

The Taxpayer Costs of Divorce and Unwed Childbearing

First-Ever Estimates for the Nation and All Fifty States

Executive Summary

This study provides the first rigorous estimate of the costs to U.S. taxpayers of high rates of divorce and unmarried childbearing both at the national and state levels.

Why should legislators and policymakers care about marriage? Public debate on marriage in this country has focused on the “social costs” of family fragmentation (that is, divorce and unwed childbearing), and research suggests that these are indeed extensive. But marriage is more than a moral or social institution; it is also an economic one, a generator of social and human capital, especially when it comes to children.

Research on family structure suggests a variety of mechanisms, or processes, through which marriage may reduce the need for costly social programs. In this study, we adopt the simplifying and extremely cautious assumption that all of the taxpayer costs of divorce and unmarried childbearing stem from the effects that family fragmentation has on poverty, a causal mechanism that is well-accepted and has been reasonably well-quantified in the literature.

Based on the methodology, we estimate that family fragmentation costs U.S. taxpayers *at least \$112 billion each and every year*, or more than \$1 trillion each decade. In appendix B, we also offer estimates for the costs of family fragmentation for each state.

These costs arise from increased taxpayer expenditures for antipoverty, criminal justice, and education programs, and through lower levels of taxes paid by individuals who, as adults, earn less because of reduced opportunities as a result of having been more likely to grow up in poverty.

The \$112 billion figure represents a “lower-bound” or minimum estimate. Given the cautious assumptions used throughout this analysis, we can be confident that current high rates of family fragmentation cost taxpayers *at least \$112 billion per year*. The estimate of \$112 billion per year is the total figure incurred at the federal, state, and local levels. Of these taxpayer costs, \$70.1 billion are at the federal level, \$33.3 billion are at the state level, and \$8.5 billion are at the local level. Taxpayers in California incur the highest state and local costs at \$4.8 billion, while taxpayers in Wyoming have the lowest state and local costs at \$61 million.

If, as research suggests is likely, marriage has additional benefits to children, adults, and communities, and if those benefits are in areas other than increased income levels, then the actual taxpayer costs of divorce and unwed childbearing are likely much higher.

How should policymakers, state legislators, and others respond to the large taxpayer costs of family fragmentation? We note that even very small increases in stable marriage rates as a result of government programs or community efforts to strengthen marriage would result in very large savings for taxpayers. If the federal marriage initiative, for example, succeeds in reducing family fragmentation by just 1 percent, U.S. taxpayers will save an estimated \$1.1 billion each and every year.

Because of the modest price tags associated with most federal and state marriage strengthening programs, and the large taxpayer costs associated with divorce and unwed childbearing, even modest success rates would be cost-effective. Texas, for example, recently appropriated \$15 million over two years for marriage education and other programs to increase stable marriage rates. If this program succeeds in increasing stably married families by just three-tenths of 1 percent, it will be costeffective in its returns to Texas taxpayers.

This report is organized as follows: Section I explains why policymakers may have an interest in supporting marriage. Sections II and III explain the methods used to estimate the taxpayer cost of family fragmentation by using evidence about the relationship between family breakdown and poverty. Section IV reveals the national estimate of the taxpayer cost. Estimated costs for individual states are found in appendix B.

Finally, a note to social scientists: Few structural estimates exist of the relationships needed to estimate the taxpayer costs of family fragmentation. Therefore, we have used indirect estimates based on the assumption that marriage has no independent effects on adults or children other than the effect of marriage on poverty.

Fact Sheet

The Taxpayer Costs of Divorce and Unwed Childbearing First-Ever Estimates for the Nation and All 50 States *

Long-standing Research Shows:

- Over the last forty years, marriage has become less common and more fragile. Between 1970 and 2005, the proportion of children living with two married parents dropped from 85 percent to 68 percent, according to Census data. (page 7*)
- More than a third of all U.S. children are now born outside of wedlock, including 25 percent of non-Hispanic white babies, 46 percent of Hispanic babies, and 69 percent of African American babies. (page 7*)
- Potential risks to children raised in fragmented families have been identified to include poverty, mental illness, physical illness, infant mortality, lower educational attainment, juvenile delinquency, conduct disorders, adult criminality and early unwed parenthood. (page 9*)
- To the extent that family fragmentation causes negative outcomes for children and adults, it also leads to higher costs to taxpayers through higher spending on antipoverty programs and throughout the justice and educational systems, as well as losses to government coffers in foregone tax revenues. (page 9*)
- Marriage can help to reduce poverty because there are two potential wage earners in the home, because of economics of scale in the household, and possibly also because of changes in habits, values, and mores that occur when they get married. (page 10*)
- The idea that family fragmentation contributes to child poverty has been studied extensively and is widely accepted. (page 10*)
- Earlier studies conclude that marriage would reduce poverty among single mothers substantially, between 65 to 80 percent. (page 10-11*)

Calculating the Taxpayer Costs

- This report adopts the simplifying and extremely cautious assumption that all of the taxpayer costs of divorce and unmarried childbearing stem solely from the negative effects family fragmentation has on poverty in female-headed households. (page 12*)
- Several calculations are used to estimate the taxpayer costs—foregone tax revenue in income taxes, FICA (commonly called social security) taxes, and state and local taxes as a result of family fragmentation, as well as direct costs to the taxpayers from increased expenditures on local, state, and federal taxpayer-financed programs, driven by increases in poverty, (page 12*), and costs to the justice system (page 16*).

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- Assumption 1:** Marriage lifts zero households headed by a single male out of poverty. **Assumption 2:** Marriage lifts 60 percent of households headed by a single female out of poverty. **Assumption 3:** The share of expenditures on government antipoverty programs that is due to family fragmentation is equal to the percent of poverty that results from family fragmentation. (page 13*) *These assumptions err on the side of caution, derived from earlier studies (among others, the Thomas and Sawhill study "For Richer or For Poorer.") These assumptions are more likely to lead to an underestimate than an overestimate of actual taxpayer costs of family fragmentation. Details, footnotes, and graphs are located on pages 13-14 of the report.*
- Family fragmentation costs U.S. taxpayers at least \$112 billion each year, or over \$1 trillion dollars per decade. This estimate includes the costs of federal, state, and local government programs and foregone tax revenues at all level of government as seen itemized in Table 7. (pages 17*)

Report Conclusions

- Public concern about the decline of marriage need not be based only on the important negative consequences for child well-being or on moral concerns, as important as these concerns may be. High rates of family fragmentation impose extraordinary costs on taxpayers. Reducing these costs is a legitimate concern of government, policymakers, and legislators, as well as civic leaders and faith communities. (page 20*)
- Even very small increases in stable marriage rates would result in very large returns to taxpayers. For example, a mere 1 percent reduction in rates of family fragmentation would save taxpayers \$1.1 billion annually. (page 20*)
- Texas, for example, recently appropriated \$15 million over two years for marriage education and other programs to increase stable marriage rates. If such a program succeeded in increasing stably married families by just three-tenths of 1 percent, it would still save Texas taxpayers almost \$9 million per year. (page 20*)
- Because of the very large taxpayer costs associated with high rates of divorce and unwed childbearing, and the modest price tags associated with most marriage-strengthening initiatives, state and federal marriage-strengthening programs with even very modest success rates will be cost-effective for taxpayers. (page 21*)
- For total poverty, child poverty, family structure and cost estimates **by State** (see Report* pages 39, 40 and 41).

Table 7. Estimated Costs of Family Fragmentation for U.S. Taxpayers*

* These costs include federal, state, and local costs.

	in billions
Justice System	\$19.3
TANF - Cash Assistance	\$5.1
Food Stamps	\$9.6
Housing Assistance	\$7.3
Medicaid	\$27.9
SCHIP	\$2.8
Child Welfare	\$9.2
WIC	\$1.6
LIHEAP	\$0.7
Head Start	\$2.7
School Lunch and Breakfast Program	\$3.5
Additional U.S. Income Taxes Paid	\$6.1
Additional FICA Taxes Paid	\$9.4
Additional State & Local Taxes Paid	\$6.8
Total U.S. Taxpayer Cost of Family Fragmentation	\$112.0

Table A.4: Child Poverty and Family Structure by State

(Source: 2006 CPS)

	Total Number of Children in Poverty (thousands)	Number of Children in Poverty in Husband-Wife Family (thousands)	Number of Children in Poverty in Unmarried Households with Male Householder (thousands)	Number of Children in Poverty in Unmarried Households with Female Householder (thousands)	Percent of Total Child Poverty Living in Unmarried Household	Percent of Total Child Poverty Living in Unmarried Households with Female Householder	Percent Reduction in Total Child Poverty if Marriage Reduced Poverty of Female-headed Households by 60%
AL	209	64	12	133	63.6%	69.4%	38.2%
AK	21	3	3	15	71.4%	85.7%	42.9%
AZ	329	142	29	159	48.3%	56.8%	29.0%
AR	183	56	6	121	66.1%	69.4%	39.7%
CA	1,724	788	149	787	45.6%	54.3%	27.4%
CO	161	69	11	81	50.3%	57.1%	30.2%
CT	84	18	7	59	70.2%	78.6%	42.1%
DE	25	10	2	13	52.0%	60.0%	31.2%
DC	37	4	4	29	78.4%	89.2%	47.0%
FL	590	177	18	395	66.9%	70.0%	40.2%
GA	499	142	13	344	68.9%	71.5%	41.4%
HI	31	10	5	16	51.6%	67.7%	31.0%
ID	53	19	4	29	54.7%	64.2%	32.8%
IL	472	130	23	319	67.6%	72.5%	40.6%
IN	226	33	18	175	77.4%	85.4%	46.5%
IA	101	34	9	58	57.4%	66.3%	34.5%
KS	137	38	14	85	62.0%	72.3%	37.2%
KY	236	64	31	141	59.7%	72.9%	35.8%
LA	252	60	20	173	68.7%	76.2%	41.2%
ME	37	9	4	25	67.6%	75.7%	40.5%
MD	151	29	21	100	66.2%	80.8%	39.7%
MA	199	51	15	133	66.8%	74.4%	40.1%
MI	469	104	48	316	67.4%	77.8%	40.4%
MN	139	56	9	74	53.2%	59.7%	31.9%
MS	221	40	8	173	78.3%	81.9%	47.0%
MO	247	100	20	127	51.4%	59.5%	30.9%
MT	36	9	1	26	72.2%	75.0%	43.3%
NE	58	30	4	23	39.7%	48.3%	23.8%
NV	81	29	6	46	56.8%	64.2%	34.1%
NH	17	5	2	9	52.9%	70.6%	31.8%
NJ	260	111	13	136	52.3%	57.3%	31.4%
NM	120	52	12	55	45.8%	56.7%	27.5%
NY	858	205	57	597	69.6%	76.1%	41.7%
NC	449	131	33	285	63.5%	70.8%	38.1%
ND	23	6	2	15	65.2%	73.9%	39.1%
OH	515	109	32	373	72.4%	78.8%	43.5%
OK	188	63	25	101	53.7%	66.5%	32.2%
OR	143	67	8	68	47.6%	53.1%	28.5%
PA	469	111	46	312	66.5%	76.3%	39.9%
RI	37	12	3	23	62.2%	67.6%	37.3%
SC	163	44	8	110	67.5%	73.0%	40.5%
SD	26	7	2	16	61.5%	73.1%	36.9%
TN	306	125	21	159	52.0%	59.2%	31.2%
TX	1,436	593	86	756	52.6%	58.7%	31.6%
UT	101	29	7	65	64.4%	71.3%	38.6%
VT	12	3	1	7	58.3%	75.0%	35.0%
VA	241	72	12	157	65.1%	70.1%	39.1%
WA	159	48	10	101	63.5%	69.8%	38.1%
WV	83	26	9	48	57.8%	68.7%	34.7%
WI	199	56	5	138	69.3%	71.9%	41.6%
WY	17	5	2	10	58.8%	70.6%	35.3%

Table A.5: Estimates of State and Local Taxpayer Costs of Family Fragmentation (in millions)

State	State & Local Tax Burden	Foregone Tax Revenue	Justice System	TANF	Medicaid	SCHIP	Child Welfare	Total
California	11.5%	\$717	\$1,621	\$515	\$1,083	\$153	\$739	\$4,829
New York	13.8%	\$657	\$1,230	\$202	\$1,184	\$73	\$322	\$3,668
Texas	9.3%	\$559	\$1,557	\$64	\$635	\$46	\$96	\$2,957
Ohio	12.4%	\$368	\$768	\$48	\$1,271	\$32	\$251	\$2,739
Pennsylvania	10.8%	\$267	\$643	\$109	\$839	\$36	\$421	\$2,315
Florida	10.0%	\$313	\$814	\$57	\$546	\$43	\$181	\$1,953
Illinois	10.8%	\$275	\$657	\$19	\$650	\$98	\$250	\$1,949
Michigan	11.2%	\$281	\$651	\$90	\$374	\$30	\$135	\$1,562
Georgia	10.3%	\$281	\$709	\$59	\$290	\$49	\$72	\$1,460
North Carolina	11.0%	\$250	\$587	\$59	\$339	\$21	\$73	\$1,329
New Jersey	11.6%	\$126	\$280	\$16	\$419	\$47	\$115	\$1,003
Massachusetts	10.6%	\$112	\$274	\$3	\$335	\$46	\$175	\$945
Indiana	10.7%	\$150	\$361	\$5	\$158	\$15	\$150	\$839
Virginia	10.2%	\$127	\$323	\$17	\$234	\$23	\$51	\$776
Tennessee	8.5%	\$107	\$328	\$12	\$220	\$0	\$89	\$757
Wisconsin	12.3%	\$135	\$284	\$11	\$198	\$15	\$95	\$737
Maryland	10.8%	\$86	\$206	\$9	\$266	\$30	\$127	\$724
Connecticut	12.2%	\$57	\$122	\$45	\$438	\$3	\$48	\$712
Washington	11.1%	\$89	\$208	\$52	\$266	\$1	\$95	\$711
Louisiana	11.0%	\$152	\$356	\$2	\$109	\$13	\$37	\$670
Missouri	10.1%	\$102	\$262	\$5	\$211	\$9	\$75	\$664
Arizona	10.3%	\$131	\$328	\$13	\$134	\$10	\$38	\$654
Kentucky	10.9%	\$122	\$290	\$21	\$119	\$8	\$92	\$654
Mississippi	10.5%	\$144	\$356	\$0	\$84	\$10	\$10	\$605
Minnesota	11.5%	\$68	\$152	\$9	\$213	\$11	\$121	\$574
Alabama	8.8%	\$93	\$274	\$3	\$124	\$10	\$44	\$548
Arkansas	11.3%	\$109	\$249	\$4	\$86	\$6	\$16	\$471
South Carolina	10.7%	\$94	\$227	\$4	\$132	\$3	\$8	\$469
Colorado	10.4%	\$67	\$167	\$0	\$111	\$11	\$99	\$454
Oklahoma	9.0%	\$72	\$208	\$23	\$92	\$9	\$26	\$430
Kansas	11.2%	\$76	\$175	\$9	\$78	\$6	\$45	\$389
Oregon	10.0%	\$54	\$140	\$16	\$111	\$7	\$33	\$361
Iowa	11.0%	\$51	\$119	\$17	\$104	\$6	\$61	\$359
Utah	10.7%	\$55	\$134	\$8	\$50	\$4	\$25	\$276
West Virginia	10.9%	\$42	\$99	\$8	\$50	\$3	\$29	\$231
New Mexico	9.8%	\$43	\$113	\$3	\$57	\$1	\$12	\$230
Maine	14.0%	\$28	\$52	\$37	\$87	\$4	\$7	\$214
Rhode Island	12.7%	\$23	\$47	\$6	\$78	\$9	\$43	\$206
Nevada	10.1%	\$37	\$95	\$6	\$44	\$5	\$13	\$199
District of Columbia	12.5%	\$29	\$60	NA	NA	\$1	\$72	\$162
Nebraska	11.9%	\$22	\$47	\$6	\$41	\$3	\$23	\$142
Idaho	10.1%	\$23	\$60	\$0	\$34	\$2	\$8	\$127
Alaska	6.6%	\$8	\$31	\$7	\$42	\$3	\$22	\$114
Montana	9.7%	\$20	\$54	\$5	\$22	\$2	\$10	\$113
Hawaii	12.4%	\$16	\$33	\$10	\$32	\$2	\$18	\$112
New Hampshire	8.0%	\$6	\$19	\$8	\$48	\$1	\$18	\$99
Delaware	8.8%	\$9	\$27	\$1	\$39	\$1	\$11	\$88
South Dakota	9.0%	\$11	\$33	\$3	\$22	\$1	\$7	\$77
Vermont	14.1%	\$8	\$14	\$5	\$35	\$0	\$12	\$74
North Dakota	9.9%	\$12	\$31	\$3	\$17	\$1	\$5	\$69
Wyoming	9.5%	\$8	\$21	\$12	\$13	\$1	\$7	\$61