

## **Marriage and joint taxation schemes, and their relation with inequalities**

Analyses of redistributive and labor supply effects of fiscal policies are receiving growing attention, as they are necessary step to ensure that implemented instruments reach their goals. For many of tax and benefit instruments, major goal is to decrease income inequality. This is typically measured at household level, with total household income being averaged for its members. This project focuses on the institution of marriage and its relationship with inequalities. It aims to look beyond the “average income per household member” concept, and analyze the incomes of each member, verifying how marriage itself may change labor market participation and probability to reach the potential income by each spouse, and what are the effects of special taxation schemes on incomes and labor supply of married women and men. The analyses will cover European Union (EU) countries, with special focus to Poland.

The project aims to focus on two issues related to the institution of marriage and inequalities:

A) The impact of marriage on potential income, intra-household inequalities, and gender gaps in the labor market.

B) The effects of joint taxation on income inequalities and labor supply of women and men.

Bertrand et. al (2015) examined relative incomes within households in the USA and showed evidence for relative aversion of wives to exceed husbands’ income, which also impacts marriage formation, wives labor force participation, likelihood of divorce, or the division of home production. Such analysis has not yet been performed for Poland as compared to other EU countries, and we hope to fill this gap with the analysis performed for this project. Gender gaps in the labor market have been intensively studied by multiple economists both for Poland and the EU. However, their relationship with marriage has not been fully explored, especially for Poland. In this project, we will focus on adjusted gender gaps in the labor market, and how marriage relates or contributes to those gaps.

Joint taxation of married couples is a common fiscal instrument in Europe, and in Poland it is regulated by the legal act on personal income tax from 1991. The policy goals of this measure are to promote family life, and formal marriage, that ensures transparency regarding couples’ income. However, more recently joint taxation has been criticized as having adverse effects on redistributive efficiency of fiscal systems, and its potentially negative effects on women’s labor supply has been discussed in the literature for long time (e.g., Kalíšková, 2014; LaLumia, 2008). Importantly, Poland is about to experience profound changes in its taxation schemes as of 2022, after introduction of Polish Deal (pol. Polski Ład). This significant change in PIT is about to have tremendous impact on the effects of joint taxation of married couples in Poland. We will utilize micro-level data on households’ budgets in Poland, to analyze the effects of joint taxation of married couples on households’ income prior to “Polish deal” set of reforms and after those changes. Finally, we aim to analyze the joint taxation labor supply effects for married women and men, utilizing the external variation related to introduced PIT reform, that will diminish the joint taxation benefits for some couples, and will increase them for others.

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