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Tax returns reveal where same-sex couples live, how much they earn

Kathleen Pender June 28, 2018

The ZIP code that includes San Francisco's Castro district had the nation's third-highest concentration of same-sex marriages, according to a report issued Thursday that analyzed federal tax returns from 2015, the first year same-sex couples were allowed to marry in all states.

The highest concentrations were in Provincetown, Mass., with 41 percent of all joint returns, Palm Springs (25 percent) and the Castro (21 percent), according to researchers at the Urban-Brookings Tax Policy Center and U.S. Treasury Department.

Nationwide, same-sex joint filers were generally younger, higher income, less likely to claim dependent children and more geographically concentrated than different-sex couples, the report said.

Altogether, there were about 250,000 same-sex filers in 2015, nearly double the number in 2013. In 2015 they accounted for about 0.5 percent of all married filers, but this percentage varied widely. It ranged from 4.2 percent in Washington, where same-sex couples could begin marrying in 2010, to less than 0.2 percent in Mississippi and North Dakota.

Supreme Court decisions in 2013 and 2015 expanded the rights and responsibilities of same-sex couples under federal law. Since 2013, they have been required to file their federal income taxes like opposite-sex couples if they got married in a state where gay marriage was legal, even if they lived in a state where it was not. Starting in 2015, when same-sex couples could marry in all states, that applied nationwide.

Married couples must file jointly or as married filing separately, but the vast majority file joint returns.

In general, the percentage of joint tax returns filed by same-sex couples was highest in states that legalized same-sex marriage early and in coastal states. It was lowest in the South and Midwest.

It was 1 percent in Massachusetts, the first state to legalize same-sex marriage, and in Vermont. It was 0.8 percent in California, where same-sex couples could marry for about five months in 2008 and again starting in 2013.

Only 7 percent of male couples and 28 percent of female ones claimed dependents on their 2015 tax returns, compared with 48 percent of opposite-sex couples.

Same-sex couples also earned more. Average adjusted gross income was about \$166,000 for male couples, \$118,400 for female couples and \$115,000 for opposite-sex ones. However, same-sex couples were slightly younger and more likely to be working age and living in big cities and coastal states where the cost of living and incomes are higher. Adjusting for these differences, male couples earned about 12 percent more than opposite-sex couples of the same age, while female couples earned 8 percent less.

Among the nation's 500 largest cities (based on the first three digits of their ZIP codes), San Francisco had the nation's highest concentration of male couples (3.5 percent of all marriages) and Oakland had the highest percentage of female couples (2.2 percent).

This was the first report that analyzed federal tax returns filed by same-sex couples. The researchers matched names on tax returns with gender from Social Security records, adjusting for possible errors.

Their estimate of same-sex couples represented only about 60 percent of number of same-sex couples estimated by the U.S. Census Bureau, which relies on surveys. The census estimate might be higher because some couples who tell census interviewers they are married may actually be in civil unions or domestic partnerships and unable to file joint returns, said Adam Looney, a senior fellow at the Brookings Institution who co-wrote the report.

Nanette Lee Miller, a CPA who heads up the Modern Family (previously LGBT) tax practice for Marcum in San Francisco, said 2015 was a transition year for same-sex couples. The "true test" of the Supreme Court's landmark 2015 action will be seen in 2016 tax returns, she said.

It's unclear whether that data will be forthcoming. Looney started the project when he was still at Treasury under the Obama administration. "I think the new administration is not super-interested in continuing with this line of research," which relies on confidential data not available to nongovernment researchers, he said.

The two co-authors who are still with the Treasury Department, Robin Fisher and Geof Gee, were unavailable for comment.