



LIFTING BARRIERS. LIFTING LIVES.

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# REFORMING WELFARE

*TO REDUCE MARRIAGE  
PENALTIES AND PUT  
CHILDREN FIRST*

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## EXECUTIVE SUMMARY

Policymakers concerned with inequality and ensuring the American Dream is attainable for all should be deeply concerned with the breakdown of the nuclear family among America's working class. While family breakdown—concentrated among the lower tiers of the income ladder—has many causes, the high marriage penalties embedded within our state and federal safety net programs are likely among them.

When determining whether a family's income is below the threshold required to qualify for a safety net program, only a single parent's income is typically counted. If the parent marries, or accurately reports to the authorities that he or she lives with the other biological parent of their children, then both adults' incomes count toward whether the family qualifies for the program. Counting more than one adult's income makes it more likely that the family earns too much to qualify for assistance. Conversely, any income from a live-in partner (who is not a biological parent of any children in the household) is usually not included in the calculation of whether the household's income qualifies for safety net program benefits.

This makes the married couple, or the cohabiting joint biological parents who are making an accurate representation to authorities about their cohabitation, much less likely to qualify for various benefits, or makes the benefits they receive much less substantial.

In many states, the program with the steepest marriage penalty of this kind is the Child Care Assistance Program (CCAP). Depending on the family size, the incomes of both parents, and the cost of quality child-care in the local community, this program may penalize marriage to the tune of almost \$10,000 per year when a family has just one child.

To rectify this marriage penalty, CCAP should be reformed in several ways. First, the income of live-in adults who are not the biological parents of the children in the household should also count toward program eligibility. This removes the financial penalty for a parent to either marry or cohabit with their child's other biological parent compared with alternative cohabiting arrangements.

More crucially, CCAP must follow the lead of our tax-code,<sup>a</sup> which adjusts the income level at which a higher tax rate kicks in, to account for, and not penalize, the two adult earners who can exist within a family structure. Specifically, the income threshold at which a family is no longer eligible for childcare assistance should be raised for poor and working-class married couples, and their required copayment<sup>b</sup> should be structured to increase slowly with gains in household income.

The tax code provides a guide for where the qualification threshold for poor and working-class married couples should be. The tax code increases the threshold at which middle-class earners are taxed at a higher rate, if they are married, by about 50 percent. Depending on the rate in question, the threshold increases even higher for an upper-class married couple (meaning that policymakers have already worked hard to reduce marriage penalties for two high-paid professionals). Likewise, this paper proposes a similar adjustment for the income thresholds that determine eligibility for CCAP, if a couple is married.

Next, no matter where the income threshold for program eligibility is set, a single eligibility threshold means that a family risks complete benefit cutoffs and steep increases in living costs if the family opts for

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a The tax code isn't perfect, however. If a non-married adult has children, he/she files as head of household, which has a marriage penalty.

b Copayments are the required contribution by the beneficiary to participate in the program. These could be higher for two married parents than they are for one parent, but not substantially so.

marriage, or earns one too many dollars.<sup>c</sup> To rectify this, after the new threshold is reached, this paper proposes continued eligibility up to a second, higher threshold, and a sharp ramp up in program copayments commensurate with gains in family income that acts to phase out program benefits until an ultimate cutoff point is reached. This change gradually phases out the benefit instead of abruptly ending it, which helps to eliminate strong and sudden disincentives to work and marriage.

Finally, although the specific changes discussed apply to childcare assistance, the general changes proposed are applicable to other safety net programs in all American states and territories, and can be implemented at both the state and federal level.

## AN EPIDEMIC OF FATHERLESSNESS

One of the greatest challenges confronting America in the twenty-first century is persistent inequality in income and wealth, and the decline in upward inter-generational social mobility—the ability to be born poor and achieve a higher socio-economic status later in life. This decline in mobility began in the second half of the twentieth century and has metastasized today, with all sorts of societal impacts.

There are certainly several contributing factors to the decline in social mobility, but a substantial indicator of a poor child’s ability to climb up the socio-economic ladder later in life is having a father in the home. And marriage is integral to maintaining fathers in the home. Cohabiting unmarried fathers are much less likely to maintain a stable family structure compared to married fathers. Although divorce can also be damaging to children, the instability of cohabitation ends up damaging many more children than does divorce.<sup>1</sup> Yet marrying has become increasingly unpopular among the bottom half of America’s income earners. Today, about 40 percent of American children<sup>2</sup> are born outside of marriage.

Due to the class-based collapse of marriage, too many American children are growing up without their fathers. While only 9 percent of children were raised without their father in 1960, today over a quarter of American kids are being raised without their father.<sup>3</sup> These kids’ parents are usually in a relationship or even cohabiting at birth, but mom and dad often break up while their child is still young.

Of course, when the parents split up mom usually gets the kids. Some of these children will continue to have a close relationship with a father who is out of the home, but this is the exception and not the rule,<sup>4</sup> especially when it comes to children whose parents were never married in the first place.

In other words, a fractured family is often interchangeable with “fatherlessness”—the widespread phenomena of children who have no close relationship with, or sometimes even knowledge of, their biological father. The consequences of fatherlessness are far from benign.

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<sup>c</sup> States currently have a grace period where income can temporarily go above an eligibility threshold without losing benefits, but they still have only one eligibility threshold, and there is a large incentive to decrease household income if it exceeds the threshold in a way that would cause an end to the benefit. This is sometimes referred to as a welfare cliff.

## CONSEQUENCES OF FATHERLESSNESS

For one, family breakdown and fatherlessness fuels child poverty. Children in single-parent homes are five times more likely to be poor than are children in married-couple homes.<sup>5</sup> And being raised in a married family reduces a child's probability of living in poverty by 82 percent.<sup>6</sup>

A large reason for these differences is the economies of scale and sharing of resources that is enabled by a household headed by two adults. But not all two-adult households are created equal. Cohabiting couples tend to share resources much less often than do married couples.<sup>7</sup> And married men tend to earn much more than unmarried men, even when controlling for education—possibly due to a phenomenon of men changing their behavior once married.<sup>8</sup> Men who live apart from their children, for similar reasons, are also hit harder during economic downturns.<sup>9</sup>

Because of the pooling of resources and the potential changing of behavior, especially of young men, marriage is also good for adults. When married parents are compared to single parents with the same level of education, the poverty rate for a married person is 75 percent lower. On average, even high school dropouts who are married have a far lower poverty rate than do single parents with one or two years of college.<sup>10</sup>

“It isn't just children who benefit economically from a stable and healthy family environment,” writes AEI's Nick Schulz. According to Pew researchers, “As the country shifts away from marriage, a smaller proportion of adults are experiencing the economic gains that typically accrue from marriage.”<sup>11</sup>

Even communities and local economies benefit from marriage, while fatherlessness leaves communities less interconnected and more vulnerable. Thinkers such as Robert Putnam have lamented the collapse of civil society among poor and working-class Americans.<sup>12</sup> This too may be a consequence of declining marriage among the poor. It turns out that for men especially, marriage is a sizable predictor of involvement in civil society, such as churchgoing. Since the 1960s and coinciding with declining marriage rates among the poor, America's civic fabric has frayed. And during this time, religious attendance has fallen most among poor and working-class Americans with less education.<sup>13</sup>

But family structure may have the largest impact on the future, not just present economic circumstances. We now know that fatherlessness can impact a child's choices once entering adulthood—thus impacting the future social mobility of that child.

### Why a father is so important for childhood development?

For young children who are fatherless, the lack of their biological father and the emotional support that father would provide is likely particularly damaging in ways that social scientists are only beginning to measure.

Already, research has shown that marriage, with both its ups and downs, leads to the better socialization of children—children are gifted with better “soft” or social skills, such as communicating skills.

— Kate Davidson, “Do Welfare Programs Penalize Marriage?” *The Wall Street Journal*, September 8, 2015.

That makes sense. Observing two parents interact, make up, and learn to overcome difficulties, even in stressful times, likely imparts a child with interpersonal skills that will become invaluable later in life.

These soft skills, and the presence of a male role model in the home, are important. Fatherlessness creates adverse outcomes for young girls, such as an increased incidence of early sexual activity and unplanned pregnancy. But research shows that a male role model is especially important for the socialization of school-aged young boys.

Yes, married households tend to have more resources because they can earn two incomes and pool resources. But even when controlling for income, marriage leads to much better outcomes for children. That's at least partly because a child's family structure has emotional and psychological impacts on a child that researchers are only just beginning to measure.

Fatherlessness affects a child's economic future: children living in single parent homes are 50 percent more likely to experience poverty as adults when compared to children from intact married homes—and this trend exists even after original differences in childhood poverty are accounted for.<sup>14</sup> Some of this impact may be on soft skills that are increasingly important in today's service economy. For example, Nobel Prize-winning economist Dr. James Heckman has done extensive work on the importance of soft skills—such as emotional intelligence—in achieving positive economic outcomes, and Heckman traces these soft skills to factors including family structure.<sup>15</sup> Heckman found that “household structure plays a major role in shaping US inequality.” When it comes to granting soft skills, “there is an inherent difference between single-parent households and two-parent households.”<sup>16</sup>

According to Raj Chetty—a preeminent researcher on the topic of social mobility—the number of fathers in a given neighborhood is a primary factor in predicting rates of upward income mobility later in life for the children in that neighborhood. This is the case even when controlling for variables including the quality of schools, race, or ethnicity.<sup>17</sup> Heckman has also found family structure to be a key driver of the divergent economic outcomes between black and white Americans.<sup>18</sup>

Family structure also influences the choices that children will make as adolescents and adults. When compared to children who have parents of the same race and parental education, children who grow up without a father in the home are three times more likely to have been in jail before age thirty,<sup>19</sup> and a third more likely to drop out of school or perform poorly in school.<sup>20</sup> While they are young, children without a father in the home are more likely to smoke, drink, use drugs, or engage in violent or criminal behavior.<sup>21</sup> And children without a father in the home are more likely to suffer from mental health problems as adults.<sup>22</sup> Likewise, marriage makes both kids and adults happier, and less prone to depression.<sup>23</sup>

For girls, fatherlessness means that they are more likely to engage in early sexual activity,<sup>24</sup> and about twice as likely to have a child before being married.<sup>25</sup>

But fatherlessness appears to damage young boys the most.<sup>d</sup> One of the most comprehensive studies ever done on juvenile delinquency—by two University of California researchers in 2002—found that “the most critical factor affecting the prospect that a male youth will encounter the criminal justice system is the presence of his father in the home.”<sup>26</sup> Controlling for race and parental income, boys raised without their father are much more likely to use drugs, engage in violent or criminal behavior,<sup>27</sup> go to jail,<sup>28</sup> and drop out of school.<sup>29</sup>

Economist Melanie Wasserman also finds that girls struggle with father absence, but often internalize their struggle and the effects are most often relational. Yet, “The absence of a biological father in the home yields especially negative consequences for boys.”<sup>30</sup> This ranges from lower grade-point averages and a much higher likelihood of suspension in middle school, to boys from single-parent families being more likely to be diagnosed and treated for ADHD.

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<sup>d</sup> According to Autor and Figlio, boys especially struggle without a father in the home. This is because, according to The Wall Street Journal's William A. Galston, discussing Autor and Figlio's research, “Boys' problems are much more behavioral than cognitive. For example, truancy and classroom disciplinary issues lead to suspensions, which play the largest role in explaining the boy-girl high-school graduation gap. But the presence of fathers in the household substantially reduces the gaps between boys and girls in absences and suspensions. It turns out that boys need fathers as well as mothers even more than girls do, and suffer even more when fathers are absent from their lives.” William A. Galston, “The Poverty Cure: Get Married,” Wall Street Journal, October 27, 2015.

Black American boys appear to be uniquely harmed, according to Wasserman: “The effects of family structure don’t vary systematically for white and minority youth—with the exception of black boys, who appear to fare especially poorly in families and low-income neighborhoods without fathers present.”<sup>31</sup>

This is because growing up fatherless has a significant negative psychological impact on kids. In the book *Willpower*, written by cognitive psychologist Roy Baumeister and science writer John Tierney, a psychology test administered to children is described. In the test, children can receive a small prize right away, yet receive a larger, more valuable prize available in ten days if they forgo the smaller prize. En masse, children without a father in the home chose the initial prize, while children with a father in the home were far more willing to wait ten days for the larger prize.<sup>32</sup>

Research by David Autor and David Figlio studied, and rejected, the idea that these effects are due to dangerous neighborhoods or poor schools. They concluded that “neighborhoods and schools are less important than the ‘direct effect of family structure itself.’”<sup>33</sup>

A fatherless child is even at a far higher risk of abuse. According to the government’s National Incidence Study of Child Abuse and Neglect, children who reside with an unrelated male in the home are about eleven times more likely to be sexually, physically, or emotionally abused.<sup>34</sup> Unrelated adults in the home also significantly increase the likelihood of child-abuse deaths, meaning that when abuse does occur, it tends to be more severe and more violent.<sup>35</sup> Children without a present father may even be at greater risk of abuse from outside the home. For example, pedophile priests or other child predators may purposefully target children who have absent fathers, viewing these children to be soft targets.<sup>36</sup>

Given all this, America is in trouble. Countless American children have been hurt deeply by this churning and uncertainty. But this hurt isn’t felt evenly across the country—not even close. The fatherhood deficit, and the disappearance of marriage, is extremely concentrated among America’s poor and working class.<sup>37</sup>

## MARRIAGE BECOMES A LUXURY

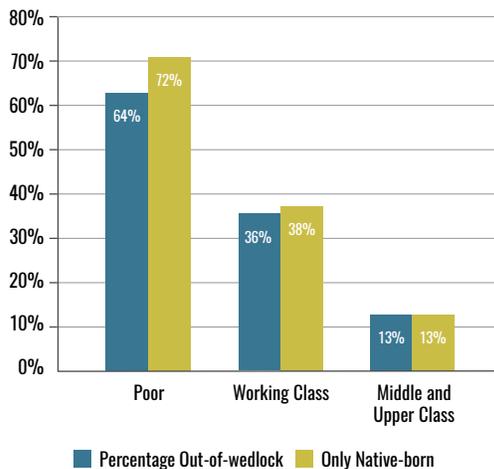
Marriage and fathers are extremely important if we care about poverty and social mobility, but America’s poor marry less often, and America’s poor children have relatively few involved or present fathers.

Much has been made of America’s overall marriage decline. Between 1960 and 2020 the percent of women of childbearing age who are currently married has declined from over 70 percent to 42 percent. During the same period, the percent of women ages 30–34 who have never married increased from just above 5 percent to 35 percent. The proportion of women ages 40–44 who have never married is less pronounced, but has still risen sharply. And remarriage rates have declined even further since then.<sup>38</sup>

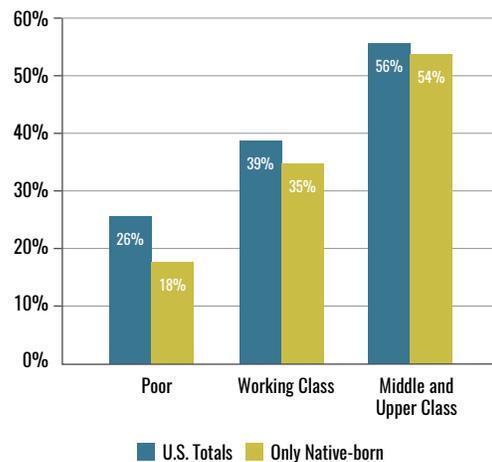
But there is a strong socioeconomic divide in the lack of marriage, and in family stability.<sup>39</sup> The marriage decline is heavily concentrated among poor and working-class Americans, causing stark inequalities between working-class Americans and better educated upper-class Americans when it comes to life at home.<sup>40</sup> In fact, as marriage rates plummeted among America’s poor, the institution has remained resilient among America’s upper middle class and upper class, who still marry at rates similar to those fifty years ago.<sup>41</sup>

Indeed, though the national decline of marriage has been most pronounced among minority groups, this is largely because these groups tend to be poorer than America’s white population. Between 1960 and 2011,

**Figure 1 | SHARE OF CHILDREN BORN OUT OF WEDLOCK, BY MOTHER'S CLASS**



**Figure 2 | SHARE OF ADULTS AGE 18-55 WHO ARE CURRENTLY MARRIED, BY CLASS**



the proportion of black adults who were married declined by 50 percent, while the proportion of Hispanic adults declined by 35 percent, compared to a still-substantial decline of 25 percent among whites.<sup>42 e</sup>

According to Brad Wilcox and Wendy Wang, two researchers at the American Enterprise Institute and the Brookings Institution, respectively, “Less than half of poor Americans age 18 to 55 (just 26 percent) and 39 percent of working-class Americans are currently married, compared to more than half (56 percent) of middle- and upper-class Americans.”<sup>43</sup> The researchers also note that the class divide in marriage and fatherlessness would be even larger were it not for first generation immigrants to the United States, who are both disproportionately married and poor.

This collapse of marriage among<sup>f</sup> poor Americans has coincided with a sharp increase in out-of-wedlock births and higher rates of fatherlessness. Yet even among the poorest Americans where it has all but disappeared, marriage is still seen as a goal to, potentially, achieve. Lower-income Americans still “want” marriage, yet they don’t see it as attainable.<sup>44</sup> But lower-income Americans also want children—a goal people do see as attainable without marriage—which is reflected in the rise of non-marital births among poor whites and minorities.<sup>8</sup>

The result is that there are now two castes among American children: rich children with dads in the home, and poor children who often do not have a father in the home. Today, 71 percent of poor families with children are headed by single parents, while 73 percent of families with children that are not poor are headed by married couples.<sup>45 h</sup>

e While 95 percent of white American women and 92 percent of black American women, age 40–44, had been married once in 1970, now 88 percent of white women and only 63 percent of black women age 40–44 have ever been married today. Galston, WSJ

f Poor Americans face other obstacles if they seek to avoid the “churn” of family fracture. Even if poor couples get married, divorce is more common among the working class and the poor, relative to wealthier Americans who tie the knot. It is possible that a lack of economic resources causes an increased strain on the marital relationship, and the lack of stable families leads to even fewer resources—a vicious cycle. But it is also true that there was no marked increase in divorce, family instability, or single parent families in the depths of the Great Depression. If anything, before the 1960s, increased economic stress may have also increased the need for family relationships, and made family bonds, for good or ill, more “sticky.”

g Wilcox and Wang also note that “babies born to working class mothers are three times as likely to be born out-of-wedlock, compared to middle- and upper-class mothers. Babies born to poor mothers are around five times more likely to be born out-of-wedlock, compared to middle- and upper-class mothers.”

h According to Wilcox and Wang, “Adolescents in poor and working-class homes are also significantly less likely to live with [both] their biological parents than their peers from middle- and upper-class homes (55 percent versus 77 percent).”

It is important to realize that things weren't always so. In the first half of the twentieth century—when social mobility was stronger despite a host of social ills—poor American kids, white or black, had fathers.

## THE HISTORY OF FATHERLESSNESS AMONG AMERICA'S POOR

The crisis of fatherlessness in America started in the mid-twentieth century with the low-income black family. From 1890 to 1950, black women had a higher marriage rate than white women.<sup>46</sup> This was true despite a consistent shortage of black males from 1890 to 1920, due to higher black male mortality. And in 1950, just 9 percent of black children lived without their father.<sup>47</sup>

Overcoming the evils of Jim Crow and systemic racism, the rate of black poverty fell from 87 percent to 47 percent between 1940 and 1960. And the percentage of black white-collar workers also increased markedly, albeit from a low level.<sup>48</sup>

By the end of the 1950s, the black marriage rate had slid, but it still remained close to the white marriage rate. In 1960, almost 80 percent of black children still lived in homes with both a mother and a father.<sup>49</sup> In other words, despite open racism and widespread poverty, strong black families used to be the norm.<sup>50</sup>

That began to change in the early 1960s, when the percentage of black children living without their fathers started to increase significantly. In 1965, about 25 percent of black children lived in single-parent households, while only 5 percent of white children lived in single-parent households.<sup>51</sup>

Concerned by this development, future Democratic Senator and then federal bureaucrat Daniel Patrick Moynihan—himself the product of a broken home, who intimately knew the emotional wound that it had caused—published the Moynihan Report. Yet social science at the time ignored the importance of a father in the home. Rather, the trend of the day was to focus on abusive fathers. So although Moynihan had a few allies in the Johnson administration, many on the political Left went so far as to attack Moynihan for his warnings. Harvard's Paul Peterson writes that Moynihan's "findings were totally ignored by those who designed public policies at the time."<sup>52</sup>

Ignoring the Moynihan Report has wreaked untold pain and havoc. Fatherlessness in the black American community increased at an even faster rate in the years after Moynihan's report. By the mid-1980s, the percentage of fatherless children among blacks would double, and the racial gap in marriage rates and fatherlessness would widen further. In unison, black out-of-wedlock births went from 18 percent in 1950, to 24.5 percent in 1964, to 50.3 percent in 1976, to 70.7 percent in 1994.<sup>53</sup> Today, more than 70 percent of black births are to unmarried women, twice the percentage of unmarried births among whites. And today, roughly two-thirds of black children are now raised in single parent families—only about 30 percent of black children are being raised by a mother and a father.<sup>54</sup>

This widespread fatherlessness in the black community only serves to exacerbate racial inequalities, because there is a stark contrast in the outcomes of poor black families based on whether or not those families are headed by married parents.<sup>55</sup> Author Jason L. Riley notes that "in 2012 the poverty rate for all blacks was more than 28 percent, but for married black couples it was 8.4 percent and has been in the single digits for two decades. [Overall] just 8 percent of children raised by married couples live in poverty, compared with 40 percent of children raised by single mothers."<sup>56</sup>

What started with the poor black American family has spread to poor and working-class white American families. Beginning in the 1980s, the poor and working-class white family fractured as well.<sup>57</sup> One-fourth

of America's white children are now fatherless, with about a third of white babies being born outside of marriage. These figures are “significantly higher than the alarming rate Moynihan documented” concerning the black family in 1965.<sup>58</sup>

Overall, around 40 percent of American births are now out of wedlock, and a third of American children live with only one parent—most often their mother.<sup>59</sup>

## EXPLANATIONS FOR THE DECLINE IN MARRIAGE AMONG AMERICA'S POOR

What explains the socio-economic divide in marriage and the sharp decline of marriage among lower-income Americans? Because black American families have been hit hardest by family fracture, many used to blame the evils of racism and slavery. Yet, again, black women had a higher marriage rate than white women for the first half of the 20th century, and under 10 percent of black children lived without their dad.<sup>60</sup> <sup>61</sup> By 1960, the black marriage rate had declined but remained close to the white marriage rate. Despite open racism and widespread poverty, strong black families used to be the norm.<sup>62</sup> Added to this, lower income white families today also suffer from family fracture. In other words, income is a much better predictor of family structure than is race.

More convincingly, some have blamed de-industrialization and relatively stagnant working-class male wages for family breakdown. While this is certainly a contributing factor, it likely isn't the only factor—marriage was still the norm for poor men with low earning power before the 1960s. Plus, ignoring the impact of welfare, there's still a large increase of household earnings when a working-class male is added, and most working-class men still have greater earnings power than working-class women.

Another explanation offered has been the mass incarceration of young men, especially black American men. Conservatives such as Ben Shapiro have endorsed this theory, in an intellectually lazy attempt at partisanship. But the breakdown in marriage among poor black Americans began in the 1960s, well before President Bill Clinton passed his now-infamous tough-on-crime bill containing mandatory minimum sentences.<sup>63</sup> In fact, the black American out-of-wedlock birth rate is roughly the same today as it was when Clinton signed his crime bill.<sup>64</sup>

Of course, mass incarceration, especially at the state level, started before the 1990s—in the late 1970s and 1980s. So it's more accurate to say that mass incarceration has impacted the economic prospects and marriageability of young black men, which has contributed to fatherlessness in the black American community.<sup>65</sup> Yet, even the more nuanced version of this explanation is still no silver bullet.<sup>i</sup> The black family was breaking down even before the War on Drugs got rolling, and it could easily be argued that family breakdown and unmarried young men were more prone to engage in criminal behavior—that family fracture led to criminality, not the other way around. Certainly, as the research shows, fatherless children are more at risk of engaging in criminal behavior.<sup>66</sup> The “missing men” theory also doesn't explain why family breakdown now impacts both black and white Americans on the basis of class.

Liberal academics' preferred theory blames a lack of birth control access. Economists George Akerlof and Janet Yellen theorized in a widely cited 1996 paper that a “technology shock” due to birth control and abortion access moved society away from shotgun marriages (marrying after a pregnancy occurred). Yet

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<sup>i</sup> The author supports criminal justice reform efforts, but believes it would be a mistake to think that these efforts will single-handedly fix the family breakdown problem—they may end up having a negligible impact.

because the poor didn't have proper access to birth control and abortion, they suffered from a spike in out-of-wedlock births.<sup>67</sup> Proponents of this theory say that the solution is to provide more birth control and abortion access to poor Americans.

Even many center-right academics adhere to the Akerlof–Yellen theory, but it too is seriously flawed. First, the theory doesn't explain why out-of-wedlock births hit black Americans first, but several decades later spread to lower-class white Americans. Lower-class white Americans didn't suddenly lose birth control access in the 1980s and '90s.

Next, if poor Americans had no access to contraception in the first place, it hardly makes sense that they were, simply by the knowledge of birth control's existence, caused to abandon the social mores society had followed for thousands of years. And marriage, especially among the poor, leads to benefits from economies of scale and the pooling of resources (without factoring in government benefits).

But the biggest flaw in the theory is in its basic assumptions. The theory assumes that most pregnancies that lead to single motherhood are unwanted, and this is simply not true. Harvard's Kathryn Edin, the nation's leading researcher on single mothers, has shown a vast majority of out-of-wedlock births are desired, or at least the couple wasn't trying to actively prevent a pregnancy, and a vast majority of the mothers involved had access to birth control and chose not to use it.<sup>68</sup> That's because disadvantaged women report finding a great deal of meaning in raising children.<sup>69</sup> That shouldn't surprise us. If women with high-powered careers desire children and find meaning in rearing children, certainly poor and working-class women with limited economic prospects could also greatly desire children, whether married or not.<sup>70</sup>

Most of the children born out-of-wedlock aren't the result of short-term flings, either. According to Sara McLanahan and her researcher team at the Princeton University-Brookings Institution Future of Children Project, "More than 80 percent of unmarried parents are in a romantic relationship at the time of their child's birth, and most of these parents have high hopes for a future together."<sup>71</sup>

Even if the Akerlof–Yellen theory could explain the rise in out-of-wedlock births, it also fails to answer why lower-income Americans aren't getting married. Research has shown that these lower-income Americans—the demographic that has driven America's marriage rates lower in the last 60 years—still idolize marriage, but view it as a luxury, while children are often seen as a necessity.<sup>72</sup>

Akerlof and Yellen brushed aside the possibility that marriage penalties in welfare could be causing the abandonment of marriage.<sup>j</sup>

In a similar vein to the Akerlof–Yellen theory, many conservative intellectuals have blamed cultural shifts caused by the sexual revolution for family breakdown. Studies have indeed shown that there is a "group effect,"<sup>73</sup> where once a trend or social norm takes hold in a community, others are more likely to follow suit. Today, this is evidenced by the difference between the marriage rates of immigrants and native-born Americans with the same income levels. But dwelling only on culture is counterproductive for several reasons.

Culture is amorphous and battling culture, especially with political solutions, is nearly impossible. That's why talk of battling culture often borders on fatalism. And national or even statewide policies intending to change the culture have tended to be top-down, and even if successful, not very scalable. For example,

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j Akerlof and Yellen argued that fatherlessness couldn't have been caused by Lyndon Johnson's "War on Poverty" welfare expansion because although welfare jumped in the 1960s, its real benefits declined in the 1970s due to relatively higher inflation, even as fatherlessness continued to rise. But here they forgot that real wages, which compete with welfare payouts, also dropped in the '70s. This kept welfare, relative to the decade prior, equally attractive compared to work in the formal economy. More fundamentally, if there was a large penalty to marriage embedded in welfare, but that penalty became less large though still substantial in the 1970s, there is still a substantial penalty to marriage. Said differently, welfare's benefits can't be examined in a bubble.

while many conservative intellectuals will point to the success of a Bush administration pilot program of government-funded marriage counseling classes, the program did nothing to address why lower-income Americans no longer get married in the first place.<sup>k</sup>

It is also just as likely that many of the cultural shifts among poor Americans that conservatives abhor are the result of broken families and fatherlessness as that they are the cause of family breakdown. These cultural shifts feed on themselves and are self-perpetuating. But culture may be the effect, not the cause. For example, even the decline in churchgoing has been shown to be the result of a decline in familial bonds, not the cause—men, especially, change their behavior and their civic engagement upon marriage.<sup>74</sup>

## THE WELFARE EXPLANATION

The reality is that many of these explanations are not mutually exclusive. There is certainly a group effect, based on culture, and de-industrialization coupled with women's wage gains have made subsets of men relatively less marriageable, compared to sixty years ago.

But the huge expansion of welfare that occurred in the 1950s and '60s may provide one of the best explanations for increased rates of family breakdown.

Before Lyndon B. Johnson's Great Society passed in 1964, welfare in basic form already existed—Aid to Families with Dependent Children (AFDC) was enacted in 1935,<sup>l</sup> and some welfare expansion occurred in the administration of John F. Kennedy. But when Johnson's Great Society programs began to take effect, benefits became substantially more generous and came under greater control of the federal government.

These programs paid out based on the income of the parents in a family, and because specific help was directed to single mothers, married couples were severely penalized and often cut out of receiving welfare entirely. "Man in the house" rules meant that welfare workers would randomly appear in homes to check and see if the mother was accurately reporting her family status. (They appeared randomly to check if the father of the children in question was around.)

Here's Harvard's Paul Peterson:

Some programs actively discouraged marriage. Welfare assistance went to mothers so long as no male was boarding in the household. Access to food stamps and Medicaid was automatic only if the welfare assistance met government approval. Once a family income crossed a specific threshold, access to these resources disappeared. Marriage to an employed male, even one earning the minimum wage, placed at risk a mother's economic well-being.<sup>75</sup>

The benefits available were extremely generous, even after, at least according to Akerlof, the benefits slid in real terms during the 1970s. According to Peterson, analysts at the time "estimated that in 1975 a household head would have to earn \$20,000 a year to have more resources than what could be obtained from Great Society programs."<sup>76</sup> In today's dollars, that's over \$90,000 per year in earnings.

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k For example, the Bush administration "promoted marriage" through the funding of marriage counseling classes. There was evidence that these counseling classes helped marriages—as marriage counseling has been proven to be effective, even for non-troubled marriages. But these "compassionate conservative" era programs were inconsequential, relative to the scale of the problem. They also ignored the root of the problem—if people in the lower income tiers aren't getting married in the first place, more marriage counseling classes won't help. And it seems antithetical to conservatism to think a big government program can ever teach couples to be better marital partners.

l Aid to Families with Dependent Children (AFDC) was enacted in 1935, but controlled by the states (in the Jim Crow South, meager welfare programs were designed to be exclusionary and seasonal, at most acting as a subsidy to landowners who only wanted to pay agricultural laborers seasonal wages, but also wanted workers to stay in the South during the off-season, despite the lack of paying work).

In the words of Jason Riley, a journalist and Wall Street Journal contributor, “Marriage was penalized and single parenting was subsidized [by Great Society programs]. In effect, the government paid mothers to keep fathers out of the home—and paid them well.”<sup>77</sup>

Identifying welfare’s marriage penalties as a contributor to lower-income family breakdown also explains why family breakdown has spread as it has, reaching into higher income levels.<sup>78</sup> Historically, black Americans were targeted by welfare programs and uniquely subjected to “man in the house” rules.<sup>79</sup> This, coupled with the fact that a larger share of black Americans were poor—even though there were more whites than blacks on welfare—helps explain the sharp increase in black family fracture in the 1960s and ’70s.

Today, racial differences in marriage rates could be largely due to income disparities between blacks and whites, which result in stiffer marriage penalties for black adults. For the period from 1988 to 1993, for example, Douglas Besharaov and Tim Sullivan found that “black single mothers [were] 50 percent more likely than white ones to face a marriage penalty that exceeds 10 percent of their income (46 percent versus 31 percent).”<sup>80</sup>

In other words, family breakdown is now class-based, instead of being race-based, because lower-income Americans are eligible for safety-net assistance. Statistical evidence suggests that marriage rates are significantly affected by the degree of marriage penalties in welfare.<sup>81</sup> Anecdotally, one study found that almost a third of Americans said they personally know someone who chose not to marry due to the fear of losing a means-tested benefit.<sup>82</sup>

As means-tested programs now reach into the working class and middle class,<sup>m</sup> this has corresponded with a decline in marriage among these groups.<sup>83</sup> And a large number of American children are impacted, as about 40 percent of families with children 18 and under receive support from at least one means-tested transfer program.<sup>84</sup> For families with children who are five and under, and for families with children two and under, the share receiving benefits rises to 47 percent.<sup>85</sup>

## HOW TODAY’S SAFETY NET PENALIZES MARRIAGE

Today’s social safety net no longer explicitly prohibits marriage, but many programs still contain large marriage penalties. A family is eligible for a welfare program if their household income is below the eligibility threshold or thresholds of that program. If a couple is married, or if they are the joint biological parents of the children, both incomes are counted.

In the “family unit test” the combined income of the biological family is counted toward eligibility—this is the test for most means-tested programs, including childcare vouchers, Section 8 housing choice vouchers, Medicaid, and TANF (Temporary Assistance for Needy Families, the program that replaced the AFDC in 1996’s “welfare reform” bill, signed by President Clinton).<sup>86 n</sup>

The remaining programs analyze the income of both adults in a household only if these adults are sharing resources—this is the “economic unit” test.<sup>o</sup> Major programs that fall under this test include SNAP/WIC (food stamps or assistance), school meals, and LIHEAP (Low Income Home Energy Assistance Program).<sup>p</sup>

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m Such as the Affordable Care Act’s insurance subsidies and childcare subsidies.

n In five states, the income(s) of any other adults in the household are counted when determining TANF benefits.

o An economic unit test asks if the adults under the same roof are sharing resources, versus looking at who is biologically related. Even better, states should implement a “working-age adults under one roof” test.

p The exception is two programs, the Earned Income Tax Credit (EITC), and the Additional Child Tax Credit (ACTC). Because these programs are run through the federal tax code, they specifically assess whether recipients are married or unmarried.

Adults who are married, or are the joint biological parents of the children, are presumed to be sharing resources under this test.

In either test the greater income a family makes (however the government defines the family), the less welfare that family qualifies for. The typical working-class adult with a child will qualify for programs if only their own income is counted but will easily lose eligibility if another adult's income is also counted.<sup>9</sup>

Perverse incentives abound. A single mother will qualify for substantial benefits if she doesn't live with her child's biological father, but that single mother could live with a boyfriend who is not the biological father of her child and that boyfriend's income will not be counted toward welfare-eligibility. Aside from disincentivizing fathers in the home, whether married or cohabiting, this policy places children in danger—an unrelated male in the home makes children in that home eleven times more likely to be victims of abuse, and when abuse does occur it tends to be more violent.<sup>87</sup>

That's problematic. On paper, welfare doesn't discriminate between joint biological parents cohabiting or being married—it equally punishes them both. But in practice, cohabiting biological parents can receive benefits, as if one parent were absent, by failing to report that they are cohabiting.<sup>88</sup> This is especially possible given that the infamous “man in the house” rules—where government employees show up at a home unannounced to verify the family's status—are thankfully gone.

Ample evidence shows that such misreporting isn't just extremely possible, but it is widespread. For example, a sizable portion of WIC recipients fail to report another adult in the house, because that would bump them out of program eligibility.<sup>89</sup>

While it is hard for authorities to verify whether a person is accurately reporting that they are not living with their child's other parent, the exception is when that couple is married. When a couple marries, the couple's relationship and living situation becomes readily available information to authorities. That's because states and counties keep official databases of marriages. In Minnesota, for example, the Minnesota Official Marriage System,<sup>90</sup> or MOMS, tracks every marriage in the state going back about 150 years.

More obviously, marriage is a public declaration of two people joining together to become one family unit. It simply isn't customary for two married persons to hide their marriage, even if they think that they can receive a financial benefit in doing so.

Here's Douglas Besharov on the topic:

In theory, means-tested programs are marriage-neutral for many cohabiters, because they putatively count the income of biological parents and, for nutrition and energy programs, couples who share household expenses. However, that assumes the authorities have an accurate understanding of the cohabiters' status. There is substantial evidence that they often do not.

Unlike marriage, there is no official record to establish the status of cohabitation. The result is that many more cohabitating couples than might be assumed face marriage penalties. Coupled with the easy option of cohabitation instead of marriage, the situation hardly seems marriage-friendly. In addition, while unmarried, many of these cohabitating cou-

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<sup>9</sup> Under the current rules, eligibility is determined by whether or not the family's income falls below a certain percentage of the State Median Income (SMI). Once a family is eligible for the program, incomes are allowed to temporarily move above the eligibility level before the benefit is removed, but not substantially so.

ples receive means-tested government assistance, even while married couples with lower incomes do not.

. . . Moreover, the easy misreporting of status creates a moral hazard that seems to breed contempt for law and discourages the development of strong ties between the cohabiters.<sup>91</sup>

To re-cap: On paper, the system disfavors joint biological parents staying with their children, married or unmarried. That is reprehensible in and of itself. In practice, welfare uniquely penalizes marriage. The problem is that cohabitating relationships, relative to marriages, are uniquely unstable<sup>92</sup> and thus not ideal for children.<sup>93</sup>

Around half of out-of-wedlock births are to cohabiting parents,<sup>94</sup> and an even larger share of parents view themselves as romantically involved and in a long-term relationship.<sup>95</sup> These cohabiting couples are most vulnerable to feel, or substantially perceive, marriage penalties when having a child. Many have their child, then separate soon after.

The average cohabitating relationship lasts for only eighteen months, and typically ends relatively soon after the couple has a child together. Ultimately, about two in three cohabiting couples with children will break up by the time their child turns twelve years old.<sup>96</sup> For children with married parents, only one in four will see their parents break up by that time.<sup>97</sup>

Not only do parents who are cohabiting break up more often, for some reason that has yet to be fully understood, the breakups of cohabiting parents are more damaging to children than divorce, even when controlling for race, income, and locality.<sup>98</sup> This has persisted even while the social stigma of being a child of unmarried parents has largely vanished. By encouraging cohabitation, government policy is tilting the scales toward unstable families.

## WHAT POLICYMAKERS CAN DO

The solution lies in copying the tax code, which accounts for the fact that two parents can both be earners in a family unit. For example, for a single tax-filer, the 24 percent rate kicks in at roughly \$82,000 in taxable income. But for a married couple filing jointly, that rate kicks in at \$165,000 and above (about a 100 percent increase). And while the 22 percent rate kicks in at roughly \$50,000 in earnings for a single person, it kicks in at roughly \$77,000 for a married couple filing jointly (an increase of about 54 percent).

The alternative to this system is obviously unfair to married couples. If married couples were forced to pay the rate of single filers, a woman who chooses to work would be forced to pay an abnormally higher tax for her earnings, if her husband also works. By allowing married couples to file jointly and be subject to a higher dollar amount at which the higher marginal rate kicks in, the tax code negates or softens the impact that progressively higher rates have on marriage. Indeed, because of the ability for taxpayers who are married to file jointly and qualify for a different tax bracket for their combined incomes and expenses, the federal tax code attempts at neutrality when it comes to marriage.<sup>99</sup>

State and federal policymakers can do the same for safety net programs. Using the tax code as a guide,<sup>r</sup> safety-net eligibility thresholds should be raised for poor and working-class married couples. The most

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<sup>r</sup> The federal tax code does still have marriage penalties because of the larger deduction for single “head of household” filers that is commensurate with two married adults (see, <https://ifstudies.org/blog/did-congress-really-eliminate-the-marriage-tax-penalty-part-1>, and <https://ifstudies.org/blog/did-congress-really-eliminate-the-marriage-tax-penalty-part-2>).

generous programs, which also have the largest marriage penalties, should be specifically targeted—this includes SNAP (food stamps), Medicaid, and childcare assistance.

To demonstrate these penalties, and find a path forward to reform, we examined which types of couples and family income levels are impacted the most by marriage penalties built into state childcare assistance programs.

## THE SIZE OF MARRIAGE PENALTIES

Using the Urban Institute’s Net Income Change Calculator (NICC),<sup>100</sup> which requires making several basic assumptions<sup>s</sup> about things like monthly housing and childcare cost, we mapped out welfare’s penalties to marriage at different household income levels in three states: Texas, Georgia, and Minnesota.<sup>101</sup> While culture certainly plays a role, welfare’s penalties against a father in the home—especially when the parents are married—can be so large that it’s hard to argue they don’t have an impact.

In Texas, a couple with one infant child each earning \$30,000 per year for a combined \$60,000 in household earnings, faces a marriage penalty of almost \$9,000 per year, or 15 percent of household income, in reduced safety net benefits. Here, CCAP makes up 60 percent of the overall marriage penalty. Meanwhile, a couple with one infant child earning a combined \$60,000 in household income, where the man earns 80 percent of the income, faces a marriage penalty of over \$13,500 (assuming full-time childcare costs).

In Georgia, a family with one infant child where each spouse is working with a combined income of \$60,000 faces a marriage penalty of around \$9,500 per year—almost 60 percent of this penalty is due to childcare assistance. In Minnesota, because of the state’s high childcare costs, that same family faces a marriage penalty of a whopping \$18,372 per year. CCAP makes up about 70 percent of the overall marriage penalty at this income level.

The analysis looked at couples earning combined increments of \$10,000, from \$10,000 to \$100,000, and with each adult earning a varying share of the couple’s combined income. The Georgia Center for Opportunity<sup>102</sup> has done more sophisticated research examining marriage penalties using income as a sliding variable, not just examining incremental points of income.<sup>103</sup> The benefit to such an approach is that real people don’t live in increments of \$10,000. But the benefit to the approach taken in this paper is its simplicity. Notably, both approaches show the same trends and conclusions.

**Based on these NICC-derived calculations (see Appendix for table), there are several broad takeaways:**

1. The data shows earnings from work, plus benefits and minus taxes. The calculations we use do not show dollar amounts for Medicaid or Affordable Care Act subsidies.<sup>t</sup> But the NICC does show the number of persons in a given family who are eligible for Medicaid. Married couples lose Medicaid eligibility for themselves and for their child(ren) at a much lower threshold of combined income than do unmarried couples, which means that the NICC calculations understate overall marriage penalties.

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<sup>s</sup> Seven assumptions were made by the author when using the NICC (this is required to obtain NICC output): (1) The woman claims the children for tax purposes; (2) There has been no prior TANF or MFIP use by the family; (3) For families with two children, the ages of those children are less than one year of age and three years of age (calculated by the author but not shown in the table); (4) For families with one child, that child is assumed to be less than one year of age; (5) The childcare cost per month is \$1,300 per infant child in Minnesota, \$777 in Texas, and \$637 in Georgia (these figures are from the Economic Policy Institute, and give the average cost for daycare centers in that state—ostensibly, home care would be less-expensive, though many parents in urban areas may be unable to find a good home-care provider); (6) Rent is \$800 per month, and; (7) No or minimal child support is received by the mother if the biological father of the children is not in the home (if there is substantial child support, that would increase the marriage or cohabitation penalty of two biological parents even further).

<sup>t</sup> The aforementioned model developed by the Georgia Center for Opportunity does show the dollar-benefit received from these programs.

2. A substantial portion of the marriage penalty is due to CCAP, because childcare is such a large expenditure for families. The NICC calculations assume that if the family is eligible for CCAP, they are receiving CCAP.

Yet, in many cases, the reality on the ground is more complicated. Minnesota has spent heavily to supplement the federal program to make it widely available for those who qualify, which means that the average welfare recipient with children in Minnesota faces the marriage penalties associated with CCAP. But because other states do not significantly add to the federal program, there are waiting lists to be eligible for the program, meaning not all welfare recipients in those states are exposed to the full marriage penalties described above. Georgia, for example, restricts the program to certain priority groups. So many who do not fall into those priority groups cannot get the benefit. But including CCAP in the analysis is important. Even the Trump White House is talking about adding to CCAP funding and reducing state waiting lists.

3. If a family has more than one young child, the marriage penalty from CCAP is even higher, often about double the penalty for a family with only one child.
4. Marriage penalties fluctuate based on the combined income of the mother and father and based on how much each spouse makes. If a couple's combined income is below the eligibility threshold, the couple will face a minimal marriage penalty and could see a marriage bonus. Yet many of these extremely low-earning men have other problems that make them less marriageable. Once the family's combined earnings move above the cutoff for eligibility, marriage penalties increase substantially.<sup>u</sup>
5. Households where two working-class adults earn roughly the same amount of income face the largest marriage penalties, when the woman's income is within the range of welfare eligibility if the man's income is not counted. Families like this are extremely common today. And many industries in which working-class women disproportionately work—such as in healthcare—have seen much faster wage gains than industries that employ working-class men, a trend that has continued since the de-industrialization that started in the 1970s.
6. For families in which one spouse makes substantially more than the other spouse (in our simulation using the NICC for this type of family, one potential spouse makes 80 percent of household income) marriage penalties exist but are likely to be lower once a certain income-level is reached, compared to families where both adults make relatively equal amounts. For these families where one spouse makes a majority of the income, once the childcare subsidy vanishes it is often unfeasible to not have one spouse stay at home and care for the children, which will reduce the penalty from the childcare assistance program. When both spouses are working and childcare is required, if one spouse is only making 20 percent of the household's income, that spouse is often working only part-time and the family is likely not going to need fulltime childcare. That probably slightly overstates marriage penalties for these types of families in our NICC calculations, because childcare cost is probably overstated.

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<sup>u</sup> Families with combined incomes between \$40,000 and \$80,000 usually face the largest penalties. Also, while the overall income of the family matters a great deal, marriage penalties in welfare are affected by the percent of income each potential spouse would contribute to that family. For example, women with lower earnings prospects face a reduced marriage penalty due to the "bonus" received from combining her income with the income of a higher-earning male. Yet even here, the incentive would be to cohabit, and not to marry. However, if two people with similar incomes seek to marry, which is often the case, the marriage penalty is much larger. (See also Lyman Stone, "Affordability or Achievability?" Statement before the Joint Economic Committee on Family Affordability, September 10, 2019).

Overall, women with lower earnings prospects face a smaller marriage penalty, because of the marriage bonus she receives from combining her income with the income of a higher-earning male. Yet even here, the incentive would be to cohabit and not to marry.

7. Working-class men who are employed full-time and would otherwise be marriageable suffer from a “zone of reduced marriageability” because of welfare. In this income range a normally marriageable man is relatively unmarriageable, because although he makes good money in a vacuum, he is less competitive as a marital partner when measured against welfare.

The effect is particularly strong for men who don’t make more than the eligibility cutoff for key welfare programs. This is usually around \$50,000 per year in earnings or less. And men between \$50,000 and \$80,000 in earnings suffer from reduced marriageability, depending on what the woman in question earns. Yet men making above \$80,000 per year are very marriageable, because their income is more than enough to make up for any lost benefits, and income is at the point where one spouse can be the full-time childcare provider.

8. This zone of reduced marriageability for men who make roughly \$30,000 to \$60,000 in earnings per year should be incredibly troubling to us, given most young working men fall within this income-range.
9. We also modeled penalties to marriage for a woman who is single, living on her own, with one infant child. This is a way to examine the incentives faced by a single mother.

Assuming that the woman feels the same agency and ownership over her income when single as she would when combined with a spouse’s earnings when married, there is a benefit to marrying at every income level because of advantages in the pooling of resources. But this benefit from pooling resources is significantly reduced until the family makes a combined \$70,000 per year or greater, and isn’t fully felt until the family makes more than \$90,000 per year.

Overall, the incentive is again to cohabit, and not report this to authorities. And such a woman may still face an overall (or net) penalty for marrying, depending on the income of each adult, once Medicaid is factored in.

Aside from these points, there are several other state-level factors to consider:

1. Minnesota’s higher childcare costs provides a cautionary tale to states that wish to expand CCAP access and reduce waiting lists. The higher subsidies in Minnesota probably push costs higher. But increased government involvement also goes hand-in-hand with a greater regulatory footprint<sup>104</sup>—as government makes an attempt at quality control, again pushing costs higher.
2. States have varying rules for CCAP. Texas, for example, will not pay full childcare costs if the parent only works 30 hours per week. In the model, an assumption was made that under \$50,000 in earnings is from a 30-hour work week.
3. States that expanded Medicaid or are more generous with Medicaid (in this case Minnesota) pushed the Medicaid marriage penalty into higher income brackets. At \$90k in household income, an infant is still eligible for Medicaid in Minnesota if the family is unmarried.

## A PROPOSAL FOR STATES: AMEND THE CHILDCARE BENEFIT

Because of this analysis, the CCAP may warrant particular attention. Childcare assistance as a safety net benefit was originally passed as a nationwide benefit by Congress and signed into law by George H. W. Bush in 1990. Similar to other means-tested programs, the childcare benefit is mostly funded by the federal government but run, or administered,<sup>105</sup> by the states.<sup>v</sup> Childcare benefit eligibility (and the required copayment, if eligible) is based on a parent or parents' income and the family size,<sup>w</sup> so the marriage penalty varies based on a family's income, the cost of childcare where the family resides, and on the number of children in that family.

CCAP is a prime candidate for reform efforts because it is inherently pro-work and is not always available to everyone who technically qualifies—not all who are eligible for it receive it in many states—which caps the cost of reforming the program for policymakers. The program also has the highest marriage penalty due to the high cost of childcare, and these penalties often reach into the middle class. In fact, childcare assistance marriage penalties are so high that this program explains a large majority of the differences in marriage penalties between the states. The program also has the highest benefit cliffs, meaning that a family's income going just above the eligibility level through either work or marriage carries the biggest penalties.<sup>106</sup> The program also isn't open-ended—it ends when the child covered by the program reaches age thirteen.

Reforming CCAP would be most beneficial for working-class couples who are both starting their careers and in which both parents earn about the same amount of income. This type of young family is increasingly common today and most likely to be positively impacted by this reform.<sup>107</sup>

### Childcare Benefit Reform

- Use an “adults in the home” test to determine a family's eligibility.
- Increase the eligibility cutoff level for married couples by 1.4 times the income-level to determine eligibility for a single adult with the same number of eligible children.
- Allow for a phase-out period for poor married couples, which ends at 1.7 times the income-level for a single adult with the same number of eligible children.
- Allow the second spouse to work limited hours, which caps the program cost and doesn't tilt the scales unjustly toward families where both adults work full time.

<sup>v</sup> The 1990 law was called the Child Care and Development Block Grant Act, initially passed under the Omnibus Budget Reconciliation Act of 1990, and reauthorized and amended in 1996, and in 2014. Although the 2014 reauthorization made changes to ensure childcare facility quality, the 1996 changes are more consequential. The 1996 reauthorization and amendment consolidated the existing childcare programs into one block grant program, the Child Care Development Fund (CCDF). The CCDF, in turn, pulls federal money from two programs: the TANF (Temporary Assistance to Needy Families) Child Care Block Grant, and the Child Care Development Block Grant (CCDBG). States can allocate up to 30 percent of their TANF block grant for CCDF subsidies, and the remaining funds are appropriated by Congress. Specific block grants to states are appropriated based on a formula contained in the legislation.

The Child Care and Development Fund received over \$5 billion in federal funding in 2008. In 2013, the federal and state governments spent a combined \$8.6 billion on the program, which assisted the care of about 1.4 million children each month (US Department of Health and Human Services: Administration For Children & Families, “What is the Child Care and Development Fund (CCDF)?” <https://www.acf.hhs.gov/archive/occ/faq/what-is-the-child-care-and-development-fund-ccdf>). In 2018, the program received over \$8 billion in federal funding (US Department of Health and Human Services: Office of Child Care, “OCC Fact Sheet,” see <https://www.acf.hhs.gov/occ/fact-sheet-occ>).

Congress has attached minimum standards to the money it appropriates. Here's Angela Rachidi, an expert on the topic: “To be eligible for child care assistance through the CCDF, families must have income below 85 percent of the state median, have a child under 13 (or under 19 with special needs), and be working or in an approved work or education activity. States are also required to prioritize children with special needs and families of very low income, and states often interpret this to mean that TANF families be given priority.” These guidelines may mean that a reforming state should seek a waiver from the Department of Health and Human Services. Yet despite these “broad federal guidelines,” states “set many of the detailed program rules and policies used to administer their programs.” For example, states have varying work requirements (see also the CCDF Policies Database, <https://ccdf.urban.org/>).

With the exception of the Additional Child Tax Credit (ACTC) and the Earned Income Tax Credit (EITC)—which run through the federal tax code—and public housing and most Section 8 housing programs, America's welfare programs run through the states. States receive federal money to administer federal welfare programs. Depending on the program, states have leeway to set different rules and to supplement the program as they see fit. Federal policymakers, meanwhile, can create incentives for states to act to curb marriage penalties.

<sup>w</sup> In some states, there is a flat family fee (copayment) that doesn't change based on family size, while in other states the copayment changes based on family size.

What kind of impact could such a reform have? In the tax code, researchers have found that the “probability of marriage falls as the marriage penalty increases.”<sup>108</sup> This should be obvious, but no reform has attempted to negate, on anything close to a large scale, the marriage penalty in the safety net.<sup>x</sup>

And any marriage penalty, even if a similar dollar amount or percentage of household income, should be more consequential in welfare programs. That’s because the tax code is so complicated, it is hard to argue that most couples feel or know about marriage penalties. Calculating marriage penalties would involve complex financial calculations, and a tax accountant. This is not true for means-tested welfare programs, and studies show that means-tested safety net recipients have a good understanding of how their behavior will affect a program’s payout.<sup>109</sup>

Yet the goal shouldn’t be to eliminate marriage penalties in welfare down to the exact dollar. Rather, it should be to smooth out and reduce marriage penalties so they are relatively unnoticed, as is the case with the current tax code.

First, end welfare’s discrimination against a child’s biological father residing in the home by ending the “family unit” test that fails to count the income of the live-in boyfriend. Programs could be moved to an “economic test,” but better yet use an “adults in the home” test, where any adult residing in the home has their income counted toward program eligibility.

Second, raise the threshold of eligibility<sup>y</sup> for poor married couples who are residing together, both working, and have children eligible for the program. Taking a cue from the tax code, the eligibility threshold when married should be raised by 1.4 times the eligibility threshold for a family with only one adult but the same number of children.

For example, under current law, a parent with one infant child in Georgia is eligible for childcare assistance if that parent makes less than \$44,048 per year. Current law increases the eligibility threshold by about \$10,000 for every extra person in the family, but makes no distinction between adults and children. Under current rules, a married couple with one infant child in Georgia would lose eligibility at \$54,412 combined family income. After reform, initial eligibility for a married couple in Georgia would end at 1.4\* \$44,048, which is \$61,667.

Yet leaving the reform at that would mean that once this family passes the \$61,667 threshold, either through marriage or through work, the family would experience a steep “benefit cliff.” Here, the Georgia family would suddenly lose a benefit that substantially covers more than \$7,000 in childcare costs per child, per year.

The solution is to create a phase-out period for these married couples where eligibility is continued but where program copayments ramp up, commensurate with gains in household income, until 1.7 times the eligibility threshold for a family with only one adult but the same number of children. In this case, the married family in Georgia with one infant child would see co-payments increase after the initial eligibility threshold of \$61,667 (1.4x) until eligibility is completely lost at a combined household income of \$74,882 (1.7x).

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x Few state actions in the past have even come close to dealing with marriage in welfare. Two examples available are Wisconsin and New Jersey, which tried limited test reforms of AFDC (which became TANF) to promote marriage. But the programs were very short lived due to 1996 welfare reform and no data is available on outcomes. California also, for a time, provided transitional Medicaid benefits to women who had received AFDC but were no longer income-eligible due to marriage. No data are available as to this program either (Besharov). Today, Minnesota has extended TANF eligibility for a few extra months for women who become married, but the extension probably is negligible, and TANF plays a small role in overall marriage penalties.

y Under current rules, whether or not the family’s income falls below a certain percentage of the State Median Income (SMI) determines eligibility. Eligible incomes are allowed to temporarily move above the eligibility level before the benefit is removed, but not substantially so.

The reason for choosing a phase-out period that ends at 1.7 times the eligibility for a single-parent family with the same number of children is that this phase-out period ends at the exact point required to get rid of the marriage penalty—the point at which one of the parents, if working and earning enough to find childcare assistance attractive, could be single instead of married and not receive a substantial bonus for doing so.

For example, a couple each making \$40,000 per year with two young children would face a marriage penalty of well over \$20,000 per year in Minnesota without the phase-out, because one parent on their own would qualify for over \$20,000 per year in free childcare. With the phase-out, the marriage penalty is cut roughly in half, by at least \$10,000.<sup>z</sup>

The impact of reform is not to get rid of marriage penalties entirely, but to make them much less noticeable for those receiving childcare subsidies—again, because this benefit is so large compared to other benefits available.

In Texas the couple with one infant child and combined annual earnings of \$60,000, where each adult contributes 50 percent of household earnings, sees annual marriage penalties drop from nearly \$9,000 to under \$3,000 after reform. Depending on the exact copay schedule, this family would still pay about \$3,000 per year in childcare costs, but their cost would be similar, or even slightly less than, a similar family that was not married and where only one adult's income was being counted.

In Georgia, a family where each adult earns \$35,000 per year would see annual marriage penalties drop from about \$9,000 per year to \$5,000 per year. If the overall family still made \$70,000 per year, but the father earned a larger chunk of that income, the penalty would drop by a similar amount.

In Minnesota, married parents with one infant who made \$40,000 per year, each, would see their marriage penalty drop from \$13,000 to less than \$8,000. If the couple made a combined \$70,000, and each spouse earned a roughly equal amount, the penalty would be roughly cut in half from \$16,000 per year.

Finally, about half of the states and territories, including Minnesota, have minimum work requirements to qualify for the childcare benefit. Other states usually only subsidize childcare to the amount that there are hours worked, whatever those hours may be, which may actually be a better and more cost-effective system than a simple work requirement. If the benefit is expanded for lower-income married couples, one spouse should be allowed to be subjected to a minimum and flexible “hours worked” requirement, where the benefit only covers childcare commensurate with hours worked by that second spouse, not a standard work requirement. In other words, the state should only provide daycare if a parent is working, and a parent should have a reasonable time commitment to work in order for the state to subsidize childcare. But the state should also not be in the business of forcing both parents to work full-time in order to receive childcare assistance—one spouse should be able to work part-time.<sup>aa</sup>

That would save taxpayer money, allow the second spouse the choice to stay at home for more of the week, and help to not tilt the scales—more than they already are—toward families where both adults work full-time.

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<sup>z</sup> The specifics depend on the exact copay schedule for the phase-out, which would need to be decided by policymakers with a mind toward balancing the need to reduce perverse incentives with the fiscal constraints at the time.

<sup>aa</sup> Many states and territories, including Minnesota, allow job searches to qualify for work, and also cover childcare when the parent is in various forms of school or training. These work-requirements could be made more stringent in exchange for expanding the program to poor married couples. See “Child Care Subsidies under the CCDF Program: An Overview of Policy Differences across States and Territories as of October 1, 2015,” Urban Institute, June 2017 (<https://ccdf.urban.org/sites/default/files/CCDFDatabase2015PolicySummary.pdf>).

## IMPORTANT CONSIDERATIONS

The change that we propose with this reform will certainly raise eyebrows because, given the effort to end the “benefit cliff,” the reform would move eligibility well into the middle class. Yet that’s because the program, as it exists today, already does reach well into the middle class. Aside from getting rid of the program entirely, this reform is the only way to reduce the marriage penalty embedded within the program.

And while the reformed program would be extremely generous for parents with multiple eligible children, the current program is already extremely generous when more children are eligible—if the parents are unmarried. In truth, aside from the counterproductive marriage penalties, this is a very good thing, as it doesn’t levy sharp financial penalties on having an extra child, nor does it subsidize or incentivize having an extra child, as there are still plenty of added costs to the family associated with rearing an additional child.

One chief roadblock may be budgetary concerns, due to the fact that the program would now pay out at higher family-income levels. We would caution that the way such a proposal is scored will have a large impact on long-run cost projections, and any scoring must factor in the benefits to the economy, society, and the taxpayer of more stable families and greater social mobility. Much of the cost might also be associated not with the higher initial eligibility cutoff for poor married couples (1.4 times the eligibility cutoff for a single parent with an equal number of program-eligible children), but with the phase-out period (the benefit scales down until 1.7 times the eligibility cutoff for a single parent with an equal number of program-eligible children).

Here, limiting the phase-out period only to married persons who already qualified for the program according to the initial threshold for married couples would save money and limit dependency on the benefit. And the phase-out should also power upward mobility for the married adults, by not severely penalizing them for earning more. Again, such a change should be a long-run gain to the state’s finances. Indeed, the overall program may even save quite a deal of taxpayer money in the long haul. Furthermore, as is the case today, there will always be a natural reduction in any family’s dependence on the program as children reach school-age.

The authors have also examined possible legal and constitutional issues surrounding this proposal, and believe that the only constraint previously set by the courts is that a statute may not, on constitutional grounds, discriminate against the children of unmarried parents. That is not applicable here. First, these courts were dealing with cases of explicit discrimination. Second, this reform doesn’t penalize children whose parents are unmarried, nor does it cut benefits for single mothers. Third, the tax code’s treatment of marriage provides a compelling argument of constitutionality. As such, the reform should easily pass constitutional muster.<sup>ab</sup>

Finally, there will also be inevitable questions about the federal government’s role. State policymakers can and should push for reform without the federal government’s blessing, but must pay for these additions using state funds. Yet it may be possible for the Department of Health and Human Services (HHS) to issue a waiver, or a rule-change, that could allow federal funds to be used in state experimentation.

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ab This paper is not proposing a state subsidy of marriage. Rather, it seeks to eliminate the disincentives to marriage that exist in our current safety net and make the safety net both stronger and more favorable to decisions that lead to better outcomes for both adults and children. It should also be again noted that no other reform such as this has ever been attempted.

## CONCLUSION

Work, education, and marriage are the three tickets to social mobility. Policymakers spend much time on incentivizing education and work but have done little to fix the current social safety net’s penalization of marriage.

Policymakers should also strive to do no harm. In his 2020 State of the Union Address, President Trump talked about expanding the childcare benefit. And Republican lawmakers routinely support expanding the earned income tax credit (EITC), a means-tested program run through the tax code, even though the EITC also contains marriage penalties. Besharov and Gilbert said it best: “We are struck by how thoughtlessly marriage penalties are created in contemporary programs and how difficult they are to undo. The benefit cliffs in childcare programs and, more recently, in the ACA may facilitate administration, but at a real cost to wise policy-making.”<sup>110 ac</sup>

It is hard enough being married; it is even harder to be married while also facing the pressures and stresses experienced by young, working-class Americans. The last thing we should want is for government policy—well-intentioned but poorly designed—to make these stresses and pressures worse.

As Nick Schulz puts it, “The collapse of the intact family is one of the most significant economic facts of our time.”<sup>111</sup> The path to greater social mobility in America may lie in shifting the safety net toward being more marriage-neutral. Given the positive impact that marriage—and a father in the home—has on children, such a shift will pay dividends for decades to come.

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ac Indeed, the program we are discussing today was initially signed into law by a Republican president—George H. W. Bush—and contains massive penalties to marriage and, as a result, harms social mobility. Another program widely supported by both Republicans and Democrats as a way to boost the pay of the working poor, the earned income tax credit (EITC), also contains marriage penalties. The penalties in the EITC aren’t as pronounced on paper, assuming everyone follows the rules, but Congress also needs to carefully weigh the difficulties of enforcement and the risk of abuse for the programs that they pass.

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# APPENDIX A: CALCULATING THE CHILDCARE BENEFIT'S MARRIAGE PENALTY

**Table 1 | HOW MARRIAGE PENALTIES ARE CALCULATED, MINNESOTA EXAMPLE (MONTHLY)**

Monthly Earnings:		Single Mother, 1 Child** <small>(only one adult's income)</small>	Cohabiting Parents with 1 Infant Child** <small>(not properly reporting)</small>	Married, 1 Infant Child**	Eligibility for Medicaid <small>(married with two children)</small>	Eligibility for Medicaid <small>(not married with two children)</small>	Monthly Childcare Cost, 1 Child, if Cohabiting	Childcare Cost, 1 Child, Married	Monthly Marriage Penalty, 1 Child <small>(assuming not reporting cohabitation)*</small>	Single Mother, 1 Child, Marriage Bonus
Total	Split									
10,000	100/0	1,602	2,071	2,504	All	All	0	0	433	902
20,000	80/20	1,845	2,378	2,662	All	All	81	85	284	817
20,000	50/50	2,267	2,675	2,662	All	All	81	85	-13	395
30,000	80/20	1,988	3,043	2,796	All	-1	81	157	-247	808
30,000	50/50	2,343	2,902	2,796	All	All	85	157	-106	453
40,000	100/0	1,602	3,529	3,214	All	-1	0	0	-315	1612
40,000	80/20	2,131	3,670	2,923	All	-1	81	347	-747	792
40,000	50/50	2,429	3,448	2,922	All	-1	133	347	-526	493
50,000	80/20	2,267	4,304	3,149	All	-1	81	640	-1155	882
50,000	50/50	2,523	3,987	3,150	All	-1	161	640	-837	627
60,000	80/20	2,314	4,567	2,920	-2	-1	81	1,300	-1647	606
60,000	50/50	2,571	4,452	2,921	-2	-1	237	1,300	-1531	350
70,000	80/20	2,333	5,120	3,506	-2	-1	85	1,300	-1614	1173
70,000	50/50	2,619	4,885	3,531	-2	-1	289	1,300	-1354	912
70,000	100/0	1,602	6,097	4,756	-1	-2	0	0	-1341	3154
80,000	50/50	2,603	5,211	4,123	-4	-1	453	1,300	-1088	1520
90,000	50/50	2,128	4,952	4,710	-4	-2	1,300	1,300	-242	2582
90,000	100/0	1,602	7,123	5,960	-	-	0	0	-1163	4358
100,000	50/50	2,181	5,358	5,295	-4	-2	1,300	1,300	-63	3114

\*otherwise this is a bio parent cohabiting penalty too  
 \*\*monthly income after taxes and benefits

Chart continued on next page

**Table 1 continued** | HOW MARRIAGE PENALTIES ARE CALCULATED, MINNESOTA EXAMPLE (ANNUALIZED)

Monthly Earnings:		Marriage Bonus (+) or Penalty (-), 1 Infant Child	Childcare Cost for Married	Childcare Cost for Cohabiting Couple <small>(assuming not reporting cohabiting, otherwise this is a bio parent penalty)</small>	Percent of Overall Marriage Penalty, Excluding Healthcare, From the Childcare Benefit	Single Mother, One Child, Marriage Bonus <small>(note that reduction in benefits is outweighed by pooled incomes)*</small>
Total	Split					
10,000	100/0	\$5,196	0	0	0%	\$10,824
20,000	80/20	\$3,408	1020	972	-1%	\$9,804
20,000	50/50	\$(156)	1020	972	31%	\$4,740
30,000	80/20	\$(2,964)	1884	972	31%	\$9,696
30,000	50/50	\$(1,272)	1884	1020	68%	\$5,436
40,000	100/0	\$(3,780)	0	0	0%	\$19,344
40,000	80/20	\$(8,964)	4164	972	36%	\$9,504
40,000	50/50	\$(6,312)	4164	1596	41%	\$5,916
50,000	80/20	\$(13,860)	7680	972	48%	\$10,584
50,000	50/50	\$(10,044)	7680	1932	57%	\$7,524
60,000	80/20	\$(19,764)	15600	972	74%	\$7,272
60,000	50/50	\$(18,372)	15600	2844	69%	\$4,200
70,000	80/20	\$(19,368)	15600	1020	75%	\$14,076
70,000	50/50	\$(16,248)	15600	3468	75%	\$10,944
70,000	100/0	\$(16,092)	0	0	0%	\$37,848
80,000	50/50	\$(13,056)	15600	5436	78%	\$18,240
90,000	50/50	\$(2,904)	15600	15600	0%	\$30,984
90,000	100/0	\$(13,956)	0	0	0%	\$52,296
100,000	50/50	\$(756)	15600	15600	0%	\$37,368

\*but the incentive would be to cohabit, not marry

Source: Urban Institute and authors' calculations using the Urban Institute's Net Income Change Calculator

# APPENDIX B: REFORMING MINNESOTA'S CHILDCARE BENEFIT

**Table 1 | MINNESOTA CHILDCARE BENEFIT AND PROPOSED REFORM**

Childcare Benefit Reform's Annual Impact on the Marriage Penalty for a 2-Parent Family With 1 Infant Child, in Minnesota								Reform Moves Threshold to Lose Benefits From Original to 1.4x At Same Copay, and to 1.7x at Pronounced Copay, if Married*			
Annual Impact		Existing Penalty*		Reform				New % Due to Childcare Ben.	Childcare Cost for Married Unreformed	REFORM Childcare Cost (assuming ramping copay)	Monthly Cost Input (author's calculations)
Household Earnings	Income Split % (man/woman)	Overall Marriage Penalty (-) / Bonus (+)	Percent of Penalty Due to Childcare Benefit	After Reform Marriage Penalty (-) / Bonus (+)	Childcare Cost for Unmarried	Childcare Cost when Married, without Reform	Childcare Cost when Married, with Reform**				
10,000	100/0	\$5,196	0%	\$5,196	\$0	\$0	\$0	0%	0	0	0
20,000	80/20	\$3,408	-1%	\$3,564	\$972	\$1,020	\$864	3%	1,020	864	72
20,000	50/50	-\$156	31%	\$0	\$972	\$1,020	\$864	#DIV/0!	1,020	864	72
30,000	80/20	-\$2,964	31%	-\$1,944	\$972	\$1,884	\$864	-6%	1,884	864	72
30,000	50/50	-\$1,272	68%	-\$252	\$1,020	\$1,884	\$864	-62%	1,884	864	72
40,000	100/0	-\$3,780	0%	-\$3,780	\$0	\$0	\$0	0%	0	0	0
40,000	80/20	-\$8,964	36%	-\$6,100	\$972	\$4,164	\$1,300	5%	4,164	1300	108
40,000	50/50	-\$6,312	41%	-\$3,448	\$1,596	\$4,164	\$1,300	-9%	4,164	1300	108
50,000	80/20	-\$13,860	48%	-\$8,772	\$972	\$7,680	\$2,592	18%	7,680	2592	216
50,000	50/50	-\$10,044	57%	-\$4,956	\$1,932	\$7,680	\$2,592	13%	7,680	2592	216
60,000	80/20	-\$19,764	74%	-\$9,348	\$972	\$15,600	\$5,184	45%	15,600	5184	432
60,000	50/50	-\$18,372	69%	-\$7,956	\$2,844	\$15,600	\$5,184	29%	15,600	5184	432
70,000	80/20	-\$19,368	75%	-\$11,544	\$1,020	\$15,600	\$7,776	59%	15,600	7776	648
70,000	50/50	-\$16,248	75%	-\$8,424	\$3,468	\$15,600	\$7,776	51%	15,600	7776	648
70,000	100/0	-\$16,092	0%	-\$16,092	\$0	\$0	\$0	0%	0	0	0
80,000	50/50	-\$13,056	78%	-\$7,824	\$5,436	\$15,600	\$10,368	63%	15,600	10368	864
90,000	50/50	-\$2,904	0%	-\$2,904	\$15,600	\$15,600	\$15,600	0%	15,600	15600	1300
90,000	100/0	-\$13,956	0%	-\$13,956	\$0	\$0	\$0	0%	0	0	0
100,000	50/50	-\$756	0%	-\$756	\$15,600	\$15,600	\$15,600	0%	15,600	15600	1300

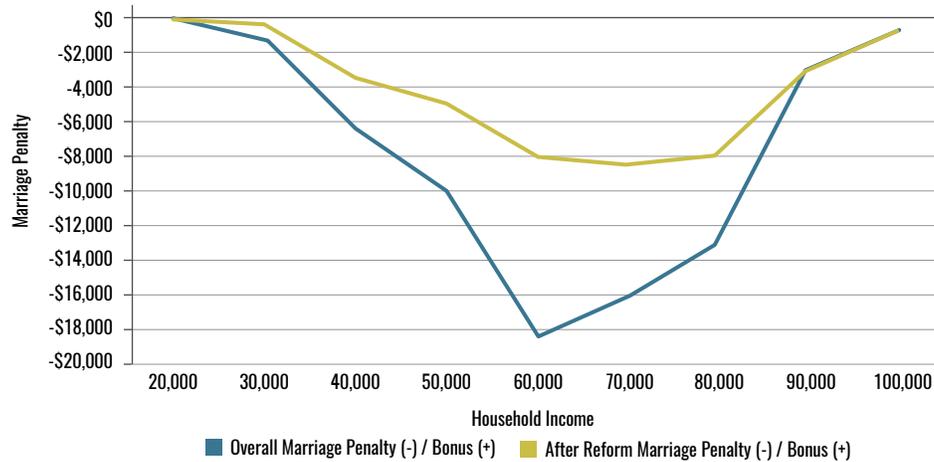
\* Assuming that the unmarried parents are not the joint biological parents of the children, and assuming that joint bio parents are claiming separate residences

\*\* Copay remains the same up to 1.4x the cutoff for one parent with the same number of children. Then, copay roughly doubles on a sliding scale up to 1.7x the cutoff.

**Table 2 | REFORM'S IMPACT ON MINNESOTA'S MARRIAGE PENALTY**

Income Split % (man/woman)	Household Earnings	Overall Marriage Penalty (-) / Bonus (+)	After Reform Marriage Penalty (-) / Bonus (+)
50/50	20,000	-\$156	\$0
50/50	30,000	-\$1,272	-\$252
50/50	40,000	-\$6,312	-\$3,448
50/50	50,000	-\$10,044	-\$4,956
50/50	60,000	-\$18,372	-\$7,956
50/50	70,000	-\$16,248	-\$8,424
50/50	80,000	-\$13,056	-\$7,824
50/50	90,000	-\$2,904	-\$2,904
50/50	100,000	-\$756	-\$756

**Figure 1 | REFORM'S IMPACT ON MARRIAGE PENALTIES FOR MINNESOTA COUPLES, EACH CONTRIBUTING 50% TO HOUSEHOLD EARNINGS**



# APPENDIX C: REFORMING GEORGIA'S CHILDCARE BENEFIT

**Table 1** | GEORGIA CHILDCARE BENEFIT AND PROPOSED REFORM

Childcare Benefit Reform's annual impact on the Marriage Penalty for a 2-parent family with 1 infant child, in Georgia								Reform Moves Threshold to Lose Benefits From Original to 1.4x At Same Copay, and to 1.7x at Pronounced Copay, if Married*			
Annual Impact		Existing Penalty*		Reform				New % Due to Childcare Ben.	Childcare Cost for Married Unreformed	REFORM Childcare Cost (assuming ramping copay)	Monthly Cost Input (author's calculations)
Household Earnings	Income Split % (man/woman)	Overall Marriage Penalty (-) / Bonus (+)	Percent of Penalty Due to Childcare Benefit	After Reform Marriage Penalty (-) / Bonus (+)	Childcare Cost for Unmarried	Childcare Cost when Married, without Reform	Childcare Cost when Married, with Reform **				
10,000	100/0	\$3,048	0%	\$3,048	\$0	\$0	\$0	0%	0	0	0
20,000	80/20	\$2,028	-85%	\$3,108	\$0	\$1,716	\$636	-20%	1,716	636	53
20,000	50/50	-\$732	107%	\$348	\$936	\$1,716	\$636	86%	1,716	636	53
30,000	80/20	\$372	-616%	\$2,028	\$0	\$2,292	\$636	-31%	2,292	636	53
30,000	50/50	-\$1,188	79%	\$468	\$1,356	\$2,292	\$636	154%	2,292	636	53
40,000	100/0	-\$2,184	0%	-\$2,184	\$0	\$0	\$0	0%	0	0	0
40,000	80/20	-\$1,200	126%	\$244	\$780	\$2,292	\$848	-28%	2,292	848	71
40,000	50/50	-\$3,036	19%	-\$1,592	\$1,716	\$2,292	\$848	-55%	2,292	848	71
50,000	80/20	-\$3,036	45%	-\$2,016	\$936	\$2,292	\$1,272	17%	2,292	1272	106
50,000	50/50	-\$8,292	69%	-\$1,920	\$1,920	\$7,644	\$1,272	-34%	7,644	1272	106
60,000	80/20	-\$10,368	65%	-\$5,268	\$936	\$7,644	\$2,544	31%	7,644	2544	212
60,000	50/50	-\$9,696	59%	-\$4,596	\$1,920	\$7,644	\$2,544	14%	7,644	2544	212
70,000	80/20	-\$9,708	67%	-\$5,880	\$1,140	\$7,644	\$3,816	46%	7,644	3816	318
70,000	50/50	-\$8,856	65%	-\$5,028	\$1,920	\$7,644	\$3,816	38%	7,644	3816	318
70,000	100/0	-\$12,120	0%	-\$12,120	\$0	\$0	\$0	0%	0	0	0
80,000	50/50	-\$8,112	71%	-\$5,556	\$1,920	\$7,644	\$5,088	57%	7,644	5088	424
90,000	50/50	-\$804	0%	-\$804	\$7,644	\$7,644	\$7,644	0%	7,644	7644	637
90,000	100/0	-\$9,612	0%	-\$9,612	\$0	\$0	\$0	0%	0	0	0
100,000	50/50	-\$612	0%	-\$612	\$7,644	\$7,644	\$7,644	0%	7,644	7644	637

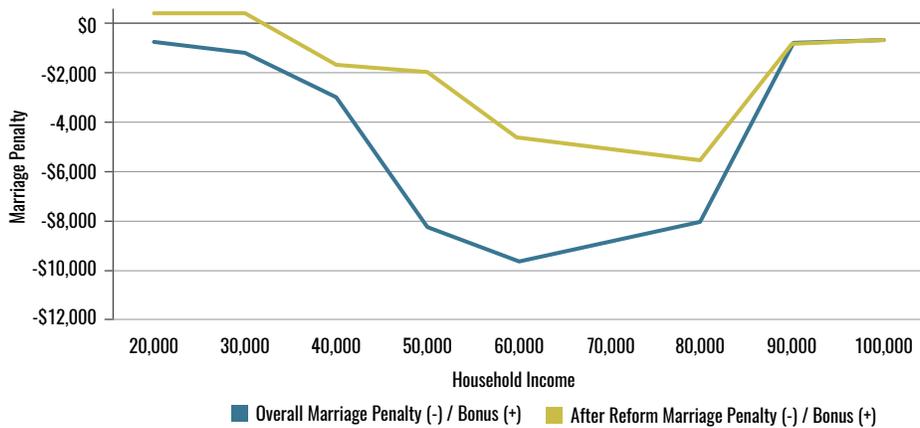
\* Assuming that the unmarried parents are not the joint biological parents of the children, and assuming that joint bio parents are claiming separate residences

\*\* Copay remains the same up to 1.4x the cutoff for one parent with the same number of children. Then, copay roughly doubles on a sliding scale up to 1.7x the cutoff.

**Table 2 | REFORM'S IMPACT ON GEORGIA'S MARRIAGE PENALTY**

Income Split % (man/woman)	Household Earnings	Overall Marriage Penalty (-) / Bonus (+)	After Reform Marriage Penalty (-) / Bonus (+)
50/50	20,000	-\$732	\$348
50/50	30,000	-\$1,188	\$468
50/50	40,000	-\$3,036	-\$1,592
50/50	50,000	-\$8,292	-\$1,920
50/50	60,000	-\$9,696	-\$4,596
50/50	70,000	-\$8,856	-\$5,028
50/50	80,000	-\$8,112	-\$5,556
50/50	90,000	-\$804	-\$804
50/50	100,000	-\$612	-\$612

**Figure 1 | REFORM'S IMPACT ON MARRIAGE PENALTIES FOR GEORGIA COUPLES, EACH CONTRIBUTING 50% TO HOUSEHOLD EARNINGS**



# APPENDIX D: REFORMING TEXAS'S CHILDCARE BENEFIT

**Table 1** | TEXAS'S CHILDCARE BENEFIT AND PROPOSED REFORM

Childcare Benefit Reform's Annual Impact on the Marriage Penalty for a 2-Parent Family with 1 Infant Child, In Texas								Reform Moves Threshold to Lose Benefits From Original to 1.4x At Same Copay, and to 1.7x at Pronounced Copay, if Married*s			
Annual Impact		Existing Penalty*		Reform				New % Due to Childcare Ben.	Childcare Cost for Married Unreformed	REFORM Childcare Cost (assuming ramping copay)	Monthly Cost Input (author's calculations)
Household Earnings	Income Split % (man/woman)	Overall Marriage Penalty (-) / Bonus (+)	Percent of Penalty Due to Childcare Benefit	After Reform Marriage Penalty (-) / Bonus (+)	Childcare Cost for Unmarried	Childcare Cost when Married, without Reform	Childcare Cost when Married, with Reform **				
10,000	100/0	\$3,984	0%	\$3,984	\$0	\$0	\$0	0%	0	0	0
20,000	80/20	\$3,204	-40%	\$5,007	\$1,284	\$2,580	\$777	10%	2,580	777	65
20,000	50/50	-\$360	183%	\$1,443	\$1,920	\$2,580	\$777	79%	2,580	777	65
30,000	80/20	-\$828	301%	\$2,175	\$1,284	\$3,780	\$777	23%	3,780	777	65
30,000	50/50	-\$2,832	42%	\$171	\$2,580	\$3,780	\$777	1054%	3,780	777	65
40,000	100/0	-\$7,536	0%	-\$7,536	\$0	\$0	\$0	0%	0	0	0
40,000	80/20	-\$6,564	58%	-\$2,500	\$1,284	\$5,100	\$1,036	-10%	5,100	1036	86
40,000	50/50	-\$6,828	28%	-\$2,764	\$3,180	\$5,100	\$1,036	-78%	5,100	1036	86
50,000	80/20	-\$8,376	29%	-\$5,610	\$1,920	\$4,320	\$1,554	-7%	4,320	1554	130
50,000	50/50	-\$5,256	21%	-\$2,490	\$3,240	\$4,320	\$1,554	-68%	4,320	1554	130
60,000	80/20	-\$13,680	54%	-\$7,464	\$1,920	\$9,324	\$3,108	16%	9,324	3108	259
60,000	50/50	-\$8,976	60%	-\$2,760	\$3,960	\$9,324	\$3,108	-31%	9,324	3108	259
70,000	80/20	-\$12,516	54%	-\$7,854	\$2,580	\$9,324	\$4,662	27%	9,324	4662	389
70,000	50/50	-\$6,456	78%	-\$1,794	\$4,320	\$9,324	\$4,662	19%	9,324	4662	389
70,000	100/0	-\$8,460	0%	-\$8,460	\$0	\$0	\$0	0%	0	0	0
80,000	50/50	-\$5,712	88%	-\$2,604	\$4,320	\$9,324	\$6,216	73%	9,324	6216	518
90,000	50/50	-\$648	0%	-\$648	\$9,324	\$9,324	\$9,324	0%	9,324	9324	777
90,000	100/0	-\$9,108	0%	-\$9,108	\$0	\$0	\$0	0%	0	0	0
100,000	50/50	-\$444	0%	-\$444	\$9,324	\$9,324	\$9,324	0%	9,324	9324	777

\* Assuming that the unmarried parents are not the joint biological parents of the children, and assuming that joint bio parents are claiming separate residences

\*\* Copay remains the same up to 1.4x the cutoff for one parent with the same number of children. Then, copay roughly doubles on a sliding scale up to 1.7x the cutoff.

**Table 2 | REFORM'S IMPACT ON TEXAS'S MARRIAGE PENALTY**

Income Split % (man/woman)	Household Earnings	Overall Marriage Penalty (-) / Bonus (+)	After Reform Marriage Penalty (-) / Bonus (+)
50/50	20,000	-\$360	\$1,443
50/50	30,000	-\$2,832	\$171
50/50	40,000	-\$6,828	-\$2,764
50/50	50,000	-\$5,256	-\$2,490
50/50	60,000	-\$8,976	-\$2,760
50/50	70,000	-\$6,456	-\$1,794
50/50	80,000	-\$5,712	-\$2,604
50/50	90,000	-\$648	-\$648
50/50	100,000	-\$444	-\$444

**Figure 1 | REFORM'S IMPACT ON MARRIAGE PENALTY'S FOR TEXAS COUPLES, EACH CONTRIBUTING 50% TO HOUSEHOLD EARNINGS**



## ABOUT THE AUTHOR



**WILLIS KRUMHOLZ** is a research fellow with the Archbridge Institute, received a JD/MBA from the University of St. Thomas, is a licensed attorney, and a Chartered Financial Analyst (CFA) Charterholder. He works in the financial services industry and lives in Minnesota.

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