

Marriage And Taxes

By Richard Chapo

Getting married is the greatest day for 50 percent of couples. The other 50 percent get divorced. Perhaps the marriage tax penalty has something to do with it.

Family Values - Hardly

For all the chatter from politicians about family values, it is ironic that the tax code actually penalizes people for getting married. At its heart, the tax code is designed to modify behavior. Deductions and credits are given in areas the politicians wish to promote and taken away in areas considered less positive. Home ownership is viewed as a good thing, so mortgage interest is deductible. Cigarettes are bad, so they are taxed like no tomorrow. If you buy this argument, one must wonder why married couples suffer under the tax code.

A recent study found that by getting married, couples are forced to pay roughly \$1,500 in additional taxes. Known as the marriage penalty, one must wonder what the government is up to. Is it trying to promote family values or not? The numbers would seem to indicate not.

The marriage penalty is a nasty little development for newlyweds. The penalty occurs because married couples must pool their earnings when they report taxes. Typically, this means their pooled earnings move them into a higher tax bracket and they pay more taxes. For instance, assume husband makes \$45,000 a year as does wife. As a married couple, their pooled income is \$90,000 with the accompanying tax consequences. For really doomed couples, the combined income will actually kick in the alternative minimum tax. The AMT more or less voids many major deductions. In the tax industry, there is a nickname for this situation - the divorce tax.

The marriage penalty has existed for years, yet the politicians have failed to find a fix. They pay lip service to the idea, but no major changes have been made to fix the problem. The best they have come up with is doubling the standard deduction for married couples, but this has had little impact since most couples itemize their deductions.

It appears the marriage tax penalty is here to stay for the foreseeable future. One has to wonder why our family values President didn't include a fix in his tax cuts.

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