	39.3%	15,670	15.5%	$175
$125,000 to $150,000	95,100	36.8%	22.7%	19,040	18.8%	$200
$150,000 to $250,000	155,300	33.3%	98.4%	31,610	31.3%	$204
$250,000 and above	53,300	22.0%	24.3%	30,420	30.1%	$571
Total	**433,800**	**12.8%**	**27.0%**	**101,090**	**100%**	**$233**

Source: House Research Analysis using the House Income Tax Simulation Model, Version 7.6

Academic Research on Marriage Penalties

Marriage penalties and bonuses influence a couple's total take-home income, and economic theory implies this should affect the behavior of individuals and married couples. Academics have attempted to measure the degree to which marriage penalties discourage marriage, change the timing of marriage, and reduce workforce participation. Other academic research has attempted to estimate the marriage penalties faced by different socioeconomic groups.

Applicability of Academic Research on Federal Marriage Penalties

Marriage penalties and bonuses can affect both state and federal tax liability, but much of the academic research is focused on the federal tax system. The behavioral effects identified in academic research are likely lower for state marriage penalties than federal penalties for two reasons. First, federal marriage penalties are generally higher than state marriage penalties. Academic research has generally found that the behavioral effects of a marriage penalty grow as the amount of the penalty grows. Second, there is evidence that state marriage penalties are less salient than federal marriage penalties, meaning a $1,000 state marriage penalty is less likely to affect behavior than a $1,000 federal penalty.[9]

[9] Leora Friedberg and Elliott Isaac, "Same-Sex Marriage Recognition and Taxes: New Evidence about the Impact of Household Taxation," *Review of Economics and Statistics* 106, no. 1 (January 2024): 85-101.

As a result, to the extent that academic literature measured a behavior effect from a federal marriage penalty, it is likely that the effect of a state marriage penalty will be smaller or possibly nonexistent.

Behavioral Effects of Marriage Penalties

Academic research has found that marriage penalties in the tax code have a small impact on the decision to marry, but some research has found that the combined effects of marriage penalties from taxation and from social welfare programs have a larger impact on the decision to marry. Research has also found that marriage penalties can affect the timing of marriages around the end of the year, and that couples facing large marriage penalties are more likely to misrepresent their marital status when filing their taxes. There is also evidence that marriage penalties affect labor force participation, particularly for married women.

Decisions to Marry

Policymakers have expressed concerns that marriage penalties could impact a couple's decision to marry, including potential negative social and economic impacts of disincentivizing marriage. The academic literature generally finds that marriage penalties and bonuses in the tax code have small but measurable impacts on marriage decisions. However, economists have identified potentially larger effects from the cumulative U.S. tax and social benefits system.

Economists often measure behavioral responses using elasticities—a measure of how responsive behavior is to changes in incentives. An elasticity number of 1.0 means a 1 percentage point increase in one variable (like a marriage penalty) would result in a 1 percentage point decrease in the corresponding behavior (like marriage rates). Negative elasticities (for example, -1.0) imply an increase in one variable results in a decrease in another variable. Most economists have found negative elasticities of marriage with regard to marriage penalties—meaning marriage penalties reduce marriage rates. However, estimates of the size of the elasticity vary widely.

- Leora Friedberg and Elliot Isaac used the staggered rollout of same-sex marriage in the United States to measure the effects of marriage penalties on couples' decisions to marry. They found that a $1,000 increase in a marriage subsidy increased the probability of marriage by .8 to 1.4 percentage points, which implies an elasticity of .006 to .011.[10] That level of elasticity indicates that a 1 percent increase in the marriage penalty would reduce the probability of marriage by .006 percent to .011 percent. The elasticity is greater, but still small, for lower-income households, where they estimated the elasticity to be .05 to .1.[11]

  Notably for state policymakers, the effect for state marriage penalties was "small, negatively signed, significantly different from the federal subsidy, and insignificantly

[10] Ibid., 94.

[11] Ibid., 95.

different from zero."[12] In other words, the authors found no evidence that state marriage penalties affect decisions to marry.

- In a 2013 analysis, Hayley Fisher analyzed Current Population Survey (CPS) data from 1984 to 2008, and her analysis identified a stronger effect on decisions to marry than other studies. Fisher's analysis found a $1,000 marriage penalty causes a 1.7 percentage point decrease in the probability of marriage, which implies an elasticity of -1.1 at the average total household income in the United States. In other words, for an average household, the authors find that a 1 percent increase in marriage penalties reduces marriage rates by 1.1 percent.[13]

- James Alm and Leslie Whittington used longitudinal data from the Panel Study on Income Dynamics from 1968 to 1992, and estimated that the elasticity of the marriage penalty for women is -.23 for women facing the average marriage penalty (about $2,620 in 1984 dollars); this would imply that a 1 percent increase in the marriage penalty reduces the probability of marriage by .23 percent. They found larger elasticities at more extreme marriage penalties, reaching as high as -1.25 for the largest penalties in their sample (meaning a 1 percent increase in the marriage penalty would result in a 1.25 percent reduction in the probability of marriage).[14]

- In a 2022 National Bureau of Economic Research (NBER) working paper, Elias Ilin, Laurence Kotlikoff, and Melinda Pitts analyzed the total impact of the United States fiscal system on marriage.[15] Their analysis calculated the total change in an individual's lifetime spending as a result of marrying someone with the same income (a "clone marriage"), a higher income, or a lower income. This measure of lifetime spending includes state and federal taxes, as well as state and federal social benefits. Their analysis is different from other papers in two ways. First, it calculates the disincentive effect from a *lifetime change in spending* rather than a single year of taxes. Second, it estimates the effects of social welfare programs like Social Security, Medicaid, the Supplemental Nutrition Assistance Program, and Temporary Assistance for Needy Families (among others). As a result, their analysis is not directly comparable with other estimates of marriage elasticity.

  Their analysis finds "very large effects" of the marriage tax, with implied elasticities of -1.12 for childless women and -3.69 for women with children.[16] They estimate

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[12] Ibid., 96.

[13] Hayley Fisher, "The Effect of Marriage Tax Penalties and Subsidies on Marital Status," *Fiscal Studies* 34, no. 4 (2013): 437-65.

[14] James Alm and Leslie A. Whittington, "For Love or Money? The Impact of Income Taxes on Marriage," *Economica* 66 (1999): 297-316.

[15] Elias Ilin, Laurence J. Kotlikoff, and Melinda Pitts, "Is Our Fiscal System Discouraging Marriage? A New Look at the Marriage Tax," National Bureau of Economic Research Working Paper No. 30159 (2022): http://www.nber.org/papers/w30159.

[16] Ibid., 35.

that the average reduction in lifetime spending for women with children who marry is 3.35 percent, and 2.67 percent for childless women.[17] This analysis implies that eliminating marriage penalties in the tax and social benefit systems would raise marriage rates by 13.68 percentage points among low-income women, and by 1.46 percentage points for low-income men.[18]

Misreporting Marital Status

In a study published in September 2025, two economists from the federal Joint Committee on Taxation published a working paper on marriage penalties based on an analysis of Minnesota's administrative marriage records.[19] William Gorman and David Splinter linked Minnesota marriage records with federal tax data and found evidence that 2.3 percent of couples delay reporting marriages on their tax forms. Gorman and Splinter found evidence that this behavior was strategic; couples were more likely to misreport marriage if there was a tax benefit from doing so:

> Delayed reporting of marriages is consistent with strategic tax minimization (and credit maximization). The overall newlywed marital-status misreporting rate was 2.3%. But the misreporting rate was only 1.5% for couples with marriage bonuses and 3.3% for couples with marriage penalties. Besides this average difference, misreporting rates increase as marriage penalties increase… [The] misreporting rate of 4.3% for couples with a marriage penalty of $4,000 increases to 8.2% for couples with a marriage penalty of $6,500 and then increases to 14% for couples with a marriage penalty of around $8,000.

Gorman and Splinter note that this effect was greatest among lower-income filers, and that marriage penalties among misreporters "largely result" from federal Earned Income Tax Credits (EITCs).[20]

Marriage Timing

Economists have also found evidence that marriage penalties may have small effects on the timing of marriage. David Sjoquist and Mary Beth Walker found that, while long-term decisions to marry are not significantly influenced by the marriage penalty, couples may postpone their marriage for short periods of time as a result of the marriage penalty.[21] Their analysis indicated that as the marriage tax increases, couples marry in the months of November and December compared to the first two months in the spring of the new year.

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[17] Ibid.

[18] Ibid., 44.

[19] William Gorman and David Splinter, "Do Marriage Tax Penalties Cause Delayed Marriage Reporting?" Joint Committee on Taxation Working Paper (September 2025).

[20] Ibid., 13.

[21] David L. Sjoquist and Mary Beth Walker, "The Marriage Tax and the Rate and Timing of Marriage," *National Tax Journal* 48, no. 4 (1995): 547-58.

Decisions to Participate in Workforce

Economists have also attempted to measure the impacts of marriage penalties on workforce participation. Research in this area indicates marriage penalties disproportionately affect the labor force participation of the secondary earner in a household, and particularly affect women.

Sara LaLumia used the 1948 Revenue Act as a natural experiment and found that joint taxation reduces the labor supply of married women. It is estimated to reduce the probability of becoming employed for wives of highly educated couples by 2.2 percentage points in common law states (where income is legally viewed and taxed as belonging to the spouse who earned it). The paper finds statistically significant reduction in labor supply for married women as a result of joint taxation, especially in overall labor force participation. LaLumia found that the labor supply of men did not change significantly due to joint taxation.[22]

A 1997 Congressional Budget Office analysis found that a marriage penalty motivates the higher-earning spouse to work 0.1 to 0.3 percent more compared to if they stayed single. The secondary earner, however, was found to work 7 percent less as a result of the marginal tax rate.[23]

A 2020 analysis by Margherita Borella, Mariacristina De Nardi, and Fang Yang at the Minneapolis Federal Reserve Bank analyzed labor market participation among individuals born from 1941 to 1945 and 1951 to 1955.[24] Their simulation using panel survey data showed that the combined effects of joint taxation and Social Security spousal benefits significantly reduced the labor market participation of women and increased the labor market participation of men. The size of the effect they identify is significant; their simulation implies that removing marriage-based rules for taxes and Social Security increases labor market participation of married women by 20 percentage points at age 25, and by 5 percentage points for single women.[25] They also found marriage penalties increase labor market participation by men.

Impacts on Different Demographic Groups

There is some evidence that marriage penalties and bonuses affect different demographic characteristics, such as race and economic status, in different ways.

Income: Varying income distributions between spouses influence the total amount of marriage penalties or bonuses a couple receives. Several papers find that couples earning

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[22] Sara LaLumia, "The Effects of Joint Taxation of Married Couples on Labor Supply and Non-Wage Income," Journal of Public Economics 92, no. 7 (2008): 1698-1719.

[23] Congressional Budget Office, "For Better or For Worse: Marriage and the Federal Income Tax" (June 1997): https://www.cbo.gov/sites/default/files/105th-congress-1997-1998/reports/marriage.pdf.

[24] Margherita Borella, Mariacristina De Nardi, and Fang Yang, "Are Marriage-Related Taxes and Social Security Benefits Holding Back Female Labor Supply?" Opportunity and Inclusive Growth Institute Working Paper No. 41 (Federal Reserve Bank of Minneapolis, 2020): https://www.minneapolisfed.org/research/institute-working-papers/are-marriage-related-taxes-and-social-security-benefits-holding-back-female-labor-supply.

[25] Ibid., 3.

similar incomes are the most likely to be impacted by marriage penalties. Couples who earn dissimilar incomes from one another, such as one spouse as the primary earner and one spouse not participating in the traditional workforce, can lead to the greatest marriage bonuses. As discussed above, this dynamic can lead to couples making different workforce and employment decisions. Marriage penalties can be more pronounced at low- and high-income levels. A 2023 analysis by Kyle Pomerleau at the Tax Foundation found that the income tax is relatively neutral for couples with a relatively equally distributed combined income of $40,000 to $150,000 per year.[26]

The Gorman and Splinter paper using Minnesota administrative data found much higher marriage penalties for lower-income filers, with the most significant penalties resulting from earned income credits.[27]

Similarly, the Ilin, Kotlikoff, and Pitts article cited earlier found significantly larger marriage penalties for lower-income individuals than for higher-income individuals. The authors found that the study group, single people aged 20 to 49, had an average additional "marriage tax" rate (attributable to taxes and social welfare programs) of 2.69 percent. For individuals in the bottom quintile, the average tax rate was 3.71 percent, while it was 1.49 percent for individuals in the upper quintile.[28]

Race: A number of economists have recently tried to analyze the degree to which marriage penalties vary by race and ethnicity. The results of this analysis are somewhat mixed, and interpreting the results requires significant nuance.

In a 2023 paper, James Alm, J. Sebastian Leguizamon, and Susane Leguizamon looked at Census Current Population Survey data from 1992 to 2019, and found that Black and Hispanic households faced higher average marriage penalties than white households, with the difference driven largely by households earning more than $100,000.[29] The larger marriage penalties for Black couples are due to the fact that Black men and women tend to have lower incomes and Black couples have more similar earnings than white couples.[30] They find that since the enactment of the Economic Growth and Tax Relief Reconciliation Act (EGTRRA) federal tax changes in 2001 to 2003, Hispanic couples have faced larger marriage penalties than non-Hispanic couples, but smaller penalties than Black couples.[31]

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[26] Kyle Pomerleau, "Understanding the Marriage Penalty and Marriage Bonus," Tax Foundation (December 20, 2023): https://taxfoundation.org/research/all/federal/understanding-marriage-penalty-and-marriage-bonus/.

[27] Gorman and Splinter (2025).

[28] Ilin, Kotlikoff, and Pitts (2022).

[29] James Alm, J. Sebastian Leguizamon, and Susane Leguizamon, "Race, Ethnicity, and Taxation of the Family: The Many Shades of the Marriage Penalty/Bonus," *National Tax Journal* 76, no. 3 (August 2023): 525-60.

[30] Ibid., 540-541.

[31] Ibid., 551.

In a 2023 NBER working paper, Janet Holtzblatt et al. attempted to replicate the Alm et al. study using data from the Survey of Consumer Finances. [32] They similarly found Black couples were more likely to face marriage penalties—and less likely to receive marriage bonuses—than white couples. Overall, they found that the average penalty for Black couples was $1,804 (1.8 percent of income) compared to $2,091 (1.4 percent of income) for white couples, due to the differences in income between the groups.[33] Black couples also received smaller marriage bonuses on average ($1,926) than white couples ($3,304), but the bonuses were similar percentages of income (2.6 percent for Black couples, 2.7 percent for white couples).[34]

A 2024 analysis by Rachel Costello et al. at the Office of Tax Analysis at the Treasury Department used tax records with imputed race and ethnicity information to measure racial and ethnic variation in marriage penalties and bonuses. This administrative data showed results that conflicted somewhat with the survey data used by Alm et al. and Holtzblatt et al. These differing results likely relate to the difference in data sources—survey microdata versus administrative tax records.

The authors found that more white couples (38 percent) had a marriage penalty than Asian/Pacific Islander (API) (35 percent), Hispanic (34 percent) or Black couples (32 percent).[35] They also found that the largest absolute penalties were faced by API couples ($2,191 on average) and the lowest were faced by Black couples ($1,633). However, Black couples and Hispanic couples faced the highest marriage penalties as a percentage of their incomes (17 percent and 11 percent, respectively) while marriage penalties represented a greater share of white and API couples' incomes (8 percent and 7 percent).

However, in Costello et al.'s analysis, white and API couples saw the largest marriage bonuses ($5,244 and $5,628) while Black and Hispanic couples saw the smallest bonuses ($3,628 and $3,050). Averaging out marriage penalties and bonuses in the tax code, API couples see the largest average benefit from marriage ($2,228), followed by white couples ($2,073), Black couples ($1,362), and Hispanic couples ($1,134).[36]

[32] Janet Holtzblatt, Swati Joshi, Nora R. Cahill, and William G. Gale, "Racial Disparities in the Income Tax Treatment of Marriage," National Bureau of Economic Research Working Paper No. 31805 (2023): https://doi.org/10.3386/w31805.

[33] Ibid., 15.

[34] Ibid., 15.

[35] Rachel Costello, Portia DeFilippes, Robin Fisher, Ben Klemens, and Emily Y. Lin, "Marriage Penalties and Bonuses by Race and Ethnicity: An Application of Race and Ethnicity Imputation," U.S. Department of the Treasury Office of Tax Analysis, Working Paper 124 (January 2024): https://home.treasury.gov/system/files/131/WP-124.pdf.

[36] Ibid., 14-15.

Appendix: Select Marriage Penalties and Bonuses in Minnesota's Tax Code

This appendix describes a select list of provisions in Minnesota's tax code that generate marriage penalties and bonuses. This list is not exhaustive and is limited to provisions where the exact marriage penalty could be calculated.

The amounts are theoretical maximums, since it is not clear if any couple has the specific circumstances necessary to realize the maximum penalty or bonus. In some instances, fairly unusual or atypical circumstances may be required to reach the maximum penalty or bonus. Nevertheless, the maximums may be useful to point out the outer limits or parameters for the penalties and bonuses of each provision.

These estimates attempt to isolate the effect of the policies described, but they are difficult to measure precisely. In some cases, the marriage penalties in the code interact in complicated ways—for example, the interactions in the bracket structure may amplify penalties and bonuses caused by subtractions, because the tax benefit of a subtraction depends on the taxpayer's marginal rate. In these situations, the table below assumes the marriage bonus or penalty using a reasonable marginal rate assumption and multiplying that amount by the change in subtraction amount.

Select Marriage Penalties and Bonuses in Minnesota's Tax System, Tax Year 2025

Provision	Maximum Penalty	Maximum Bonus
Income tax subtraction		
Education expenses (children grades K-6)	None	$160
Education expenses (children grades 7-12)	None	$246
Nonitemizer charitable contributions	None	$50
Subtraction for section 529 contributions	None	$148
Social Security subtraction (assuming $21,700 in Social Security benefits received)[37]	$2,508	$1,566
Qualified retirement benefits subtraction ("basic pensions")	$2,126	$1,569
Dependent exemption		
Dependent exemption phaseout	$512 per dependent	$492 per dependent
Rate and bracket structure		
Rate and bracket structure (2 spouses without dependents)	$1,851	$5,189

[37] The 2024 *Social Security Statistical Supplement* reported $24.342 billion in benefits paid to Minnesota residents in 2023, and 1,123,666 Minnesota beneficiaries as of December 2023. This implies an average benefit of $21,663, which was rounded to $21,700.

Provision	Maximum Penalty	Maximum Bonus
Rate and bracket structure (2 spouses with dependents that qualify as head of household)	$5,824	$3,203
Income tax credits		
Child and working family credit	$369 plus $1,750 per qualifying child	$715
Child and dependent care credit	$2,100	None
K-12 education credit	$1,500 per child	None
Renter's credit	$4,470	None
Long-term care credit	None	$100
Credit for past military service	$750	None
Student loan credit	$500	$500
Minnesota housing tax credit	$1,700,000	None

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