



# *Marriage—*

## A “TAX BONUS” OR A “TAX PENALTY”

by Walter R. Stone, Esquire

Tax conditions should never be the motivating factor in a decision to marry. However, marriage likely will result in a tax “bonus,” the more unequal the spouses’ incomes, and a tax “penalty,” the more equal the spouses’ incomes.

Although legislation passed in 1969 created new tax rates for single taxpayers, married couples were still more likely to receive a tax benefit.

President Bush’s administration reduced or eliminated the marriage penalty for most taxpayers by raising the standard deduction for married couples to twice that for single filers and by providing that the maximum income levels in the 10 percent and 15 percent tax brackets for joint filers would be double that of single filers.

The recently passed “fiscal-cliff” tax legislation increased the disparity between the tax rates for upper-income married and individual taxpayers, thereby exacerbating the marriage penalty. For example, the 33 percent tax rate for joint filers begins at a taxable income of \$223,051 (\$183,251 for single filers) and the 39.6 percent tax rate for joint filers begins at \$450,001 (\$400,001 for single filers).

## ADDITIONAL TAX PENALTIES FOR MARRIED TAXPAYERS

- Married taxpayers may not qualify for the earned income tax credit if one spouse's income disqualifies the other from receiving the credit.
- The phase-out of the child tax credit begins at \$75,000 for single taxpayers (\$110,000 for joint filers).
- Personal exemption and itemized deduction phase-outs for joint filers begin at \$300,000 (\$250,000 for single filers).
- The new .9 percent Medicare tax is imposed on the self-employment income of joint filers in excess of \$250,000 (\$200,000 for single filers), while the threshold amount for the new 3.8 percent Medicare tax on net investment income begins at \$250,000 for joint filers (\$200,000 for single filers).
- Most likely, married couples will receive less in healthcare premium support under the Affordable Care Act.

Taxpayers filing separate returns may see limitations on deductions, narrower tax brackets and higher marginal rates. Filing separate returns may be beneficial by maximizing one spouse's medical expense deduction or other deductions, such as a casualty loss, by lowering the applicable deduction threshold or in those cases where a spouse has concerns of the other spouse's unwarranted tax claims.

## TAX BENEFITS FOR MARRIED TAXPAYERS

- Tax losses of one spouse may be offset against income of the other spouse.
- Non-working spouses may contribute to an individual retirement account.
- Married taxpayers may be entitled to increased charitable deductions.
- A deceased spouse may bequeath an unlimited amount to a spouse without an estate tax payment until the surviving spouse's death.

Married couples should consider all of these factors before filing their tax returns.



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