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Wedding Bell Blues: The Income Tax Consequences
of Legalizing Same-Sex Marriage

James Alm
Department of Economics, University of Colorado at Boulder
Boulder, Colorado

M. V. Lee Badgett
University of Massachusetts
Amherst, Massachusetts

Leslie A. Whittington
Georgetown University
Washington, D.C.

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Center for Economic Analysis
Department of Economics

University of Colorado at Boulder
Boulder, Colorado 80309

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THE INCOME TAX CONSEQUENCES OF
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James Alm, M. V. Lee Badgett, and Leslie A. Whittington*

ABSTRACT

Recently, gay and lesbian couples have gone to court to force the government to allow same-sex couples to marry. Largely unnoticed during the debates surrounding same-sex marriages are their economic consequences, including the impact on government tax collections. It is well-known that a couple's joint income tax burden can change with marriage. For many couples, especially two-earner couples with similar incomes, their taxes when married are more than their combined tax liabilities as single filers, so that they pay a marriage tax. This analysis suggests that legalizing same-sex marriages would increase income tax revenues because gay and lesbian households are thought to consist of primarily two-earner couples. In this paper we estimate the income tax effects of allowing same-sex couples to marry. We use various estimates on the size of the homosexual population, the percent of this population in homosexual relationships, the percent who would marry if same-sex marriage became legal, and the average incomes of these couples, in order to generate low and high estimates of the revenue impact. Our estimates indicate that legalizing these marriages would lead to an annual increase in federal government income taxes of between $300 million and $10.7 billion, with the most likely impact toward the high range of the estimates.

I. INTRODUCTION

In the last several decades, gays and lesbians have worked diligently to be accepted into all

aspects of mainstream American life, with major efforts in addressing employment discrimination,

housing access, medical treatment, partner benefits, adoption, and political representation.

Recently, many of these efforts have centered on winning the right to marry.[1] Same-sex couples

have gone to court in several states seeking the right to legally marry, and the Hawaii Supreme

Court and an Alaskan Superior Court have each ruled that the state must meet the most

demanding constitutional test in order to limit marriage to opposite-sex couples: there must be a

compelling state interest to limit marriage, and the policy must be narrowly tailored to meet that

compelling interest.[2] A lower level court in Hawaii has already found that the law did not meet

this standard (*Baehr v. Miike*, 1996), and has ruled that same-sex couples should be allowed to

marry; this decision has been stayed pending appeal to the Hawaii Supreme Court. A similar case

awaits action before the Vermont Supreme Court.

The prospect of same-sex couples traveling to Hawaii to marry and then returning to their

home states to live as married couples has prompted policymakers in many states and in Congress

to react. At the state level, some states have passed legislation that would deny recognition of

those out-of-state marriages. At the federal level, President Clinton signed in 1996 the Defense of

Marriage Act (DOMA), which defined "marriage" in federal law as related only to opposite-sex

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[1] Note that citizens in Denmark, Greenland, Iceland, Norway, and Sweden are allowed to as
enroll as "registered partners", which confers a status similar to that of marriage between man and
woman; Finland, The Netherlands, Slovenia, and several other countries are likely to adopt similar
laws in the near future. There are also numerous cities around the world, including some in the
U.S., in which same-sex couples may enroll as partners without any accompanying legal status.

[2] See *Baehr v. Lewin*, 74 Haw. 530, 852 P. 2d 44 (1993), and *Brause v. Alaska*, Alaska Super.
Ct. (1998).

couples and which allowed states to refuse to recognize same-sex marriages contracted in other states.

Swirling around the legal and legislative debates are many unresolved -- and perhaps unresolvable -- controversies, regarding such issues as the definition of marriage, the meaning of family, the notion of morality, the right of privacy, the influence of religion, and the scope of civil rights, as well as appropriate government policies toward all of these issues. In addition to these normative issues, policymakers and judges have also raised economic issues related to marriage. Most of the policy attention has been on the added costs imposed upon the state and federal governments from same-sex marriages. For example, during the debate on DOMA various senators and representatives used higher projected costs from same-sex marriages as an argument in favor of the bill.[3] Attorneys for the State of Vermont have argued that same-sex marriages would result in increased court costs related to child custody and visitation disputes.[4] In *Baehr v. Lewin*, the Hawaii Supreme Court has enumerated fourteen ways in which same-sex couples could benefit from tax breaks and other legal benefits.

However, little attention has been paid to the potential economic benefits to federal and state governments.[5] Prominent among these benefits is the impact on government tax collections.

[3] For example, Senator Robert Byrd of West Virginia is quoted in the *Congressional Record* (Debate on H.R. 3396, Sept. 10, 1996, 104th Congress, U.S. Senate, p. S10110) as saying: "Moreover, I urge my colleagues to think of the potential cost involved here. How much is it going to cost the Federal Government if the definition of 'spouse' is changed? It is not a matter of irrelevancy at all. It is not a matter of attacking anyone's personal beliefs or personal activity. That is not my purpose here. What is the added cost in Medicare and Medicaid benefits if a new meaning is suddenly given to these terms?"

[4] See the State of Vermont, Brief of Appellee to Vermont Supreme Court, *Baker v. State of Vermont*, 1998.

[5] Brown (1995) and LaCroix and Mak (1995) have estimated the impact of increased tourism-related economic activity for the first state to allow same-sex couples to marry.

It is well-known that a couple's joint income tax burden can change with marriage in the United States. For many couples, their taxes when married are more than their combined tax liabilities as single filers, so that they pay a *marriage tax*. Many other couples receive a *marriage subsidy* because their joint taxes fall with marriage. The best recent estimates indicate that roughly half of all married couples pay an average federal marriage tax of nearly $1,400, while the other half receive a marriage subsidy of a slightly smaller amount (Rosen, 1987; Feenberg and Rosen, 1995; Alm and Whittington, 1996; and Congressional Budget Office, 1997). Other things equal, families more likely to incur a marriage tax include those that have children, that are older, that have higher income, and that are white, while families more likely to receive a marriage subsidy have the opposite characteristics. Of particular relevance here, families with two earners are almost certain to pay a marriage tax, while families with a single earner generally receive a large marriage subsidy. As we argue later, theory and evidence suggest that same-sex couples are likely to be two-earner couples. This in turn suggests that legalizing same-sex marriages is likely to generate additional income tax revenues. However, the magnitude of this tax windfall is unknown.

In this paper we estimate the federal personal income tax effects of allowing same-sex marriages in the U.S.[6] Admittedly, generating these estimates is a somewhat precarious exercise. The lack of data makes any precise determination of the characteristics of gay and lesbian couples virtually impossible. We therefore use various estimates on the size of the homosexual population, the percent of this population in same-sex relationships, the percent who would marry

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[6] Clearly, there are also state tax implications. However, the magnitude of these state effects is almost certain to be small or nonexistent, given the low and often proportional level of state marginal tax rates, as well as the different unit of taxation (e.g., the individual rather than the family) in some states. See Congressional Budget Office (1997) for a discussion of those features of state income tax systems that affect the marriage tax/subsidy at the state level.

if same-sex marriage became legal, and the average incomes of these couples, in order to generate low and high estimates of the revenue impact. Our estimates indicate that legalizing these marriages would lead to an annual increase in federal government income taxes of between $300 million and $10.7 billion, with the most likely impact toward the high range of the estimates.

The next section briefly discusses the federal income tax treatment of married couples in the U.S. The third section presents our assumptions, methods, and data, including a discussion of theoretical and empirical studies that justify the assumption that same-sex couples are likely to have two earners. Results are discussed in section IV, and conclusions are in the last section.

II. THE INCOME TAX TREATMENT OF MARRIED COUPLES IN THE UNITED STATES[7]

The individual income tax was established in 1913, and its treatment of the family has varied over time. In its early years, the basic unit of taxation was the individual, in which each individual was taxed on the basis of his or her income independently of marital status. Because the tax liability did not change much with marriage, the income tax was largely marriage neutral. However, the Revenue Act of 1948 changed the unit of taxation from the individual to the family. With the adoption of income splitting for married couples, couples were now allowed to aggregate and to divide in half their income for federal tax purposes. This change meant that couples with equal incomes paid equal taxes; that is, the income tax became consistent with the goal of *horizontal equity across families*. However, because of the progressive tax rates in the income tax, the change also meant that a couple's joint tax liability could fall when they married, so that the income tax was not characterized by *marriage neutrality*.

However, it was not until the Tax Reform Act of 1969 that a widespread and significant

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[7] For a more detailed discussion of the income tax treatment of the family, see Brazer (1980).

marriage penalty was created for many married couples, even though a potential marriage subsidy still existed for some couples. Since then, various tax and demographic changes have markedly affected the potential for a marriage penalty or subsidy, as well as the magnitude of each (Alm and Whittington, 1996).

The reason for the lack of marriage neutrality is simple to explain. Married couples effectively split their income on tax returns. If two people marry and one of them has zero income, income splitting means that the individual with some income moves into a lower marginal tax bracket as a result of the marriage, so that the marriage reduces the combined tax burdens of the two partners. Conversely, when people with similar earnings marry, their combined income pushes the couple into higher tax brackets than they face as singles, and they pay correspondingly higher taxes with marriage. Of course, the magnitude of the tax/subsidy depends upon an array of tax features, such as exemptions, deductions, and rate schedules, as well as the incomes and other characteristics of the partners. Note, however, that the marriage tax/subsidy is not a statutory item in the tax code. Rather, it is a side effect of the current structure of the individual income tax, one that emerges because of the combination of progressive marginal tax rates and the family as the unit of taxation.

It is now widely recognized that no progressive tax system can simultaneously ensure that couples with equal income pay equal taxes and that a couple's joint tax liability does not change with marriage (Rosen 1977). Whether by implicit or explicit choice, the U.S. has elected to focus more on the first goal, with its designation of the family as the unit of taxation. By necessity, then, it has elected to allow taxes to change with marriage. The next section presents our approach to measuring these changes for same-sex couples.

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III. ASSUMPTIONS, METHODS, AND DATA

Calculating the marriage tax/subsidy for heterosexual unions is challenging, and there are numerous algorithms for these calculations (Whittington, forthcoming). Calculating the tax consequences for homosexual households is far more difficult. The number of gay and lesbian individuals in the overall population is a hotly debated issue, with estimates sometimes driven by the perceived political advantage of over- or underestimating the homosexual population. The number of gays and lesbians in partnerships is also uncertain, as is the number who would marry if legal marriage became an option. Perhaps most contentious is the income of gays and lesbians: are gay people a disadvantaged group, suffering wage discrimination because of their sexual orientation, or do they earn more than heterosexuals?[8] Indeed, the precise definition of who is homosexual is not without controversy.

Accordingly, we draw on numerous sources to generate low and high estimates of the various parameters that factor into the calculation of the marriage tax/subsidy for same-sex couples: the percent of the U.S. population that is homosexual, the percent in homosexual relationships, the percent who would marry if marriage became legal, and the average incomes of gay people. We also examine the impact of some variations in these basic assumptions. These assumptions, and the data sources behind them, are summarized in Tables 1 and 2.

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[8] For example, the relative incomes of heterosexual versus homosexual individuals was a primary focus of groups pushing for the Colorado Amendment Two initiative, a constitutional amendment that prohibited the use of homosexual orientation or conduct in claiming protected status. Proponents of the Amendment claimed that homosexuals did not merit protected status because the average income of homosexual households was well-above the average of all Colorado households, using a number ($55,470) generated from a readership survey of the eight leading gay newspapers in the U.S. conducted by Simmons Market Research Bureau. Amendment Two was passed by Colorado voters in 1992, but was subsequently declared unconstitutional by the Colorado Supreme Court, a decision that was upheld by the United States Supreme Court in 1996.

A crucial issue in the existence and the magnitude of the marriage tax/subsidy is the incomes of partners in same-sex households. We first present theory and evidence on the likely incomes of these households. We then discuss the specific steps and the data for our algorithm.

Theory and Evidence on Same-sex Couples

If a same-sex couple includes two earners rather than only one, then their income tax payments will likely increase if their marriage is legally recognized. Both economic theory and empirical evidence suggest that same-sex couples will have two earners.

The Becker (1991) model of household time allocation shows that an efficient household will use the principle of comparative advantage to assign members to either household or market production in order to maximize the household's production of consumption goods. For an opposite-sex couple, Becker argues that women have a comparative advantage in home production and men an advantage in market production because of wage discrimination against women and a female biological advantage in childrearing. This combination leads to fairly strict specialization, with only one earner per household in opposite-sex couples. In contrast, Becker assumes that homosexual unions do not result in children and that wage discrimination based on sex reduces differences in potential earnings for same-sex couples. Consequently, his model predicts less specialization by same-sex couples and therefore more two-earner couples. In addition, Badgett (1995a) suggests that there are different norms for one- versus two-earner couples on the desirability of market work; she also argues that gay and lesbian couples do not have access to legal institutions that facilitate specialization (e.g., marriage). Both factors reduce specialization by same-sex couples, and thereby increase the likelihood that both members of a

same-sex couple will be earners.[9]

The most direct support for the prediction that same-sex couples are likely to include two earners comes from the 1990 Census of Population (Klawitter, 1995). In 1990, the census forms allowed individuals to report that they were the "unmarried partner" of the householder (the household reference person), allowing comparisons between married couples, cohabiting opposite-sex couples, and same-sex couples. In 59 percent of male same-sex couples and 51 percent of female same-sex couples, both partners worked between 41 and 52 weeks in 1989; only 37 percent of married couples had similar full-year (or almost full-year) work patterns. Comparing hours worked per week tells a similar story. Both partners worked more than 30 hours per week in 71 percent of gay couples and 59 percent of lesbian couples. In only 41 percent of married couples did both partners exhibit this same work pattern.

Blumstein and Schwartz (1983) find a similar pattern in the late 1970s and early 1980s, even though their study is not based on a random sample of couples. Evidence of strict specialization between the home and market is again far stronger for married couples than for same-sex couples. They find that 86 percent of married men but only 38 percent of married women work full-time, with one-quarter of married women engaged in full-time housework. In contrast, 69 percent of lesbians worked full-time, and only a small number stayed at home full-time. Virtually no men performed housework full-time.

In sum, both studies clearly indicate that same-sex couples specialize less between home and market, suggesting that these households are likely to have two earners.

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[9] However, Badgett (1995a) also argues that Becker (1991) exaggerates the lack of potential comparative advantage for same-sex couples.

<u>Data and Methods</u>

We follow several steps in our calculations. **First**, we need estimates of the percent of the U.S. population that is homosexual. Estimates of the overall population are from the U.S. Bureau of the Census. The earliest estimates of the prevalence of male and female homosexuality in the U.S. were made by the Kinsey Institute (Kinsey, Pomeroy, and Martin, 1948, 1953).[10] The Kinsey Institute studies indicated that 10 percent of males were more or less exclusively homosexual and 8 percent of males were exclusively homosexual for at least three years between the ages of 16 and 55; the corresponding percentages for women were 2 to 6 percent and 1 to 3 percent. More recent research, including re-analysis of the original Kinsey Institute data, has often used more statistically valid survey and sampling techniques, while continuing to classify individuals on the basis of questions like "With what type of partner to you usually engage in sex?", "Would you say that you are attracted to members of the opposite sex or members of your own sex?", or "Have you had homosexual experiences (once, occasionally, frequently, or ongoing)?". This research has generally confirmed the range of original estimates, without leading to much additional precision (Fay, Turner, and Klassen, 1989; Harry, 1990; Rogers and Turner, 1991; Janus and Janus, 1993; and Laumann, Gagnon, Michael, and Michaels, 1994).

Regardless of the survey and sampling technique, these studies on balance suggest that the homosexual population is no greater than 10 percent, and no less than 1 percent, of the overall population. Accordingly, for males we assume that a low bound is 2.8 percent (Laumann, Gagnon, Michael, and Michaels, 1994) and a high bound is 9.0 percent (Janus and Janus, 1993); for females we assume that the bounds are 1.0 percent (Gebhard, 1972) and 5.0 percent (Janus

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[10] Note that minorities were not sampled in these studies, individuals from lower income levels were under represented, and the male sample included institutionalized men. See Gebhard (1972) and Gebhard and Johnson (1979) for further discussion of the sampling methods.

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and Janus, 1993).

Second, we obtain estimates of the percent of the homosexual population that is in a stable same-sex relationship from similar sources. For males, Harry (1990) reports that 46 percent of those self-classifying themselves as homosexual or bisexual stated that they have a regular gay associate. In a survey conducted by The Partners' Task Force for Gay and Lesbian Couples (1988), 82 percent of gay males reported that they were living with a male partner. These estimates are used as lower and upper bounds for males. The low estimate for females is from the same 1988 survey conducted by The Partners' Task Force, and the high estimate is from a 1995 survey conducted by The Partners' Task Force for Gay and Lesbian Couples on the World Wide Web.

Third, we get low and high estimates of the percent of gay couples who would marry if marriage became legal from The Partners' Task Force for Gay and Lesbian Couples (1988) and from a March 1996 survey of readers of *The Advocate*, a well-known gay and lesbian magazine. These estimates are not gender-specific, and equal 60 and 81 percent.

These numbers allow the calculation of low and high estimates of the total number of gay and lesbian individuals who would wish to marry if same-sex marriage became legal. For example, the low estimate for males equals the 1997 U.S. population aged 18 and over (or 95,372,000) times the percent gay (or 2.8 percent) times the percent in homosexual relationships (or 46 percent) times the percent who would marry (or 60 percent), for a total of 737,034. **Fourth**, then, the estimated number of gay and lesbian married couples is simply the number of married homosexual individuals divided by two; continuing the above example, the low estimate for males is 368,517. Similarly, the high male estimate is 2,850,574, and low versus high female estimates are 231,156 versus 1,643,519. These estimates are summarized in Table 1.

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Fifth, we derive information on the income of gays and lesbians from several surveys, as given in Table 2; for comparative purposes, Table 2 also presents different measures of average income for the general population, derived from 1996 Current Population Survey (CPS) data. Even though these various estimates are generated for different years, all dollar amounts are converted to 1997 dollars.

The gay income figures come from various sources of differing statistical reliability. The survey by The Partners' Task Force for Gay and Lesbian Couples (1988) was conducted in gay churches and centers, although many couples requested the survey form after reading notices in gay and lesbian magazines. The survey generated 1,749 responses, of which 1,266 were from individuals living in a couple. *Out/Look* (1988), a gay and lesbian magazine, used much of the same survey information in its estimates. Teichner (1989) reports the results of a phone survey conducted in 1989 for *The San Francisco Examiner*. Except for Teichner (1989), all of these surveys are nonrandom, with white, urban, and educated respondents disproportionately sampled.[11]

More representative samples are used by Harry (1990), Badgett (1995b), and Allegretto (1996). Harry (1990) uses a probability sample from the American Broadcasting Company-Washington Post Poll, conducted by phone in September 1985, in which 663 males were asked their sexual orientation, their income, and various demographic characteristics. Badgett (1995b) uses data from the 1989 to 1991 General Social Survey, conducted by the National Opinion Research Center. Allegretto (1996) uses the Public Use Micro Data Sample from the U.S. Bureau of the Census. As shown in Table 2, these studies indicate a substantial range of gay and

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[11] There have also been several surveys conducted by marketing firms, often designed to demonstrate the economic clout of gay and lesbian households. See, for example, Fulgate (1993) for discussion and analysis of marketing-based income figures.

lesbian average incomes.

We use the averages from Badgett (1995b), in which average gay income (in 1997 dollars) equals $33,717 and average lesbian income is $19,287. Note that these averages are quite similar to those for the general population. We also examine some scenarios in which lower and higher average homosexual incomes are assumed.

Sixth, we make several different assumptions about individual use of tax preferences. In one scenario we assume that individuals use the single rate schedule with a single personal exemption, that homosexual couples file as a married couple with no children using the married rate schedule and taking two personal exemptions, and that the individual or the couple takes the relevant standard deduction. In another scenario, we also calculate taxes under the assumption that the individual or the couple itemizes deductions, using the procedure employed by Feldstein and Clotfelter (1976) to estimate the amount of these deductions. We also assume in one scenario that some lesbian couples have a child as a dependent.

To illustrate the calculations, consider the following example (Scenario 1 in Table 3). Suppose that a male has adjusted gross income in 1997 of $33,717. With a single standard deduction of $4,150 and one personal exemption of $2,650, this person's taxable income is $26,917, and, using the 1997 federal income tax tables, the individual has a single tax liability of $4,335. Suppose now that this individual is gay and joins in a legally recognized marriage with another male who has identical income. The total income of the couple equals $67,434; filing jointly, the couple takes the marital standard deduction of $6,900 and two personal exemptions totaling $5,300, giving taxable income of $55,234 and a couple income tax liability of $10,107. Recall that the marriage tax or subsidy is the difference between a couple's taxes as married and their combined taxes if they file as singles. This couple therefore faces a marriage tax of $1,437

(or $10,107 less 2 X $4,335). With the low estimate for the number of male homosexual couples,

or 368,517, these male couples pay an aggregate marriage tax of $530 million dollars; with the

high estimate of couples (or 2,850,574), the aggregate marriage tax equals $4.10 billion. Similar

calculations are made for lesbian couples, using an average female income of $19,287 and the low

and high estimates for the number of female homosexual couples (231,156 and 1,643,519,

respectively). Combining the male and female estimates, the aggregate marriage tax equals $579

million for the low estimate and $4.45 billion for the high estimate. Other scenarios are calculated

in a similar way.

IV. RESULTS

Our results are shown in Table 3, which indicates the average male and female marriage

tax and the low and high estimate of additional federal income tax revenues under a variety of

potential scenarios. In **Scenario 1**, both individuals in a couple are assumed to have identical

incomes, equal to the average gay and lesbian income; individuals and couples are also assumed to

use the relevant standard deduction. As discussed above, these assumptions generate a low

estimate for additional income tax revenues of $579 million and a high estimate of $4.45 billion.

In **Scenario 2**, we continue to assume that individuals have the same average incomes, but

we now assume that individuals itemize deductions, both as single and married filers. Not

surprisingly, this change generates a significant increase in the marriage tax, especially for female

couples, and the aggregate estimates of increased income tax revenues also increase. The low and

high estimates vary from $1.01 billion to $7.57 billion.

If we assume that both individuals use the standard deduction but that one member of the

couple makes only 3/4 the (average) income of the other (**Scenario 3**), then the estimates of the

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average marriage tax decline to $629 for gay couples. The low and high estimates of the

aggregate impact range from $281 to $2.14 billion. If instead we assume that both individuals use

itemized deductions and that one member makes 1.25 the average income of the other (**Scenario

4**), then the average and aggregate estimates increase significantly. The high estimate of the

added income tax revenues now exceeds $8 billion.

Additional scenarios are easily calculated. Some marketing surveys suggest that average

gay and lesbian incomes are significantly larger than the averages calculated by Badgett (1995b)

and used above. Suppose we assume that average female and male homosexual income is one

standard deviation larger than the Badgett (1995b) estimates, or $29,899 for females and $55,413

for males. If we calculate average marriage taxes with standard deductions (**Scenario 5**), then the

average equal-earning male couple pays a marriage tax of $1,437 and the average female couples

pays $1,043. The range of potential revenues now spans from $771 million to almost $6 billion.

In **Scenario 6**, we again use high income estimates but now assume that the individuals and equal-

earning couples claim itemized deductions. This assumption more than doubles the average

marriage penalty for male couples ($2,921), and increases the female penalty by close to 50

percent ($1,441). The low and high estimates of aggregate additional tax revenues are $1.41

billion and $10.69 billion. In contrast, if we assume that average gay and lesbian income is lower

than the averages calculated by Badgett (1995b), then the low and high estimates of aggregate

additional tax revenues are correspondingly lower as well. However, this possibility seems

unlikely, given the range of income estimates in Table 2.

All previous calculations were made with the assumption that gay and lesbian couples do

not have children, or, at least, do not claim their children as dependents for tax purposes. This

assumption is unrealistic. Both the 1993 Yankelovich Monitor (Lukenbill, 1995) and the 1992

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Voter News Service exit polls (Badgett, 1994) indicate that lesbians are just as likely as heterosexual women to have children under the age of 18 residing with them. Overall, about 50 percent of family households in the U.S. have at least one child age 18 or less in residence. Accordingly, in **Scenario 7**, we assume that 50 percent of the lesbian potential married couples have one child that they claim as a dependent, that the partners are equal earners with the Badgett (1995b) income estimates, and that individuals and couples use the standard deduction. Note that this family-size estimate is quite conservative, as it assumes that only 25 percent of the women actually have a birth and that they have only one birth. We also assume that gay men claim no children as dependents, they have equal average incomes, and they use the standard deduction. Lesbian couples with no children pay an average marriage tax of $214, as in Scenario 1. The other couples with a child now pay an average of $2,337 additional taxes when married. This increase is largely due to the loss of the Earned Income Tax Credit that one woman incurs if income is pooled rather than taxed separately; also, when single the woman who claims the child can file as a head-of-household, giving her a preferential tax schedule and standard deduction relative to those for single individuals. Overall, the revenue implications in the case range from $824 million to over $6 billion. The revenue implications increase substantially if we assume itemized deductions and/or an increased number of homosexual couples with children present.

On balance, we believe that the most likely scenario is one in which individuals have more-or-less equal incomes, they use itemized deductions, and some households have children. We also believe that the available evidence is more supportive of larger numbers of gay and lesbian couples. With the assumption of average incomes, the added income tax revenues are over $7 billion; with the assumption of higher incomes, the added revenues are over $10 billion. Children present in even a relatively small percentage of the homes suggests additional revenues could

easily exceed $12 billion annually. These amounts are quite large, especially in relation to available estimates of the aggregate revenue impact of the marriage tax/subsidy for heterosexual couples.

V. CONCLUSIONS

Normative questions related to whether same-sex couples should be allowed to marry raise issues beyond the scope of this paper. However, positive questions about the economic consequences of expanding the right to marry are more amenable to economic analysis. Our estimates indicate that legalizing marriages by gay and lesbian couples would lead to an annual increase in federal government income taxes of between $281 million and $10.7 billion, with the most likely impact toward the high range of the estimates.

Of course, it is possible that the tax costs of marriage might discourage some same-sex couples from marrying at all. Although the survey data noted earlier suggest that 60 to 81 percent of gay and lesbian couples would marry if allowed to do so, at least some of these couples would likely avoid marriage because of its tax penalties.[12] However, it seems unlikely that taxes are the main, or even a major, factor in the marriage decision for most couples. Besides, greater taxes at marriage could be offset by other economic advantages of marriage, such as access to a spouse's health insurance or pension benefits. Perhaps most importantly, same-sex couples might well choose to marry because of the cultural symbolism and value that married status conveys to themselves, their families, and society.

In any event, it is clear that legalizing same-sex marriages would generate some additional

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[12] For example, Alm and Whittington (1999) find that the existence of a marriage tax discourages marriage, especially for women, although its effect is generally small.

tax revenues. These revenues could be used to offset potential increases in federal expenditures

on social security benefits or other federal programs paid to newly married couples, if such

increases occur. Of course, elimination of the marriage penalty in the individual income tax would

also eliminate these revenue gains. Although economic issues are not the dominant concern in the

current debate about allowing same-sex couples to marry, we believe that these tax effects merit

closer consideration by policymakers.

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TABLE 1
POTENTIAL SIZE OF THE MARRIED GAY AND LESBIAN POPULATION

Characteristics	Males	Females
U.S. Population Aged 18 and Over	95,372,000	102,736,000
Percent of Population that is Homosexual		
Low Estimate	2.8 %	1.0 %
High Estimate	9.0 %	5.0 %
Percent in Homosexual Relationships		
Low Estimate	46 %	75 %
High Estimate	82 %	79 %
Percent Who Would Marry if Legal		
Low Estimate	60 %	
High Estimate	81 %	
Estimated Number of Homosexual Married Couples		
Low Estimate	368,517	231,156
High Estimate	2,850,574	1,643,519

Data Sources:

    Estimates of the *U.S Population Aged 18 and Over* are from the U.S. Bureau of the Census.

    For estimates of the *Percent of Population that is Homosexual*, the low estimate for males is from Laumann (1994), and the high estimate for males is from Janus and Janus (1993). The low estimate for females is from Gebhard (1972), and the high estimate for females is from Janus and Janus (1993).

    The low estimate for males of *Percent in Homosexual Relationships* is from Harry (1990), and the high estimate for males is from The Partners' Task Force for Gay and Lesbian Couples (1988). The low estimate for females is from the same 1988 survey conducted by The Partners' Task Force; the high estimate for females is from a 1995 survey conducted by The Partners' Task Force on the World Wide Web, and is a combined rate for men and women.

    Estimates of the *Percent Who Would Marry if Legal* are not gender-specific. The low estimate is from The Partners' Task Force (1988); the high estimate is from a March 1996 survey of readers of *The Advocate*.

    The *Estimated Number of Homosexual Married Couples* is calculated by multiplying the U.S. population by the Percent Homosexual by Percent in Homosexual Relationships by Percent Who Would Marry if Legal, and then dividing by two in order to determine number of couples.

TABLE 2
AVERAGE INCOME ESTIMATES FOR MEN AND WOMEN
(in 1997 dollars)

Group	Annual Income Estimate
1996 CPS Data: Women (Aged 18 and Over)	
All Women	$19,391
Married Women	$19,589
Single Women	$17,339
Married Women Who Work	$24,157
Single Women Who Work	$19,128
1996 CPS Data: Men (Aged 18 and Over)	
All Men	$34,809
Married Men	$41,395
Single Men	$20,459
Married Men Who Work	$46,303
Single Men Who Work	$21,868
Estimates of Homosexual Female Income	
Badgett (1995b)	$19,287
Out/Look (1988)	$26,580 - 31,896
The Partners Task Force (1988)	$19,936 - 33,225
Teichner (1989)	$33,730
Estimates of Homosexual Male Income	
Allegretto (1996)	$38,511
Badgett (1995b)	$33,717
Harry (1990)	$28,500 - 71,249
Out/Look (1988)	$33,226 - 38,541
The Partners' Task Force (1988)	$33,226 - 53,160
Teichner (1989)	$37,314

TABLE 3
POTENTIAL FEDERAL INCOME TAX REVENUES
FROM LEGALIZING SAME-SEX MARRIAGE

Scenario	Average Marriage Tax, Male Couples	Average Marriage Tax, Female Couples	Low Estimate of Added Income Tax Revenues	High Estimate of Added Income Tax Revenues
1: Individuals have equal income and use the standard deduction	$1,437	$214	$579 million	$4.45 billion
2: Individuals have equal income and itemize deductions	$1,589	$1,849	$1.01 billion	$7.57 billion
3: One individual makes .75 the income of the other individual, and both use the standard deduction	$629	$214	$281 million	$2.14 billion
4: One individual makes 1.25 the income of the other individual, and both itemize deductions	$1,996	$1,441	$1.10 billion	$8.30 billion
5: Both individuals have one standard deviation higher income, and both use standard deductions	$1,437	$1,043	$771 million	$5.81 billion
6: Both individuals have one standard deviation higher income, and both itemize deductions	$2,921	$1,441	$1.41 billion	$10.69 billion
7: Half of all lesbian couples claim one child as dependent	$1,437	$214/$2,337	$824 million	$6.19 billion