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IWF Policy Brief

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Chairman Charles Rangel's Plan to Penalize Marriage and Discourage Women from Working

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Executive Summary

Chairman Charles Rangel (D-NY) has just released a tax proposal that would increase taxes by an estimated \$3.5 trillion, making it the largest increase of individual taxes in history.¹

Among the bill's provisions are dramatic increases in the top marginal rate faced by individual taxpayers. All Americans would be affected by the massive increase in taxes, but many women would be particularly hurt. This bill would create a significant new marriage penalty and discourage many married women from working.

Positive provisions such as the reductions in corporate tax rates and repealing the AMT are overwhelmed by the numerous tax increases. This bill is the wrong direction for American women—we need less taxation, not more. High taxes stifle economic growth, reduce job creation, and leave families with less money to spend as they see fit.

Policymakers should go back to the drawing board and focus on creating a simple tax code that encourages work and saving, and lets American workers keep more of what they earn.

Penalizing Marriage

Imagine a hard working, high earning couple that is considering getting married. Both make \$150,000 a year. One reason they might decide not to make that trip down the aisle is that if they do so, they will be hit with a major tax increase. Chairman Rangel's four percent surcharge on high-income earners will kick in at \$150,000 for an individual but \$200,000 for married couples. That means this couple stands to lose thousands of dollars just to this surcharge if they tie the knot. This simply isn't fair.

Talking Points:

- This would be the largest tax increase of individual taxes in history.
- It would create a significant new marriage penalty.
- By increasing the maximum marginal tax rate, it would discourage work and entrepreneurship, but particularly discourage married women from joining the workforce.
- Americans need tax reform that simplifies the tax code and encourages work and savings.

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Disincentives for Married Women to Work

Married women face some of the highest marginal tax rates. Since married couples' incomes are added together for tax purposes many married women contemplating joining the workforce are discouraged from doing so since they will keep so little of what they earn. Chairman Rangel's plan would exacerbate this problem as the top marginal tax rate would increase from 35 percent to 44 percent.

Discouraging Work, Slowing Growth, Reducing Job Opportunities

The higher marginal tax rates would affect not only individual workers, but numerous small businesses that file tax returns as individuals will see their taxes rise. Small businesses play an important role in our economy, driving growth, creating jobs, and innovation. These punitive taxes will discourage entrepreneurship and impede America's economic progress.

Chairman Rangel's plan would also discourage investment and risk taking by changing the tax treatment on partnerships. Venture capital funds, real estate investment partnerships, and hedge funds play an important role in the creation of new businesses. Levying higher taxes on these partnerships will discourage entrepreneurship, an engine of economic growth.

It's Not a Tax Cut If You Don't Pay Taxes

Chairman Rangel claims that millions of Americans would have a reduced tax liability under his plan. However, many of these individuals aren't paying federal income taxes, but will be receiving more subsidies from the government through the earned income tax credit. This isn't a tax cut: it's spending through the tax code.

Conclusion

The United States needs tax reform that makes the tax code less complicated and encourages work and investment. Chairman Rangel's tax proposal moves in the wrong direction.

Carrie Lukas is the vice president for policy and economics at the Independent Women's Forum and author of [The Politically Incorrect Guide to Women, Sex, and Feminism](#).

For more information see IWF's Policy Paper, "[Taxing Independence: The Price of Feminists' Love Affair with High Taxes](#)," by Carrie Lukas, August 24, 2004.

Endnote

¹ Memo from the Ways and Means Committee Ranking Member Jim McCrery to Republican Members and staff, dated October 25, 2007.