



A M E R I C A N
A S S O C I A T I O N F O R
S I N G L E P E O P L E

The high cost of being single in America

or

the financial consequences of marital status discrimination

by
Thomas F. Coleman

The price of being single can be quite high for the 80 million unmarried adults in the United States. They may experience discrimination in the workplace, in the marketplace, and by government programs. They face financial penalties as employees, consumers, and taxpayers. The examples summarized below explain some of the ways in which unmarried Americans are being hurt financially.

1. Fewer job benefits

Unmarried workers may lose hundreds or even thousands of dollars per year in employee benefits compensation.

Employers often subsidize all or a large portion of health, dental, vision, and other benefits for spouses of married employees without giving similar compensation to unmarried workers in some other form.

To make sure all workers receive equal pay for equal work, employers should eliminate marital status discrimination from employee benefits programs. This can be done by implementing cafeteria-style benefits programs where each worker receives the same amount of credits to be used for benefits, thereby allowing them to pick and choose benefits that meet their personal or family needs.

Giving domestic partner benefits to same-sex and heterosexual unmarried couples also helps eliminate some discrimination against unmarried workers who have a partner. But unmarried employees who live with a dependent adult blood relative should be compensated fairly too, such as through an "extended family" benefits program like those adopted by Bank of America, Merrill Lynch and other large financial institutions.

Single military personnel also experience job discrimination when housing allocations are taken into consideration. A married soldier can get an additional housing subsidy so that he or she can live off base with a spouse. Single soldiers don't get such a subsidy and because of their low pay often must live in a barracks on a military base. Single soldiers perform the same work as married soldiers and risk their lives just as much but they are being paid less.

Government rules need to be changed too when

it comes to unemployment benefits. Most states will allow workers to collect unemployment compensation if they quit a job to move to a new area when their spouse is relocated by his or her company. But state laws usually will not give these benefits to a worker who quits to relocate with his or her domestic partner.

2. Higher taxes

Despite the media's recent focus on the so-called "marriage penalty" in income tax laws, the truth is that an almost equal number of married couples experience a "marriage bonus" when it comes to income taxes. The Republican plan vetoed by President Clinton in September 2000 would have lowered taxes for all married couples, thereby giving an even larger "marriage bonus" to millions of spouses.

In contrast, United States Senator Joe Lieberman favors "marriage neutrality" in the tax codes. On his website, Senator Lieberman says: "Marriage neutrality means that the tax system should not influence the choice of individuals with regard to their marital status." That principle is certainly violated with the tax code is used to reward or punish taxpayers on the basis of whether they have married or remained unmarried.

Tax discrimination against unmarried adults has been ignored by the media. A fair look at the entire tax picture would show that unmarried tax payers often pay higher taxes and receive fewer benefits than married tax payers.

One example of tax discrimination involves the social security taxes and benefits. Unmarried workers pay the same employment taxes (social security) as do married workers, but married workers receive more benefits because: (1) some studies show that married people tend to live longer and so they will collect benefits longer; and (2) a surviving spouse who has never been employed outside of the home and who has not paid into social security can receive years of survivor benefits after the employed spouse dies; (3) a domestic partner of an employee may not collect social security survivor benefits.

The Cato Institute had this to say about "marital

status inequities" in the social security tax:

"Under the present system, complaints relative to marital status arise from the fact that benefits for a one-earner couple consist of a worker's benefit and a benefit for the homemaker spouse equal to one-half of the worker's benefit. These married single-earners have not paid additional social security contributions for the right to receive the homemaker's benefit. Contributors to the social security system who have worked outside the home maintain that they are not reaping the advantages (in the form of social security benefits) from having worked throughout their lifetime in comparison to those who have done little or no work outside the home. Because of this spousal benefit, the split of income between spouses can affect the equity of the benefits structure. To illustrate, a spouse who earns only a small fraction of the couple's earnings would not receive any more benefits than if he/she had not worked at all. Even working women who earn a more substantial percentage of the couple's earnings believe that they are not obtaining a fair return on their social security taxes because they frequently receive very little more in benefits than if they had not worked.

"On the other hand, issues regarding the protection of the homemaker (whether part-time or full-time) have also received attention. Those who have worked little outside the home argue that they ought to obtain some benefits for their having maintained a home. Supporters of this position view the homemaker as making a contribution to the family which has a substantial economic value. An alternative line of thinking is that these spouses who have worked little outside the home are at greater risk of becoming poor in their later years. For these reasons, some believe that homemakers should have social security protection on their own right, and not as dependents of a spouse who is the primary earner.

"Further, divorced spouses believe that the 50 percent benefit for which they might be eligible based on the primary contributor's earnings is inadequate. Widow(er)s under the age of 60 with no dependents under the age of 18 believe that they are short-changed because they receive no benefits.

"In contrast, single workers sometimes object that one-earner married couples obtain a disproportionately high amount of benefits when the spousal benefit is included. Their argument is that the single worker and the earner in the one-earner married couple have contributed the same amount over the years, yet benefits for the single worker are much less." (Philip Harmelink & Janet Speyer, "Social Security: Rates of return and the fairness of benefits," 14 *Cato Journal* 37 (1994).)

Of the four different inequities addressed in the *Cato* article (marital status, gender, age, and income),

the authors concluded that marital status appears to be the most important. They compared what workers paid into the system versus the benefits they received, focusing on one-earner married couples, dual-earner married couples, single female earners, and single male earners.

The bottom-line showed that "Rates of return for one-earner couples are up to 40 percent higher than for two-earner couples and up to 85 percent higher than for single males."

The authors concluded: "If policymakers are serious about solving the inequities based on marital status, an alternative approach to solving the problem is to move toward a social security system that bases all benefits on each individual's contributions."

They suggested that basing benefits on an individual's contributions, with an opportunity to adjust for special needs of spouses, widow(er)s, and divorcees through the purchase of such coverage, could, in the long run, be a workable solution to the marital status inequity.

A study by the RAND Institute concluded that the current benefit structure disproportionately hurts African-Americans, who have lower life expectancies and marriage rates than the general population (Constantijn W. A. Panis & Lee Lillard, "Socioeconomic Differentials in the Return to Social Security," RAND Corporation Working Paper Series no. 96-05, February 1996, p. 20.)

According to the study, because of the high unmarried rate for African-Americans and because the life span is shorter overall, whites consistently earn higher rates of return than do blacks. In fact, over a lifetime, the income transfer from blacks to whites is as much as \$10,000.

Under the current system, an unmarried, low-income black male born after 1959 will get a negative rate of return on what he puts into Social Security. If he were able to invest that money in the most conservative investment going, treasury bills, he'd gain nearly \$100,000 over what he put in. He could use it in any way he wished, including passing it on to his heirs. It wouldn't disappear when he died.

The consequences of the "unmarried penalty" in the social security tax system may be why a recent poll showed that 60 percent of African-American voters favor private social security accounts over the current system. (Cato Institute Press Release, "African-American Voters Strongly Support Individual Retirement Accounts," September 8, 1999.)

Tax discrimination against unmarried adults has been ignored by the media. A fair look at the entire picture shows that single taxpayers pay higher taxes and receive fewer benefits than married tax payers.

Other tax discrimination:

- Job benefits to an employee's spouse are tax free, while similar benefits to an employee's domestic partner are usually taxable by both the federal government and the state government in those states with an income tax.

- An unmarried taxpayer may not file a joint income tax return with a domestic partner or blood relative with whom the taxpayer is sharing living expenses, but married couples have the option to file a joint return which often saves them a bundle in taxes.

- In several states which criminalize unmarried cohabitation or private sexual conduct, the federal government will not allow one partner in an unmarried couple to deduct the other partner as a dependent for income tax purposes because of a clause in federal law which prohibits a dependent status if a relationship violates local law.

- Upper-income married couples reap a windfall when it comes to federal estate taxes because: (1) a person who dies may leave unlimited wealth to a surviving spouse without paying one penny in estate taxes; but (2) an unmarried person who dies with an estate over \$675,000 can have anywhere between 25% to 60% of the estate taken by the federal government in estate taxes. This **DEATH TAX** is unfair to single people who have already paid income tax on the money they earned during their lifetime and then the government wants to confiscate more when they die.

- Many states and municipalities assess a transfer tax when title to real estate or an automobile is transferred to another person or a second name is added to the title. Transfers to a spouse are not taxable while transfers to a domestic partner or a friend are.

3. Insurance

Most states allow marital status to be used as a rating criterion when it comes to setting premiums for auto insurance, whereas race, religion, color, and national origin are not permitted to be used for rating purposes.

As a result, many auto insurance companies will lump all married drivers into a low-risk desirable category and stereotype unmarried drivers as a higher risk, which means that married drivers pay less for the same insurance coverage.

A new low-cost insurance program for low-income drivers in California is an example. All unmarried males below the age of 25 will have to pay 25% more for the same coverage. An unemployed 20-year old married male driver who drinks and smokes and has a turbulent marriage will pay less than a single college student in the honors society who does not drink or smoke or live in a dysfunctional relationship.

Also, unmarried couples will often pay more

than married couples for auto insurance or renters insurance. That is because many companies will issue a joint policy with a family discount to a married couple but will require an unmarried couple to pay for two separate premiums.

4. Credit discrimination

Although marital status discrimination in credit transactions is prohibited by federal law and by statutes in many states, unmarried adults continue to experience problems especially when they apply for joint loans.

Three recent examples demonstrate the fact that laws against credit discrimination have not stopped lenders from treating unmarried consumers unfairly.

In June 2000, a Virginia couple has sued the state for denying them a loan to buy the house of their dreams. The couple is not married and the state insists that joint loans will only be given to people related by blood, marriage, or adoption.

After nearly a decade of renting together, the couple boasted a good credit rating and a thirst for the American dream of home ownership. But two days before they were to close on the house, the state denied them a mortgage because of what they didn't have: a marriage certificate.

In December 1999, Ford Credit, the financing subsidiary of Ford Motor Co., agreed to pay \$650,000 to settle allegations it treated unmarried joint applicants for auto loans differently from married couples.

The Federal Trade Commission said Ford Credit had violated a U.S. fair lending law during the period between May 1994 and August 1995 by failing to combine the incomes of unmarried joint auto loan applicants, as it did with married applicants.

As a result, many unmarried joint applicants were offered credit on less favorable terms than their married counterparts, the FTC said. The settlement will be used to compensate these couples.

The settlement is one of the largest ever obtained by the FTC under the Equal Credit Opportunity Act, which bars discrimination against credit applicants on the basis of race, color, religion, national origin, sex, or marital status.

In May 1999, Franklin Acceptance Corporation, a Philadelphia-based finance company, paid a \$800,000 civil penalty for similar alleged violations against unmarried couples.

5. Housing discrimination

Most states do not prohibit marital status discrimination in rental housing. In these states, unmarried renters have no legal recourse when a landlord gives

a preference to married couples or blatantly refuses to rent to single tenants or an unmarried couple.

This discrimination will have a financial impact on a victim of discrimination because the tenant will have to continue the search for housing, which may require taking time off work or taking time away from other activities in order to find a place to live. Sometimes the new apartment or house may have higher rent than the one the tenant was denied.

Even in states which prohibit marital status discrimination, going to court to enforce these laws can be costly, either in terms of lawyers fees or time taken away from work.

6. Consumer discounts

Some businesses offer "family" discounts to consumers who purchase goods or services. For example, some auto clubs will allow a motorist to add a spouse as a joint member for free or at a discount, but will require two unmarried consumers who live together to have two separate memberships. Some airlines will allow a married traveler who belongs to an elite airport club to add a spouse for free or at a discount, but an unmarried couple must have two separate memberships. The same may be true for country clubs or health clubs.

7. Child custody battles

Some divorced parents who begin living with an unmarried partner find themselves hauled back into court by an ex-spouse who wants to switch custody or stop visitation privileges, claiming that the new relationship is immoral or harmful to the children. These court battles can be very costly.

8. Challenges to wills

If a married person dies without a will, the estate will automatically go to his or her spouse. Therefore, if a married person has a will which leaves all or a portion of the estate to a spouse, other relatives will not challenge the will by claiming that the surviving spouse used undue influence to coerce the deceased spouse into making the bequest.

If an unmarried adult leaves a large bequest to an unmarried partner in a will, disgruntled relatives of the deceased will sometimes challenge the will, hoping to invalidate it so that they will inherit the assets as next of kin. These challenges are often made even if there is no basis to do so, as leverage to secure some financial settlement. The surviving unmarried partner will often settle, knowing that protracted litigation will cost them large sums of money in attorneys fees and court costs.

9. Victim/survivor rights

When a drunk driver or other wrongdoer kills someone, a surviving spouse may sue the guilty party for wrongful death and can collect damages for loss of the relationship and loss of income the deceased person would have brought into the household.

But when this happens to an unmarried couple, the surviving partner is not allowed to sue even though he or she may suffer a tremendous financial loss.

Conclusion

The squeaky wheel gets oiled. Divide and conquer. There is strength in unity. These slogans may seem trite but they are often true. The cost of being single in America remains high because the 80 million unmarried adults have not united to fight this unjust discrimination. But there is hope on the horizon.

The American Association for Single People has been formed to provide a collective voice for unmarried Americans so that their needs are considered when decisions about their lives are being made by elected officials, union bosses, and corporate leaders.

Any adult may become a member of AASP by making a tax-deductible donation of \$10 or more. While making legal and economic changes will take some time, a donation to AASP is a wise investment to help create a better future for unmarried Americans◇◇

AASP Membership Application

To join, please complete this form and return it to us with your check made payable to AASP, to 415 E. Harvard St., Suite 204, Glendale, CA 91205 / (818) 242-5100.

Name _____

Address _____

City _____ State _____ Zip _____

Phone _____ Fax _____

E-mail address _____

My tax-deductible contribution as indicated is enclosed:
[] \$10 [] \$25 [] \$50 [] \$100 [] other _____

AASP will not sell or share any name on our mailing list with outside sources.
AASP is a nonprofit corporation with 501(c)(3) tax exempt status.

unmarriedAmerica.com

(Rev. 9-28-00)