

# **MARRIED TAX FILERS: HIGHLIGHTS FROM 2005 TO 2010**

A Report Prepared for the  
**Revenue & Transportation Interim Committee**

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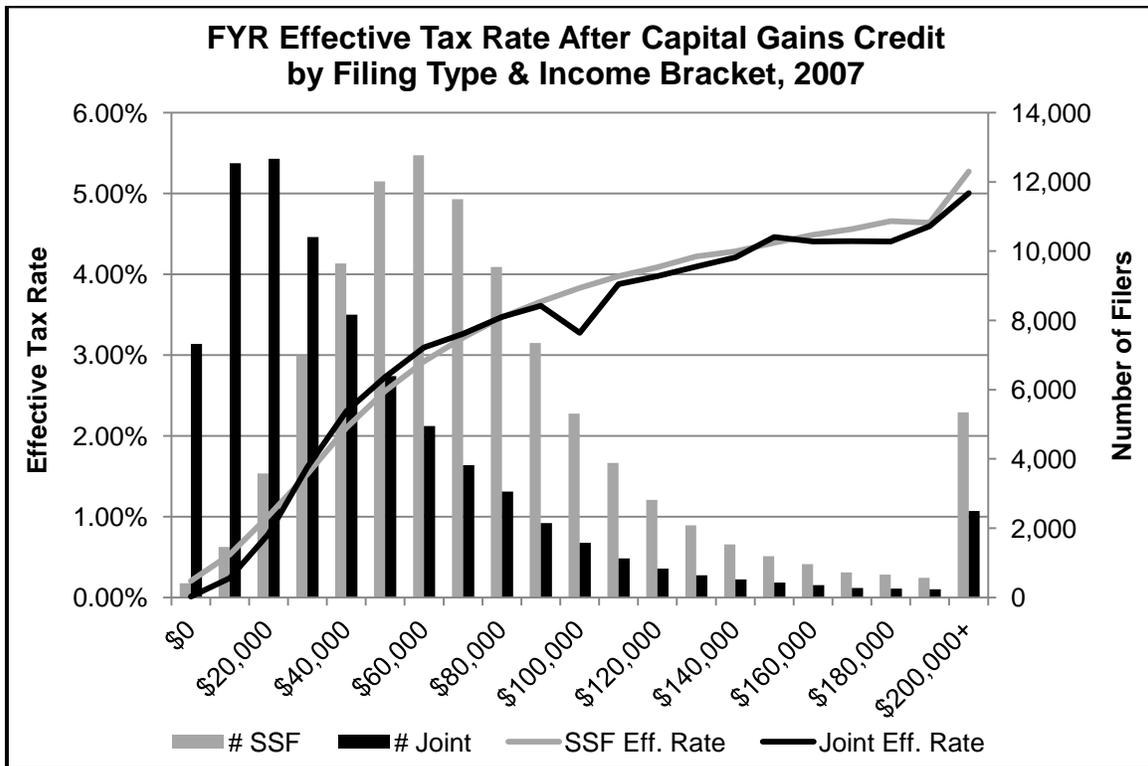
# INTRODUCTION

This brief review of married tax filers who file jointly or separately on the same form is a part of the analysis for SJR 13 study of individual income tax. Information regarding the filing choices of Montana married tax filers is frequently requested; attached to this report is the Department of Revenue (DOR) analysis of the impact of requiring or providing an incentive for married taxpayers to use the same filing status for state tax returns as federal tax returns. Although the analysis in that report was based on tax year 2007 data, the report's conclusions of winners and losers under various policy choices is likely consistent with results based more recent data. The DOR report was presented to the Revenue and Transportation Interim Committee on September 18, 2009.

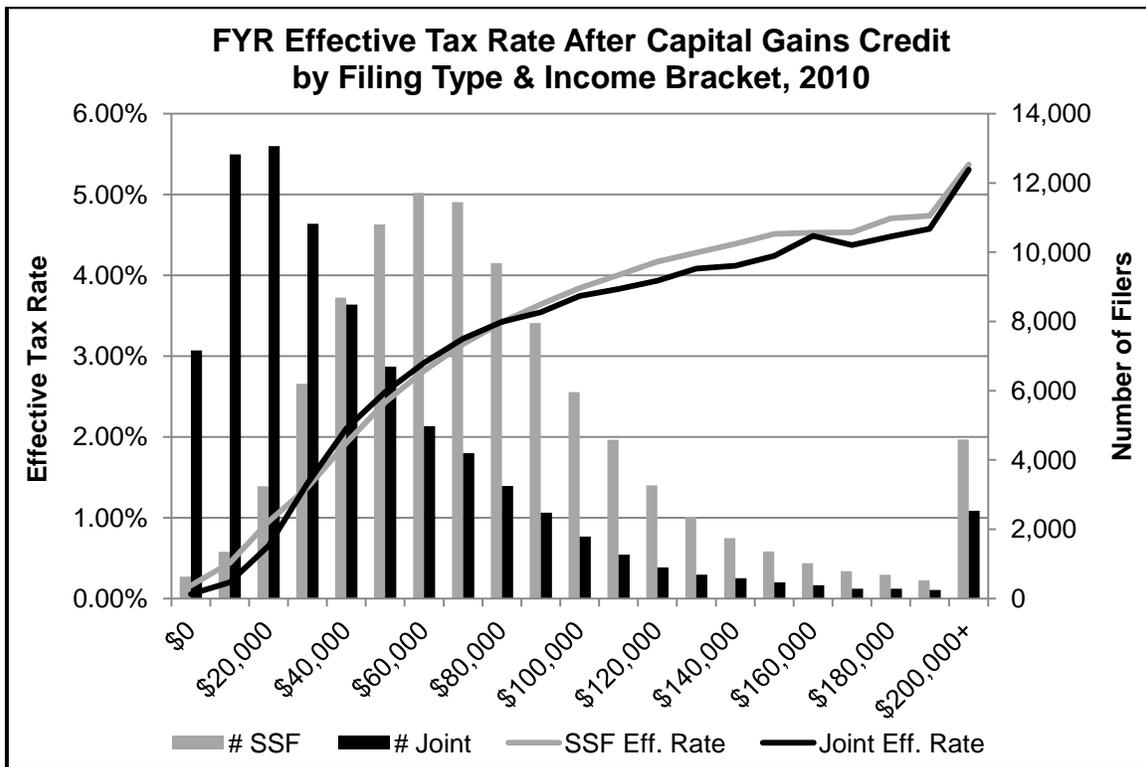
## EFFECTIVE RATES BY FILING TYPE AND INCOME BRACKET

The graphs below compare full year resident (FYR) effective tax rates and filing behavior by income bracket for joint filers and separate same form (SSF) filers. The lines depict the average effective rate after the capital gains credit, and correspond to the left axis. The histograms depict the number of filers per income bracket, and correspond to the right axis.

### 2007 Data



## 2010 Data



## SEPARATE SAME FORM DETAIL

From tax years 2005 to 2010, about 100,000 FYR taxpayers chose to file separately on the same form per year. Using the detailed information provided by DOR, it is possible to calculate the tax these filers would have paid had they chosen to file joint returns. On average, about 7% of the taxpayers who filed separately on the same form appear to have paid more in tax than they would have if they had filed joint returns. Most of the taxpayers paid less by filing separately. The detail is shown in the tables below.

<b>FYR Taxpayers Who Appear To Have Paid More Tax By Filing Separate Returns</b>						
	2005	2006	2007	2008	2009	2010
Separate Same Form Filers	94,777	96,608	100,425	100,250	96,580	98,684
Number Who Paid More	6,651	6,267	5,943	6,050	6,266	6,997
Less than \$20	1,271	1,137	864	847	924	842
\$20 to \$99	2,171	1,838	1,645	1,643	1,590	1,632
\$100 to \$499	2,868	2,919	2,989	3,084	3,277	3,906
\$500 to \$999	295	320	349	398	414	551
\$1,000 or more	46	53	96	78	61	66
Average Amount More	\$ 159	\$ 172	\$ 195	\$ 200	\$ 202	\$ 212
Total Amount More	\$ 1,055,112	\$ 1,077,421	\$ 1,159,307	\$ 1,211,553	\$ 1,267,292	\$ 1,483,284

<b>FYR Taxpayers Who Appear To Have Paid Less Tax By Filing Separate Returns</b>						
	2005	2006	2007	2008	2009	2010
Separate Same Form Filers	94,777	96,608	100,425	100,250	96,580	98,684
Number Who Paid Less	85,996	88,223	93,009	92,567	88,337	89,552
Less than \$20	1,424	1,165	1,164	1,282	1,302	1,179
\$20 to \$99	5,016	4,389	3,966	4,104	4,204	4,034
\$100 to \$500	79,556	82,669	87,879	87,181	82,831	84,339
Average Amount Less	\$ 324	\$ 361	\$ 400	\$ 417	\$ 405	\$ 414
Total Amount Less	\$ 27,833,998	\$ 31,860,594	\$ 37,163,965	\$ 38,617,952	\$ 35,747,530	\$ 37,035,414

The chart above shows that if all taxpayers who filed separately on the same return would have filed joint returns, they would have paid in total nearly \$40 million more in taxes in each of the past four years. As a point of interest, this is the amount by which the DOR report estimates taxes would increase for separate filers if a new rate table were created for separate filers with rate brackets half as wide as the existing rate table.

## **FROM THE DEPARTMENT OF REVENUE REPORT**

Federal income tax rates are structured so that married couples with the same taxable income have the same taxes whether they file a joint return or separate returns. Montana rates and exemptions are structured so that most two-income couples have lower taxes if they file separate returns.

Eliminating the incentive for married couples to file separately would require having different rate tables for joint and separate filers, with the brackets in the joint-filer table being twice as wide as the brackets in the separate-filer table. Creating a new rate table for joint filers with rate brackets twice as wide as the existing rate table's would reduce taxes for couples who file joint returns under current law, and reduce general fund revenue (by about \$40 million as of 2009).

Creating a new rate table for separate filers with rate brackets half as wide as the existing rate table's would increase taxes for couples who file separate returns under current law, and increase general fund revenue (by about \$40 million as of 2009).

A revenue-neutral change would require new rate tables for both joint and separate filers and would result in higher taxes for some taxpayers and lower taxes for others.