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THE CAREER WOMAN AND THE TAX REFORM ACT OF 1969

Tax rates never make anyone very happy—and the author, a single career woman, finds aspects of the 1969 Tax Reform Act which she believes are discriminatory.

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In an article published in *The Woman CPA* two years ago, Ula Motekat¹ made the point that taxation has been effectively used to further certain national goals other than revenue-raising. In this same vein, this article examines the new Tax Reform Act of 1969 and the impact it will have on the tax burden of a select group of taxpayers—career women.

It must be remembered, first of all, that the Civil Rights Act of 1964 made overt discrimination against women illegal in the area of employment, compensation, and promotion. Obviously, the intent of Congress was *equal* rights for *all* in the pursuit of a career; it can therefore be assumed to be a national goal. And the question can therefore be raised: Does the Tax Reform Act of 1969—the first Tax Act since the Civil Rights Act of 1964—help or hurt the pursuit of this particular national goal? To answer this general question, several particular questions must first be raised and answered: 1) Does the new law increase or decrease the career woman's proportionate tax burden as compared to the old law? 2) Do the new provisions discriminate against either the single or married career woman? 3) If discrimination is found to exist, how did this situation arise and what can be done about it?

Is the Tax Burden Increased or Decreased?

To answer this question, a comparison must be made between a married career woman and a single one for both 1969 (under the old law) and 1973 (under the new law when all provisions are fully effective). Two women have volunteered for this comparison: Sally Single, a salaried employee who, true to her name, is single and Wilma Wife, a married employee with no children. Both of them earn \$18,000 a year. To further the comparison

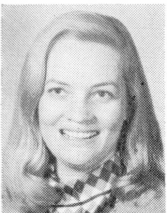
it is assumed that Wilma files a separate return. (This will not cause a distortion since the income-splitting effect of a joint return is nonexistent if Wilma's husband is in the same bracket as she is. The same results would be obtained if her husband were included, but the effects are easier to isolate if he is left out.) To simplify the comparison, a standard deduction is assumed.

Table I shows that Wilma pays \$210 more tax than Sally and that the difference is due solely to the standard deduction limitation for a married person filing a separate return. The tax penalty for a working wife as opposed to a working single woman is not too pronounced. This tax difference might be partially wiped out if both women were itemizing their deductions, but it would not be completely eliminated. In fact, the itemization of deductions may increase the difference, since Sally Single would tend to have more than one half the total deductions of Wilma Wife and her husband—all other things being equal. For example, if Sally owned a home, her property taxes and interest would be as much as the total paid by Wilma and her husband.

TABLE I
1969

	<i>Sally Single</i>	<i>Wilma Wife</i>	<i>Difference</i>
Salary	\$18,000	\$18,000	
Standard deduction	1,000	500	
	<u>17,000</u>	<u>17,500</u>	
Exemptions	600	600	
Taxable Income	<u>\$16,400</u>	<u>\$16,900</u>	
Tax	<u>\$ 4,498</u>	<u>\$ 4,708</u>	<u>\$210</u>

(Surcharge is ignored.)



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On the basis of Table I, it can be concluded that under the old law a difference exists between a single and a married career woman's tax bill, but that the difference is not dramatic.

Table II uses the same data and illustrates the tax effect for 1973 under the new law. Although Wilma Wife's tax bill decreased by \$273, she is paying \$837 more than is Sally Single on the same salary. Part of the difference is due to the increased standard deduction (15% of adjusted gross income or \$2,000, whichever is less), but most of the difference is due to the new single taxpayer's tax rate schedule. The new rates have reduced Sally's tax bill by \$900, thereby reducing her proportionate share of the tax burden.

TABLE II
1973

	<i>Sally Single</i>	<i>Wilma Wife</i>	<i>Difference</i>
Salary	\$18,000	\$18,000	
Standard deduction	2,000	1,000	
	<u>16,000</u>	<u>17,000</u>	
Exemptions	750	750	
Taxable Income	<u>15,250</u>	<u>16,250</u>	
Tax	<u>\$ 3,598</u>	<u>\$ 4,435</u>	<u>\$837</u>
Difference between 1969 and 1973	<u>\$ 900</u>	<u>\$ 273</u>	<u>\$627</u>

Do the New Provisions Discriminate Against Either Single or Married Career Women?

Tables I and II indicate that the married career woman pays more tax than does the single career girl. Or, in other words, the tax law rewards bachelorhood and punishes marriage. Table III shows the full effect of marriage on the honeymooners' tax bill. If Sally Single and Bob Bachelor (whose salary is

TABLE III
1973

	<i>Sally Single</i>	<i>Bob Bachelor</i>	<i>Joint</i>
Salaries	\$18,000	\$20,000	\$38,000
Standard deduction	2,000	2,000	2,000
	<u>16,000</u>	<u>18,000</u>	<u>36,000</u>
Exemptions	750	750	1,500
Taxable Income	<u>\$15,250</u>	<u>\$17,250</u>	<u>\$34,500</u>
Tax	<u>\$ 3,598</u>	<u>\$ 4,255</u>	<u>\$ 9,710</u>
Combined Tax if Single			<u>7,853</u>
Tax Penalty			<u>\$ 1,857</u>

\$20,000 annually) do not marry and pay their separate tax bills, the total tax for the two of them is \$7,853. But if they marry and file either joint or separate returns, their total tax jumps to \$9,710! This is an immediate tax penalty of \$1,857 due solely to a change in marital status.

If, on the other hand, Bob Bachelor marries a woman who does not work outside the home, he gets a tax break of \$855 (See Table IV). By marrying a housewife, rather than a

TABLE IV
1973

Bob Bachelor and Mrs. Harriet Housewife

Salary	\$20,000
Standard deduction	2,000
	<u>18,000</u>
Exemptions	1,500
Taxable Income	<u>\$16,500</u>
Tax	<u>\$ 3,400</u>
Tax as a Bachelor	<u>\$ 4,255</u>
Tax savings	<u>\$ 855</u>

career woman, Bob Bachelor's total tax bill is \$6,310 less (\$9,710 less \$3,400)—while his family's gross income is \$18,000 less. So the financial effect of the working wife is increased take home pay of \$11,690.

How Did This Situation Arise and What Can Be Done About It?

It would be unfair to assume that Washington is full of anti-feminists, from the Treasury Department through Congress to the White House, who decided deliberately to subsidize families with non-working wives and to oppose families with working wives. Congressmen probably do not intentionally try to encourage women to work only until they can catch a man and then to retire promptly to baby-raising and bridge. This situation must therefore be assumed to be an accident.

Originally, the joint return provisions with the income-splitting benefits were introduced to give uniform tax benefits to all U. S. residents. The federal tax law determines what income is taxable, but ownership of that taxable income is determined by state law. Thus, in community property states, a non-working wife owns one half of her husband's income. These couples could therefore file separate returns and obtain a greater tax benefit than could couples with a non-working wife in a non-community property state. Clearly, the joint return provisions eliminate this tax inequity which is arbitrarily determined by place of residence.

The Tax Reform Act of 1969 tried to eliminate another inequity placed on single taxpayers. The rate tables reduce the tax liability for single taxpayers to roughly 17% to 20% above that of married couples with the same income. While this appeared to be a step in the right direction so far as single taxpayers were concerned, the net result is an unfair shifting of the total tax burden to married career women and their husbands.

Since there are approximately 15 million married women working in the United States,² this group is large enough to deserve consideration in the income tax laws. Exactly how the situation can be corrected is a matter of conjecture. One solution would be to devise a new tax rate table for married working women. This is in conflict with the states' property ownership laws, but the same thing occurs in the adjustments now required for filing separate returns for income averaging provisions. An adjustment there requires, in effect, that each spouse claim only his or her earned income in the computation. Why could not the same thing apply to a married woman's tax return? Regardless of how this could be achieved by Congress, it is obviously a valid point that deserves consideration.

Conclusion

In conclusion, the Tax Reform Act of 1969 favors the single career woman but punishes the married one. This is clearly in conflict with the national goal of nondiscrimination in employment on the basis of race, color, creed, or sex.

Naturally, the new law applies to all taxpayers, whether black, white, Protestant, Catholic, Jew, man, or woman. However, by accident these provisions tend to single out married women and penalize them. If career women tended to marry "house-husbands," they would obviously derive the same benefits as men marrying housewives. But since society in general frowns on unemployed husbands

and smiles on unemployed wives, the situation continues to discriminate against only one group—married career women.

It is highly improbable that the new law will discourage career women from marrying or encourage married ones to get divorces. If it did, that would be equal to saying that the dependency allowance encourages everyone to have an unlimited number of children or that the stepped-up basis allowed to heirs encourages one to die. But what is objectionable is the reward or punishment after the fact. The most common reaction to this situation is the remark that "families with two incomes can afford to pay more taxes." Nonsense! This is exactly the argument used prior to the Civil Rights Act to justify paying women less than men for the same job and has been discarded as an invalid reason by both the Congress and the courts.

Working wives are thus in the rather incongruous position of being protected by the federal government from pay discrimination and of being penalized for working by that very same government's tax structure. What will be done to correct the situation depends to a large degree on what the married career women are willing to do about it. As individuals, they can write to their respective congressmen. If the 15 million married career women wrote their respective congressmen, the impact should be enough to stimulate action of some sort! Women's organizations can issue statements criticizing the new law and circulate the facts of this tax injustice. The result of the effort should be an increase in the awareness that the Tax Reform Act of 1969 is in conflict with the national goals set down by the Civil Rights Act of 1964.

¹Ula K. Motekat, "Taxation: A Means to Many Ends," *The Woman CPA* (August 1968), pp. 5-9.

²United States Department of Labor, *Statistics on Manpower*, Supplement to the *Manpower Report of the President* (Washington: US Government Printing Office; March 1969), p. 28.

The outlook particularly suggests broadened career opportunities for women.

"U.S. Manpower in the 1970s"
United States Department of Labor