Institute for American Values

A Call for Family-Supportive Tax Reform

Institute for American Values
1841 Broadway
Suite 211
New York, NY 10023
Tel: 212.246.3942
Fax: 212.541.6665
Email: *info@americanvalues.org*
Website: *www.americanvalues.org*

A Call for Family-Supportive Tax Reform

Preamble

In order to reform several of the most glaring anti-family provisions of the current federal tax code;

In order to guide tax policy toward the goal of recognizing and realistically treating the institutions of marriage and family;

In order to help deliver greater and more appropriate social policy benefits to married couples and child-rearing families; and

In order to contribute to our common understanding of what marriage is and why strong families are a vital social good,

We the undersigned urge Congress and the Administration to:

1. Universalize the current dependent care tax credit, making it available on a non-discriminatory basis to all families with young children;

2. Expand the current $500 child tax credit to at least $1000 per child; and

3. Reinstate the policy of income splitting that would recognize married couples as equal partners at tax time, permitting them fully to share their income for purposes of taxation.

In support of these principles and goals, we pledge our commitment, time, and energy.

Why We Come Together:
The Marriage Problem in the Federal Tax Code

We gather to express our urgent concern over the anti-marriage provisions of our nation's tax code, including:

1. A "marriage penalty" which forces millions of married couples, especially two- earner couples, to pay more in total taxes as a couple than they would have paid as two unmarried individuals;

2. The dependent care tax credit, tax breaks for corporate-sponsored child care, and other "child care" tax incentives that discriminate against parents who choose family care for their children;

3. The barriers to marriage created by the Earned Income Tax Credit, such that many low-income single mothers will lose the benefit if they get married;

4. The increasingly disproportionate share of the per capita total tax burden borne by married-couple families with children; and

5. Current and proposed shifts in the tax code from a family to an individual basis of taxation.

Numerous leaders in Congress deserve our gratitude for their recent efforts to call attention to the marriage penalty in the tax code. Discouraging legal marriage in favor of cohabitation was not the intent, and should never be the result, of government policy.

At the same time, what is at stake goes well beyond the particulars of the marriage penalty. Here is what we view as a fundamental, bipartisan truth: Crafting broadly based family-supportive tax policy is more important now than it has ever been in our nation's history.

Why Family-Supportive Tax Policy Matters

Sound family policy in our tax code is particularly urgent today for two reasons.

First, any government as large as ours, which influences so many areas of life and manages such a significant proportion of national wealth, will inevitably send messages and create incentives in its tax code regarding marriage, family structure, and family well-being. These policy signals can be intentional or unintentional, but they can never, in today's world, be absent.

Before the development of the modern welfare state, the economic incentives normally imbedded in family life - especially those related to the need for security in times of distress and support in old age - strongly reinforced traditional family commitments. Today, however, many of these natural linkages have been weakened or destroyed. For example, as modern governments have socialized many of the long-term economic benefits of childbearing, particularly though popular programs such as Social Security, they have simultaneously altered the underlying economics of family life, effectively creating new disincentives for having and raising children. Accordingly, the tax code in any modern society must take explicit steps to counter these and similar disincentives by protecting the income that families need to raise children.

For this reason, when policy makers, through the tax code, permit child-rearing parents to keep more of their earned income, they are doing something different from creating new entitlements or subsidizing a special interest group. Rather, they are in part realistically acknowledging, and partly remedying, the perverse effects of important government policies regarding marital childbearing and parental investment in children.

Modern tax code incentives matter. Again, generations ago, when government played a much smaller role in the economy and society, family tax incentives may have been less influential and therefore less important.

But today, given the amount of national income managed by government, the tax code has significant and well-documented influences on individual behavior — not only on economic behavior affecting productivity, job creation, wages, and economic growth, but also, and just as importantly, on family behavior affecting marriage, divorce, childbearing, and parenting.

Second, family-supportive tax policy is an urgent priority today because marriage is getting weaker in our society. In 1960, about 15 percent of marriages ended in divorce, while about five percent of all children were born outside of marriage. Today, about half of all recent marriages are likely to end in divorce. One-third of all childbirths occur outside of marriage.

These trends are hurting our children. They are also helping to generate large new social costs, borne in large measure by taxpayers, in areas as diverse as crime control and prison construction, welfare spending, paternity identification and child support enforcement, foster care, drug education, and the adjudication and monitoring of divorces.

The tax code's anti-family bias is certainly not the only cause, and is likely not the main cause, of contemporary family disintegration. But it is one cause. For this reason, we can think of few social policy challenges today more important than reforming our tax code in the interest of strengthening marriage and family life.

For we view marriage as more than simply a lifestyle choice. As the main institution that links fathers to families, connects children to their parents and grandparents, and creates the optimal environment for nurturing the next generation upon which all of us depend, marriage is a vital social good requiring broad societal support.

Family-supportive tax reform is a bipartisan priority, important to both liberals and conservatives. For example, on the left, many of us recognize that the enduring problems of poverty and economic inequality are unlikely to diminish so long as divorce and unwed childbearing continue at these historically high levels. On the right, many of us recognize that if families continue to fragment, leaving a host of important and unmet social needs in their wake, government is almost certain to become larger, not smaller or more limited. Yet ironically, our current tax code not only fails to support marriage, it goes so far as to treat the marriage partnership less favorably than virtually any other form of cooperative economic endeavor.

The marriage penalty, for example, exists in large part precisely because the tax code treats marriage more unfavorably than it treats other economic partnerships. Sole proprietors who become joint partners, for example, are allowed to share their income fully for purposes of allocating tax burdens. The tax code allows joint business partnerships to share income in part because it would be practically impossible for government tax collectors to determine, in any fair or consistent manner, the diverse ways in which the different business partners contribute to their joint productive venture.

Yet why is this fact not equally relevant to the joint economic partnership called marriage? As numerous feminist scholars and labor economists specializing in human capital have pointed out, the marriage partnership produces a diversity of goods and services: a residence, children, child care, meals, nursing, tutoring, and livelihoods, just to name a few of the more obvious examples. Marriage even produces more efficient workers: research shows, for example, that married men are more productive workers than otherwise similarly situated single men.

Both husband and wife, whether they work for pay or not, contribute in myriad direct and indirect ways to the productivity of the marriage partnership. But unlike the treatment of purely business partners, the federal government does not allow marriage partners fully to share their income for purposes of taxation. Why is marriage singled out for this kind of unfavorable treatment?

Ultimately, then, what is at stake regarding the marriage penalty goes well beyond interest groups politics to basic questions of what marriage is. Does marriage create a union of persons that the government is obliged to recognize and treat realistically? Does a married couple's income belong equally to both spouses, or only to the spouse who earns it in the paid labor force? Do we as a society value the contributions of unpaid at-home spouses, or do we only value those who work for pay the marketplace? When considering how the government treats the income of married couples, these are the basic questions.

Our conclusion is this: When two people get married, they become something more than two separate individuals. In so many important respects - morally, socially, financially — the two become one. Taking account of this fact in the tax code is not primarily a matter of giving special breaks to married people or creating incentives for people to get married. It is essentially a matter of recognizing what marriage is: a union of body, soul, and pocketbook, a joint venture of enormous social importance in which husband and wife make equal contributions, possess equal value, and have an equal stake.

Current tax provisions which punish marriage, or discourage married couples from having or caring for their own children, are unacceptable. Current tax provisions that fail to protect family income, or that provide tax benefits only to families who use commercial child care, are also unacceptable.

From this perspective, the stakes could hardly be higher. The issue is nothing less than whether we as a society, as evidenced by our fundamental social policies, understand the nature of marriage and wish to support marriage and the family as social institutions.

Principles for Reform

ACCORDINGLY, we urge considered movement by the Congress in the near future toward fundamental family-supportive tax reform, based on the following principles:

1. Tax policy should recognize and treat realistically marriage as an institution.

2. Tax policy should treat the married-couple family household as a single unit of taxation.

3. Tax policy should not create disincentives for marital childbearing or incentives for unwed childbearing or divorce.

4. Tax policy should support the rearing of children through generous and universal per capita deductions, exemptions, and credits.

5. Tax policy should not create disincentives for parental care of children or for unpaid labor in the home or community.

Recommendations for Reform

Specifically, we urge Congress and the Administration to take action to:

1. Universalize the current dependent care tax credit, making it available on a non-discriminatory basis to all families with young children;

2. Expand the current $500 child tax credit to at least $1000 per child; and

3. Reinstate the policy of income splitting that would recognize married couples as equal partners at tax time, permitting them fully to share their income for purposes of taxation.

The purpose of ending the marriage penalty is to support marriage as a basic value and as our primary child-rearing institution. For this reason, we urge Congress and the Administration, as they seek either to end the marriage penalty or address the child care issue, to make sure that they are not inadvertantly introducing new anti-family provisions into the tax code or expanding current ones. In this regard, we view any proposal that would create new tax disincentives for parental care of children as unacceptable.

Signatories to date:

Elliott Abrams, *President, Ethics and Public Policy Center*

Gary Bauer, *Family Research Council*

David Blankenhorn, *President, Institute for American Values*

Ken Canfield, *National Center for Fathering*

Allan C. Carlson, *President, Howard Center for Family, Religion & Society*

William J. Doherty, *University of Minnesota; President, National Council on Family Relations*

Don Eberly, *Civil Society Project*

Patrick Fagan, *Heritage Foundation*

Robert Michael Franklin, *Interdenominational Theological Center*

Maggie Gallagher, *Affiliate Scholar at the Institute for American Values and author of* The Abolition of Marriage

Mayor Bill Hardiman, *Chairman of Greater Grand Rapids Community Marriage Policy*

Sylvia Ann Hewlett, *President, National Parenting Association*

Wade F. Horn, *National Fatherhood Initiative*

Elizabeth B. Lurie, *President, W. H. Brady Foundation*

William R. Mattox, Jr., *Author and* USA Today *columnist*

William E. May, *McGivney Professor of Moral Theology, John Paul II Institute for Studies on Marriage and the Family*

Michael McManus, *President, Marriage Savers, Inc.*

John E. Murray, Jr., *President, Family Institute, Duquesne University*

Steven Nock, *University of Virginia*

Roger Sider, M.D., *Director, Family Institute, Pine Rest Christian Mental Health Services*

As of October 15, 1999

Articles pertaining to A Call for Family-Supportive Tax Reform:

1. "The Wages of Wedlock," by Allan C. Carlson and David Blankenhorn. *The Weekly Standard*, November 17, 1997. Reprinted with permission.

2. "Taxes and Wedlock" a response by Rep. David McIntosh. *The Weekly Standard,* December 1, 1997. Reprinted with permission.

3. "Marriage and Taxes: The Case for Family-friendly Taxation" by Allan Carlson and David Blankenhorn. *The Weekly Standard*, February 9, 1998. Reprinted with permission.

4. "The Solution to Everything: The Case for a Family-Friendly Tax Cut," by Allan C. Carlson and David Blankenhorn. *The Weekly Standard*, December 14, 1998. Reprinted with permission.