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House Passes GOP Bill to Cut Marriage Tax Penalty

By RICHARD W. STEVENSON

WASHINGTON -- The House passed a Republican-sponsored bill today that would cut taxes for married couples by $182 billion over the next decade, brushing aside the Clinton administration's view that any such tax cut should be far smaller and enacted only after more pressing issues are dealt with.

The vote was 268-158. Forty-eight Democrats voted in favor. No Republican voted against the bill. But passage is far from certain, since President Clinton has threatened to veto the measure, and today's House vote was not enough to override a veto.

Republican leaders in the Senate plan to bring up their own marriage penalty legislation this year, although they have not settled on details.

The White House has also offered a plan, which it valued at $45 billion over 10 years.

The legislation was packaged by its Republican sponsors as a reduction in the marriage penalty, the quirk in the tax code that leaves some two-income married couples paying a bigger tax bill than they would if single by pushing them into higher tax brackets or limiting their deductions.

But its benefits would go to all married couples, including those who do not pay the penalty and those whose tax bill is actually lower because they are married. It would provide no tax cut to single people.

With the surplus rising, taxes are sure to remain an issue of heated debate between Republicans and Democrats this year, both in Washington and in the presidential race. Members of both parties hold out some hope for a compromise on marriage penalty relief this year.
But they said that today's vote was as much about election year politics as about advancing toward a deal, with Republicans eager to put Democrats on record as voting against a politically popular measure.

It was the first in a series of narrowly targeted tax cuts that Republicans plan to bring up this year in an effort to portray President Clinton, Vice President Al Gore and Democrats in Congress as unwilling to return the government's excess revenues to taxpayers. Mr. Clinton vetoed a $792 billion Republican tax cut last year.

Republicans said eliminating the marriage penalty was a matter of simple fairness, and that there is no excuse for waiting, given the projections of a large and growing surplus. They called their bill an early and well deserved Valentine's Day gift to couples.

"What is more immoral than taxing people just because they fall in love?" said Representative Tillie Fowler, a Republican from Florida.

Democrats in the House and administration officials said they support the goal of reducing or eliminating the marriage penalty. But they said the Republican approach was too expensive, and that the issue should be put on hold until Congress and the White House have settled on an overall budget plan that would provide for eliminating the national debt and assuring the long-term solvency of Social Security and Medicare.

Before approving the Republican bill today, the House rejected a Democratic alternative. The Democratic bill would have reduced taxes on some married couples by $95 billion over 10 years, but only on the condition of bipartisan agreement on dealing with debt repayment, Social Security and Medicare. The vote to reject it was 233-192, largely along party lines.

Enacting a big tax cut before the nation has dealt with its long term fiscal problems, said Representative Richard A. Gephardt of Missouri, the Democratic leader in the House, "threatens our prosperity and risks our future."

An analysis by Citizens for Tax Justice, a liberal-leaning research group, found that when fully phased in, the House bill would give an average tax cut of $193 a year to couples with incomes between $20,000 and $30,000. For couples with incomes between $75,000 and $100,000, the annual tax cut would be $1,003, and for couples with incomes between $100,000 and $200,000 it would be $1,016, the study said.

The marriage penalty is one of the most emotional and complex
issues in the debate over taxes. No one in either party defended the elements of the tax code that create it. Republicans said it was not just unfair, but immoral and anti-family.

But the marriage penalty only hits two-income couples, mainly those in which the two partners make roughly similar amounts of money. Many other couples, especially those with a single income, actually receive a marriage bonus -- a lower tax bill than they would have if they were single and filing separately.

It has become more of an issue as the number of working women has grown. A study last year by analysts at the Treasury Department concluded that of 51.4 million joint returns filed in 1999, 24.8 million, or 48 percent, had a marriage penalty, averaging $1,141.

That study showed that 21 million other couples, or 41 percent, had a marriage bonus, averaging $1,274. The remainder have neither a penalty nor a bonus.

The penalty arises out of two basic elements of the tax code.

First, the standard deduction taken by couples who do not itemize their deductions --generally those at lower income levels -- is less than twice the standard deduction taken by single filers.

Second, the tax brackets for income tax rates are less than twice as big for couples as for single people. That means that two people with the same income often get pushed into a higher tax bracket once they are married; two individuals who might each pay a top rate of 15 percent when they are single, for example, will frequently face a top rate of 28 percent as soon as they are married.

The bill passed by the House today addressed both elements of the problem.

It would gradually increase the standard deduction for couples, which this year is $7,350, until it is twice that for single people, currently $4,400.

The bill would also reduce the problem of the tax brackets by gradually expanding the 15 percent bracket for couples, which currently ends at $43,850, until it is twice that for single people. The 15 percent bracket for singles currently ends at $26,250. The brackets are adjusted for inflation each year.

The bill also has a provision intended to reduce the marriage penalty paid by low and moderate income couples who receive the earned income tax credit, a subsidy for the working poor.

The tax reductions would vary widely depending on a couple's
financial situation. About half of the $182 billion over 10 years would go to couples paying the penalty, with the rest going to those who suffer no adverse consequence from the current tax code or who benefit from it -- mainly couples in which only one partner works.

Republicans said they had written their bill that way on purpose, to provide a tax break to families where a mother stays home to take care of children.

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