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Effects of the Federal Income Tax Structure and Social Security on the Changing US Family Composition

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From dual-earner, married couples, to opposite and same-sex cohabitation, America's family structure, lifestyles, and attitudes have been changing in recent years. This paper provides a framework of understanding how families interact and make economic decisions. It examines whether external and internal benefits to family formation exist. The government should develop policies are both equitable and efficient depending on what benefits exist for society, if any. Currently, one of the biggest gains married partners make occurs within the Federal Income Tax and Social Security Systems. However, this structure was created at a time when families were very traditional—a working husband and childrearing, non-working wife. This structure will be simulated to show how America's changing family structures are being affected by this obsolescent model. Results provide evidence that more and more families are becoming economically disadvantaged because they do not get the same tax incentives and benefits that married, traditional families do.

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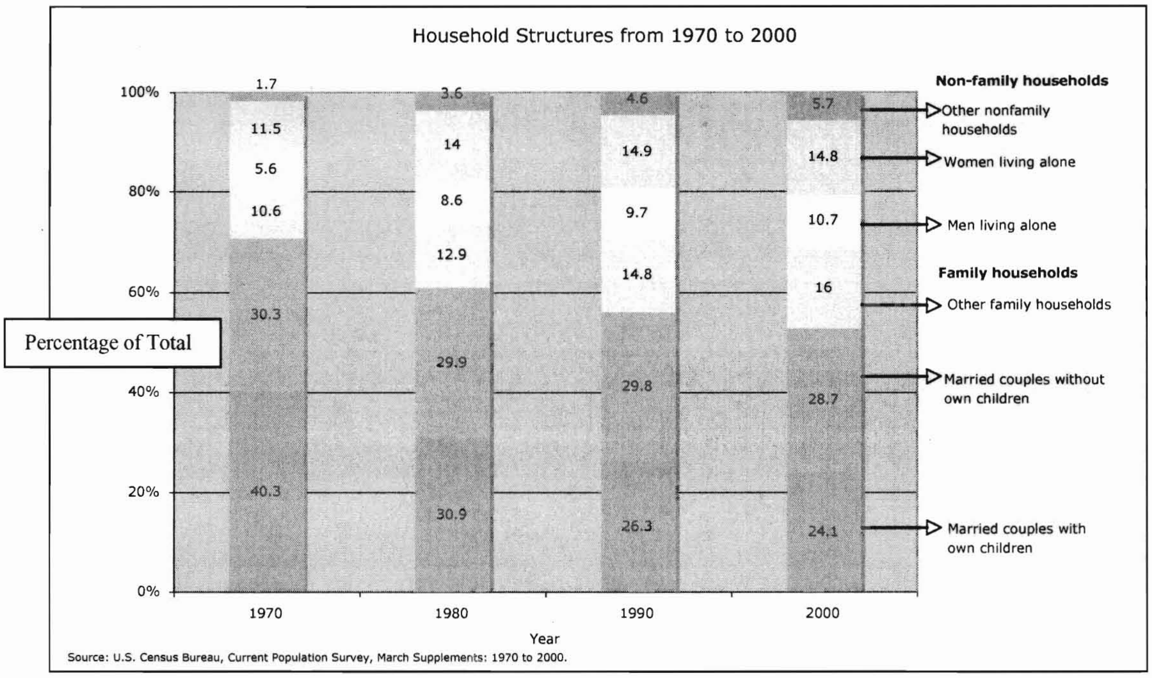
I. Introduction

Recent news has focused on promoting traditional lifestyles and banning or discouraging all others. However, an overview of society shows that the proportion of traditional families is declining. Traditional families are those consisting of one man and one woman living together with the possibility of children, either biological or adopted. Non-traditional families include divorced families, single-parent families, opposite-sex partners, and same-sex partners. The US government legally recognizes one type of family: opposite-sex, married partners. This recognition provides tax breaks, insurance benefits, and life and death decision making for the spouse and children. If this is the case, what are the economic consequences for being outside of this traditional definition of family?

This research studies the effects that the current Federal Tax structure and Social Security structure have on varying types of families in the US. This research examines the theories of both family and tax formation. The theory of the family is important in analyzing family formation and its economic benefits. Finally, the research discusses the theory of taxation with respect to the current tax structure in the US. It will become evident that the current structure is inequitable as well as inefficient. Currently, the US follows a non-marriage-neutral policy, moreover, developing policies that benefit the traditional family. This stance leads to economic inefficiencies and discrimination. Therefore, this research argues that marriage-neutrality is preferable on both equity and efficiency grounds.

II. Changing Nature of the Family – Empirical Evidence



The chart above shows household structural changes from 1970 to 2000. The two groups represented are non-family households and family households. Family households include married couples with or without children and singles (whether divorced or not) who are raising children or live in some other type of family arrangement. Non-family households include single men and women as well as other households that do not fit the typical "traditional family" definition, such as opposite-sex and same-sex cohabitants.

As seen in the chart, the composition of households and families along with marital status and living arrangements has changed significantly since the 1970s. Married couples with and without children have declined from 70% of total households to less than 53%. The number of marriages in the US shows annual growth of 0.7%. This increase, however, has been far slower than that of other types of family structures, which average 3% annual growth (CPR, 2001). Thus, in relative terms, non-family households, including singles and opposite-sex and same-sex cohabitants, have slowly increased, now representing almost half of total households.

Therefore, this notion of "traditional family" is becoming obsolescent. Instead of the typical working male, house-making female, and children, we have more singles, divorcees, opposite-sex families, and same-sex families. These changes have several economic implications including family formation and tax consequences.

III. The Economic Gains from Family Formation

Why do families form at all? Of course, one reason is love. However, it is impossible to measure one's love for another precisely; therefore, the focus will return to economics. According to neoclassical analysis of the family, "adult members make informed and rational decisions that result in maximizing the utility or well-being of the family" (Francine Blau, Marianne Ferber, Anne Winkler, 2006). With these assumptions, economists are able to model family formation as well as other human behaviors including divorce, children's outcomes, and increases in female labor participation rates.

Since the family is the economic unit in the US, the government must see its importance, thereby promoting bonds of traditional marriage and family through policies that protect and benefit the family. However, in order to decide whether the government should intervene to encourage families, traditional or otherwise, it must consider if the net benefits from family formation are largely internal to the family, or whether there are important positive externalities for society as a whole.

If there are important external benefits to family formation, then subsidies to families—such as more favorable tax treatment—may be justified on both equity and efficiency grounds. In addition, if these external benefits accrue to non-traditional families as well as traditional ones, then non-traditional families should receive these same subsidies. Conversely, if the

benefits are fundamentally internal to the family, then to be equitable and efficient, the government should not intervene, thereby taking a neutral stance toward family formation.

A. Specialization according to comparative advantage (Division of Labor)

According to Gary Becker's theory of the family, given scarce resources, people optimize, trying to gain more than they lose. Therefore, couples must see benefits by grouping their resources and specializing in household or labor force production.

Division of labor is an important reason for family formation. Muller claims, "The family facilitates specialization and enables the spouses to exploit comparative advantages [...] (2002)." Traditionally, women have had a comparative advantage in housework, while their male counterparts are more effective in the workplace. Together they add to total production and combined, maximize their utility (Blau et. al., 2006). If left apart, neither would function efficiently (Eskridge, 1996). Through this division of labor and exploitation of comparative advantages, the two combine shared resources, thereby reducing their economic cost.

Does division of labor differ across types of families? Can same-sex couples and non-married, opposite-sex couples enjoy this benefit? According to Becker, the inherent biological differences make women more suitable for homemaking and childrearing while men are more suitable for the labor force. However, since the 1970s, the labor force has included a growing proportion of dual-earning couples. Dual-earners are those in which both husband and wife participate in paid labor. Beginning in 1976, dual-earners emerged as the predominant structure among married couples rising from 50 to 60% of all such families (Blau et. al., 2006). Borjas has found that female labor force participation went from 42.8% in 1960 to over 74% in 1991 among women aged 25 to 54 (2000). Moreover, as a woman ages, she is more likely to enter the work force.

Economically, women have entered the work force for many reasons. First, their wage rate has increased, therefore, providing incentive to allocate less time to household production and more time to paid labor. Second, fertility rates among women have fallen. From 1950 to 1989, lifetime fertility rates of adult women fell from 3.3 to 2.0 children (Borjas, 2000). This decrease in fertility could be from any number of reasons: birth control, abortion, government transfer programs, or even the increased cost of raising children. Thirdly, technological advances in the home have likely led to more workers in the labor force. In the past 30 years, we have seen great advancements in technology. A few of these include improved stoves, washers, dryers, microwaves, and many other time saving devices. Borjas claims that these technological advances have led to a decrease in the marginal product of household production lessening the need for specialization and exchange (2000).

Apparently, then, the comparative advantages that result from biological differences between men and women have declined (Muller, 2002). Since the cost of household production has decreased and both men and women can be very productive in the labor force, couples are seeing gains by both working and being dual-earners. This additional money allows these couples to experience higher standards of living.

Muller's research claims that, "Even without full specialization [marriage] can exploit the full gains from the division of labor without giving up efficiency (2002)". This challenges the appropriateness of Becker's economic model explaining division of labor. The man does not have to work while the woman stays at home to realize gains from specialization. With women's increased labor participation rates, it is no longer the case that both partners completely differ in their production abilities or human capital. Partners will specialize in the production activity for

which they have the most human capital. Since this is not complete specialization, each split their production to some extent in both the home and in paid labor.

This new model provides a better explanation of how division of labor for dual-earner couples works. Since this model does not reflect biologically determined gender roles, it provides a rationalization why homosexual unions can gain from specialization (Muller, 2002).

Finally, do these benefits accrue internally or externally? Since the only people who realize the benefit of living together and dividing their time between household and labor activity are the individuals of that couple, the benefits are largely internal. Therefore, this conclusion suggests that the government should take a marriage neutral position since society, as a whole, does not necessarily receive any benefit from the traditional family.

B. Economies of Scale

By conjoining, couples also experience economies of scale in allocating income within the household. This experience exists to the extent that with the increase of inputs, or people, there is less than a proportionate increase in cost (Eskridge, 1996). For example, it is cheaper to live together in one house than to own two separate houses. Grocery buying has a fixed cost for one person, but a lower marginal cost as additional people are added. A vacation for two is proportionally less expensive than a vacation for one since you can share travel (if by car), room, and food. When couples share goods such as entertainment, food, housing, utilities, information, and even children, the costs are lower.

Obviously, any grouping of people can realize this benefit, regardless of whether it is a married couple, opposite-sex couple, same-sex couple, or just friends. Therefore, this benefit does not differ with type of family. Two can live nearly as cheaply as one by pooling and sharing resources. Furthermore, these benefits accrue internally. Only the people who take part

reap the benefit, no one else—therefore, again, implying the government should take a marriage-neutral stance.

C. Family-Specific Investments and Risk Pooling

Besides division of labor and economies of scale, there are of course many more advantages to forming families. There are many marriage-specific investments made through marriage. Various skills and knowledge develop as family members learn from and about each other. Examples include cooking, cleaning, hobbies (like rock-climbing, bird watching, or reading), and even childrearing. Many of these would not occur without the other individual in one's life. In addition, couples can pool their risk. If both spouses work, they have the added benefit of relying on the other one's income in case one must leave the work force. Arguably, couples face many possibilities if both spouses work. There is more stability to allow for major career changes, pursue additional education, or receive job training (Blau et. al., 2006).

Family groupings in any sense are important because they provide financially and economically stable households, especially for those in which a partner does not work. On the other hand, if both partners work, they have additional security in case one should lose his or her job. This pooling of risk also provides a social relationship that has many positive effects, especially emotionally. In addition, these units can create protective, stable environments for children and their education (Weisberg, 1975). Further, Folbre describes the family as the "primary site for the care, training, and maintenance of people—the day-to-day as well as long run reproduction of the labor force" (Badgett, 2001). Therefore, couples who invest in each other gain both emotional and economic stability.

Like economies of scale, any grouping of people can benefit from these "marriage" specific benefits and risk pooling. By living together, people can learn from each other and take

care of each other during hard times. Again, these benefits are largely internal. No one benefits from two people who pool their risk except those two people. For instance, if one spouse loses his or her job and must share the income of the other, the only one receiving that benefit is the partner who faces downsizing. In addition, the investments made with each other only benefit each other. If a couple goes on a vacation and enjoys it, their increase in emotional stability has no bearing on the emotional or even economic stability of society as a whole. This argument further justifies the marriage neutrality argument.

D. Children

Becker argues that, among other things, the main purpose of the family is "the production and rearing of children" (Badgett, 2001). The question of children is an important issue raised when discussing the importance of the family. Of all the discussed benefits of family formation, this one seems to be the only one that may have external benefits outside of the family. Internally, parents receive direct benefits from having children and should bear responsibility for their care and education (Blau, Ferber, and Winkler, 2006). However, externally, the nation also benefits when children grow up to be healthy, educated, good citizens. When properly raised they can be very productive adding value to the economy. Further, Blau, Ferber, and Winkler point out that when children are less of a burden and well cared for, the parents are not absent as much and have increased employment stability (2006). Therefore, benefits accrue to the parents, the community, employers, and the government.

Children's outcomes across family structures are a common topic. Evidence suggests that children who come from families where both biological parents are present seem to do better than those children raised by single parents (Blau et. al. 2006). However, correlation does not imply causation. Therefore, many researchers still wonder to what extent family structure plays

a role in the economic and emotional support of children. However, it is arguable that any family structure where loving people are present and provide emotional and economic support is beneficial to those children. In addition Blau et. al. maintain that growing up in other family structures, such as single parent households, may only increase the risk of outcome failure, not assure it (2006).

To sum up, this research so far has concluded that families form and are important for many economic reasons. Traditional family structures seem to be fading and new types of families are emerging. Like traditional marriage, opposite-sex and same-sex cohabitation offer partners companionship, affection, and love, as well as all the aforementioned benefits, especially the ability to share economic resources and realize economies of scale (Blau et. al., 2006).

However, should the government subsidize family formation? Aside from children, we have seen that the benefits are mainly internal. By a man and a woman marrying, they receive the benefits described. However, does that make the single person next door better off? What about the gay couple next door? It does not. Since they get no benefits, they should not have to subsidize the marriage. Therefore, on efficiency grounds, the tax system should be marriage-neutral.

Currently marriage-neutrality is not the case in the US. Married couples enjoy institutional advantages, including, but not limited to, health insurance, pension rights, Social Security benefits, and Federal Income Tax benefits (Blau et. al., 2006). Since these benefits do not extend to couples in alternative lifestyles, they face discrimination because they may pay higher taxes.

IV. Federal Income Tax

It is necessary to analyze this marriage-neutrality argument on both efficiency and equity grounds. Without neutrality, the tax code provides incentives for couples to either marry or remain single depending on the taxes owed. Further, since we have uncovered no important external benefits to family formation, there is no efficiency case for treating individuals differently depending on their family composition. This implies that the tax code should tax the individual and not the family.

Besides efficiency, equity is also important to this marriage-neutrality argument. Equity is the concept of fairness or justice in economics. Fairness requires vertical and horizontal equity among the relevant units. Vertical equity is the idea that those with greater income have a greater ability to pay. If those with a greater ability pay more, disproportionately, then this is progressivity. The US has a progressive tax structure. It is arguable that this leads to class warfare, but Steuerle argues that without vertical equity, you defy natural tax theory: "That is, some progresivity —greater contributions to the community by those who are more capable of contributing—is apparent in nature when the stronger or older of species support the weaker or younger" (C. Eugene Steuerle, 2004). Therefore, progressivity is appropriate for humans and our tax structure. Redistribution is necessary to pay for government and to pay for the services that people need.

Horizontal equity is the idea that those with similar ability to pay taxes should pay the same amount. Further, it is the concept of tax neutrality or the idea that the tax system should not discriminate between similar things or people. Steuerle states, "Horizontal equity is the given of all principles affecting government policy." Economists believe that it is a principle of good government. With progressive rates—presumed necessary for vertical equity—marriage

neutrality requires that one define horizontal equity in terms of individuals, not families. In fact, until 1948 taxes were levied on individuals, not families. Nonetheless, in 1948 the government began using the traditional family as the economic unit (Rosen, 2002). Therefore, there is horizontal equity across families, not individuals.

Adhering to vertical equity, horizontal equity, and marriage neutrality will lead to some degree of discrimination. Since the three are never met, some group(s) will always be discriminated. With the recent shifts in the demographics of families, culture and society's beliefs toward the role of the family influence the choice of tax structure. Same-sex couples are at a bigger disadvantage because their union is not legally recognized. On the other hand, opposite-sex, non-married unions could be recognized through domestic partnerships, common law marriage, or even through civil marriage. Therefore, the inherent structure of the Federal Income Tax structure is damaging the economic outcomes of families and individuals in the US.

V. Social Security

We have seen how the federal income tax affects all types of individuals and their relationship status. The principles discussed are useful in considering not only if the federal income tax is fair and efficient, but also to see if the Social Security system is fair and efficient. Social Security is a primary source of subsistence for many elderly in the US. The benefits that a recipient receives depend on his or her marital status. An individual can claim Social Security benefits based on his or her spouse's earning history. A widow/er can receive additional benefits upon the death of his or her spouse. A spouse of a disabled individual, eligible for Social Security, may claim additional benefits if that spouse is raising the disabled individual's child. Finally, a spouse who is at least 62 years old may claim additional benefits based on his or her spouse's disability (Dougherty, 2005). Moreover, a spouse can receive Social Security

retirement benefits equal to or greater than the benefits he or she is necessarily entitled to receive based on his or her own earnings history (Dougherty, 2005). Unfortunately, the only ones able to claim Social Security are the living individuals and their partners through legal marriage.

Like the federal income tax structure, many criticisms, even more severe, exist concerning the Social Security system. The Social Security system also poses problems of equity between two groups of people: one-earner married couples and all others (unmarried couples, single people, and same-sex couples). The biggest problem with this system is that payroll taxes are based on each individual's employment history, while Social Security benefits are based on the family (Blau et. al., 2006). In order to receive benefits, individuals must reach some level of pay from jobs covered by Social Security for 10 years. Spouses of covered workers are entitled to receive Social Security benefits equal to 50% of the amount received by the covered worker, and survivor benefits of 100% if that covered worker should die, even if the survivor never paid payroll taxes (Blau et. al., 2006). The current Social Security system favors families with a full-time homemaker over all others. As long as the husband is paying payroll taxes, the family receives the maximum 150% of his Social Security benefit. Naturally, these inconsistencies violate the rule of horizontal equity (Blau et. al., 2006). For instance, if a wife works she pays in as much as she would if she were single, but only the one who earns less than her husband receives additional benefits over and above what she earns herself. Never married women, single women who never work, and divorced women, who were married less than 10 years, receive benefits based upon their own record only. Therefore, this system affects people who are not married. Since same-sex couples are unable to marry, then they are truly disadvantaged because they cannot receive any benefits through their partners.

Now that we have analyzed the theory, the tax structure, and the Social Security system, we now look at the economic cost of the two family groupings--non-traditional and traditional--in light of these regulations. Since it appears that there is some inefficiency and inequality in the tax structure and Social Security system, I hypothesize that the tax burdens for non-traditional families will be much higher than traditional, married, opposite-sex couples.

VI. Empirical Model and Data

By focusing on the Federal Income Tax and Social Security, we can quantitatively illustrate how non-traditional couples are discriminated against compared to those who are legally married (traditional families). This research design uses simulations to test the differences between the two groups: legally married couples and couples who must file separately and singly. In addition, I use these same simulated couples to compare the different outcomes between the two groups via the Social Security structure.

The research assumes that the simulated couples have no dependents (i.e. no children), and no itemized deductions. I assume that they take the standard deduction, as most do. Further, the assumed income does not include retirement savings, mortgage interest, or any other kind of interest or profit shares. For Social Security purposes, the assumed birthday of all couples is June 15, 1965 and, if they were to die, they would die on November 17, 2005. The retirement age for full benefits is 70 years old in the year 2035. The tax year used is 2005.

The programs used for this analysis are basic calculators found on the Internet. For the Federal Income Tax, I use the Internal Revenue Service's Online 2005 Withholding Calculator. It allows use of the basic assumptions mentioned before. To research the Social Security question, I use the Social Security Administration's Online Social Security Quick Calculator. To estimate projected earnings, the program uses an automatic-inflation adjustment. It uses

estimated future cost-of-living adjustments* (COLAs) and estimated future percentage increases in the national average wage increase (AWI). These estimates are derived from the "intermediate" assumption in the *2005 Trustees Report*. This is an annual report of the Federal OASDI (Old Age, Survivors, and Disability Insurance) trustees. The report predicts current and projected financial status of the trust fund. The particular COLA is for December of 2005 and was determined in October of 2005.

To recapitulate, this research hypothesizes that traditional and non-traditional couples will have differences in their tax liabilities and Social Security benefits even when they have similar incomes. This result is because the government uses the tax codes to provide benefits for married couples. Since the family is the economic unit used in the US, they are taxed at different progressive scales than singles. Furthermore, same-sex couples and opposite-sex (non-married) couples, must apply as single even if they are in a committed "family" situation.

The other aspect affecting same-sex couples is within Social Security. Since people pay as they go and put money toward Social Security, they build value up for retirement. If couples are married, then a person who has possibly never worked can claim benefits based on spousal earnings. Other families outside the traditional definition are denied benefits and thereby negatively affected by this regulation.

VII. Results

The following tables show Federal Income Tax and Social Security Benefit simulations for three types of couples with 15 sets of income assumptions. Table 1 presents the Federal Income Tax liabilities faced by the two comparison groups. For instance, the first line shows that if each partner made $12,500 dollars a year for a combined household income of $25,000 per year, their tax liability would be $866.00 as a Non-traditional couple and $863.00 as a

* Please see Appendix for more information about these tools and the COLA table.

Traditional couple. Their tax difference is $3.00, which is a .01% difference in the two different tax liabilities.

Table 1
Federal Income Tax Liabilities in US Dollars

Income Assumptions			Comparison Groups - Tax liability		Tax Differences	
Person 1	Person 2	Total Income	Non-traditional	Traditional	NT - T couples	% of income
			Couples filing Singly	Couples filing Jointly		
$12,500.00	$12,500.00	$25,000.00	$866.00	$863.00	$3.00	0.01%
5,000.00	20,000.00	25,000.00	1,409.00	863.00	546.00	2.18%
0.00	25,000.00	25,000.00	2,159.00	863.00	1,296.00	5.18%
25,000.00	25,000.00	50,000.00	4,318.00	4,314.00	4.00	0.01%
20,000.00	30,000.00	50,000.00	4,318.00	4,314.00	4.00	0.01%
0.00	50,000.00	50,000.00	7,121.00	4,314.00	2,807.00	5.61%
37,500.00	37,500.00	75,000.00	8,068.00	8,064.00	4.00	0.01%
25,000.00	50,000.00	75,000.00	9,280.00	8,064.00	1,216.00	1.62%
0.00	75,000.00	75,000.00	13,371.00	8,064.00	5,307.00	7.08%
50,000.00	50,000.00	100,000.00	14,242.00	14,236.00	6.00	0.01%
25,000.00	75,000.00	100,000.00	15,530.00	14,236.00	1,294.00	1.29%
0.00	100,000.00	100,000.00	20,218.00	14,236.00	5,982.00	5.98%
70,000.00	70,000.00	140,000.00	24,242.00	24,340.00	-98.00	-0.07%
40,000.00	100,000.00	140,000.00	24,839.00	24,340.00	499.00	0.36%
0.00	140,000.00	140,000.00	31,411.00	24,340.00	7,071.00	5.05%

For nearly every level of assumed incomes, non-traditional couples pay more federal taxes than traditional couples who are married and file jointly. I hypothesized that traditional couples would have fewer tax liabilities than other couples would because the two groups face a different tax progression that subsidizes the non-working female. However, it is interesting to note that the two couples are treated nearly the same when both partners in the relationship work and have similar income. Non-traditional couples become more disadvantaged as the income disparity between the two partners increases such as in the case when Person 1 has no income and Person 2 earns all the income. While the percent of income difference is not too high, it

does add up to a lot of money, especially as the couple earns more income. For instance, if Person 1 does not work and Person 2 makes $75,000, they pay 7% ($5,307) higher taxes than their legally married counterpart does. Benefit differences do not favor one grouping of incomes either. Both high-income and low-income couples face increased liabilities.

It is interesting that the two comparison groups face the same tax consequences when both incomes are about the same. This supports the argument that the current tax structure is unfair and biased towards traditional household couples where the husband works and the wife does not. However, we found earlier that there were no external benefits to society from this arrangement, and that even the internal benefit due to comparative advantage seems to have waned. This finding has important public policy implications and should be considered by the government.

Table 2
Social Security Benefits in Year 2035* US Dollars

Income Assumptions			**Comparison Groups -**		**Benefit Differences**	
			Household Social Security Benefit			
Person 1	**Person 2**	**Total Income**	**Non-Traditional**	**Traditional**	**NT - T couples**	**% on income**
$12,500.00	$12,500.00	$25,000.00	$4,936.00	$4,936.00	$0.00	0.00%
5,000.00	20,000.00	25,000.00	4,459.00	4,741.00	-282.00	-5.95%
0.00	25,000.00	25,000.00	3,624.00	5,436.00	-1,812.00	-33.33%
25,000.00	25,000.00	50,000.00	7,248.00	7,248.00	0.00	0.00%
20,000.00	30,000.00	50,000.00	7,246.00	7,246.00	0.00	0.00%
0.00	50,000.00	50,000.00	5,803.00	8,704.00	-2,901.00	-33.33%
37,500.00	37,500.00	75,000.00	9,554.00	9,554.00	0.00	0.00%
25,000.00	50,000.00	75,000.00	9,427.00	9,427.00	0.00	0.00%
0.00	75,000.00	75,000.00	6,885.00	10,327.00	-3,442.00	-33.33%
50,000.00	50,000.00	100,000.00	11,606.00	11,606.00	0.00	0.00%
25,000.00	75,000.00	100,000.00	10,509.00	10,509.00	0.00	0.00%
0.00	100,000.00	100,000.00	7,625.00	11,437.00	-3,812.00	-33.33%
70,000.00	70,000.00	140,000.00	13,338.00	13,338.00	0.00	0.00%
40,000.00	100,000.00	140,000.00	12,633.00	12,633.00	0.00	0.00%
0.00	140,000.00	140,000.00	7,638.00	11,457.00	-3,819.00	-33.33%

** Present Value of $2.80 to be received in 2035, is approximately equivalent to $1.00 today.*

Tables 2 and 3 show Social Security benefits and Social Security Survivor benefits, illustrating how the two groups are affected in their retirement years. Table 2 shows how much benefit the couples will receive in their retirement in 2035. Again, the dollar figures are inflation-adjusted for 2035. The results in Table 2 suggest that the Social Security system is more biased than the Federal Income Tax structure. In the cases where the first person does not work and does not have any Social Security earnings, s/he loses about 50% of the spouse's income compared to married couples. However, if both partners in both groups work and pay their share to Social Security and qualify, both groups generally receive the same earnings as would be expected. Since theory suggests that both partners likely work in non-traditional families, they are likely to earn Social Security benefits on their own and not likely to be too affected by being denied these benefits. In addition, couples are financially advised not to rely on Social Security and to rely on other retirement savings. Therefore, this may not affect as many couples.

Table 3 shows a rather dismal outlook on one particular section of Social Security: survivor benefits. The dollar figures shown are the additional monthly benefit a partner would receive today (year 2005) if his or her spouse should die. For married couples, if a Social Security qualified spouse should die, the survivor, even one who never paid into Social Security, can qualify for 100% of their deceased spouse's Social Security income. Since other types of couples are denied marriage rights, they are unqualified for any type of survivor benefits and lose the entire benefit. This is detrimental for those couples that may have had one partner who never worked and put anything toward Social Security. Not only do these couples lose their partner whom they never were able to marry, they lose all their income.

Table 3
Additional Social Security Survivor Benefits - Death as of Today*

Income Assumptions			Comparison Groups - Additional Household Soc. Sec. Benefit		
			Non Traditional	Traditional	
Person 1	Person 2	Total Income	Add. Survivor benefits for either Person	Person 2 Survives	Person 1 Survives
$12,500.00	$12,500.00	$25,000.00	$0.00	$654.00	$654.00
5,000.00	20,000.00	25,000.00	0.00	309.00	819.00
0.00	25,000.00	25,000.00	0.00	0.00	930.00
25,000.00	25,000.00	50,000.00	0.00	930.00	930.00
20,000.00	30,000.00	50,000.00	0.00	819.00	1040.00
0.00	50,000.00	50,000.00	0.00	0.00	1479.00
37,500.00	37,500.00	75,000.00	0.00	1204.00	1204.00
25,000.00	50,000.00	75,000.00	0.00	930.00	1479.00
0.00	75,000.00	75,000.00	0.00	0.00	1825.00
50,000.00	50,000.00	100,000.00	0.00	1479.00	1479.00
25,000.00	75,000.00	100,000.00	0.00	930.00	1825.00
0.00	10,000.00	100,000.00	0.00	0.00	2065.00
70,000.00	70,000.00	140,000.00	0.00	1774.00	1774.00
40,000.00	100,000.00	140,000.00	0.00	2065.00	1259.00
0.00	140,000.00	140,000.00	0.00	0.00	2114.00

* *Figures represented in Today's Dollars*

VI. Public Policy Implications and Conclusion

In this research, we have seen that families are important for both economic and non-economic reasons. As alternatives to marriage or traditional families, singles adopting, opposite-sex cohabitants and same-sex cohabitants can form economically and emotionally fruitful relationships. Economic benefits accrue to any grouping of people regardless of gender or any other social dimension. Since these benefits are largely internal, the government should design tax laws and regulations that are marriage-neutral. Otherwise, the economic outcome may be inefficient and unfair. People should be free to choose who to commit to and how to pool their resources without interference from government entities.

Notwithstanding, the Federal Income tax structure and Social Security System seems to affect even married couples that have both partners working and making about the same amount

of money. Even if the government is discouraging other family formations, nontraditional family structures are evolving, moving away from this traditional family of a working father and homemaker wife to all types of groupings, including opposite-sex and same-sex relationships.

According to Weisberg, a lag in the law exists. There have been social changes that have occurred in society (1976). These changes include increased female labor participation and growing tolerance and acceptance of opposite-sex and same-sex cohabitating couples. However, the tax system, Social Security System, and other legal regulations have not adapted to these social changes. Therefore, discrimination exists, causing friction in society across classes. These social changes require changes in the law. The government must take a marriage-neutral stance in its government policies, especially in taxation and Social Security. Marriage-neutral policy would not promote or discourage family formation. Horizontal and vertical equity for individuals achieves fair and efficient policy. Moving back to taxing the individuals of a couple is nothing radical. Even when non-traditional families were not prevalent, the government taxed individuals and not the family unit.

Appendix

Tools used in this research came from the Internal Revenue Service (IRS) and Social Security Administration (SSA). These are simple calculators with basic assumptions to give the user an approximate tax liability and projected Social Security benefits, by no means are they all-inclusive or representative of one's true situation. The tools are at the following websites:

http://www.irs.gov/individuals/page/0,,id=14806,00.html

http://www.ssa.gov/OACT/quickcalc/calculator.html

The following table is part of the formula for considering the estimated cost of living adjustment and for future value earnings. This data comes from the SSA website.

Table A
COLAs & AWI increases under the intermediate assumptions of the 2005 Trustees Report

Calendar year	COLA (Percent)	Increase in AWI (percent)
2005	4.1	4.1
2006	2.2	4.2
2007	2.7	4.3
2008	2.8	4.2
2009	2.8	4.1
2010	2.8	4
2011	2.8	4
2012	2.8	4.1
2013	2.8	4
2014 and later	2.8	3.9 [a]

[a] Average increase.

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