The Economic Precarity and Tax Invisibility of Uncompensated Kin-Group Service Providers

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Abstract

Non-taxation of imputed income is generally a tax benefit to those who have the resources to provide themselves with services that they would otherwise get on the market. For example, homeowners are not taxed on the imputed value they derive from living in their owner-occupied homes and not paying another property owner rent. As another example, married couples are not taxed on the imputed value of the benefits of the services that either spouse provides for the benefit of their nuclear family unit. In the case of both the homeowner and the married couple, the imputed value—"income"—is not real financial gain (i.e., cash in hand), but rather savings on otherwise necessary acts of consumption like renting property, hiring a cleaning service, or paying for outside childcare. Even if the taxpayer/tax household experiences an accretion to value relative to a similarly situated taxpayer who has to acquire those services in the market does not mean that their financial profile has changed at all.

There is a fundamental difference between the homeowner in the owner-occupied home and the married couple that performs services for itself. The homeowner experiences an accretion to value relative to her relationship to property—ownership vs. rental—that translates into other financial benefits. The homeowner can, for example, borrow against their equity in the house to pay for a large expense. They can transform something of implied value into something of actual value through existing systems. By contrast, the married couple experiences an accretion to value relative to *services* provided by one spouse or the other. The service provider transfers $x in value in the form of self-provided services to the nuclear family unit and is uncompensated (does not explicitly receive consideration for her work) except in the implied consideration of income she shares with her spouse. The service provider cannot add up the value of all of her work and trade that in for something of tangible value in the market – they are confined to transactions within the privacy of the marital household.

Imputed income is only "income" to the recipient of service. From the perspective of the person performing the service, imputed income represents a negative value—a loss of revenue to the service provider measured by the uncompensated value of the service in the market. To the service provider, the impact of not being paid for their work is not 0, it's negative. We assume that the service provider in the jointly taxed household recoups some of the uncompensated value by experiencing the benefits of their partner's income, but Marjorie Kornhauser argued in 1973 that the assumption that resources are equally shared in the marital household is not supported by empirical evidence. If that is the case, then the service provider experiences economic precarity by being income poor in a system that increasingly requires evidence of income for access to income security programs.

In this Article, I consider the concept of received services as imputed income in the income tax system through two: (1) the single-earner marital couple with one spouse who exclusively performs uncompensated care work in the home; and (2) the dual-earner marital couple that

receives the same services from an uncompensated (single-filer) member of their broader kin network. Dorothy Brown has long established that the dual-earner couple (in upper-middle and upper income tax brackets) experiences a marriage penalty from joint taxation when compared with the single-earner couple.

In this project, I combine Brown's theory that joint taxation produces a negative result for Black families as compared to white families with the theory in feminist scholarship that joint taxation produces a sexist result for the uncompensated care worker in the jointly taxed marital household. I aim to show that joint taxation produces a sexist result that is amplified within Black Kinship Networks as racialized sexism that produces both economic precarity and tax invisibility for uncompensated, but essential, care workers in broader, non-nuclear family networks.

I show that the horizontal inequity between the two couples extends to include kin in the orbit of those couples who provide uncompensated services to kin members. The first part of the problem is that the tax system does not see uncompensated service the way it sees accretions to value from unrealized gains in property. The second part of the problem is that the imputed income calculus principally focuses on the recipient of the service, and the joint tax assumes that the service provider implicitly derives value from the shared resources within the marriage. When this is not true, the service provider neither realizes an actual income nor full access to the privatized social insurance of the marital household. As a result, s/he is additionally invisible to a tax system that prioritizes wage income as a determining factor for income security programs. The effect of invisibility on the uncompensated service provider *within* the marital household is only amplified when the service provider is a kin member outside the jointly taxed marital unit. When a grandmother, aunt, or cousin provides a service to a separate family member, not only do they not receive a tangible income, they also receive even less consideration than the presumptive consideration of the service-provider spouse in the marital household. The outside kin member does not have even the implied benefit of private social insurance that the marital household provides *and* without a stated income they are also excluded from public social insurance programs.

I argue that the income tax system has to change to be more equitable to account for the value that people who provide value in the form of service, rather than own property, contribute. Because the class of service providers includes both those within the jointly taxed marital household and outside of it, this reform requires two separate but equally important interventions in how we frame "income" for the purpose of federal income taxation. First, as multiple scholars have argued, joint taxation should be abolished and every member of the household should be taxed individually. This would not only create more tax equity across different kinds of working households (single-earner vs. dual-earner, for example) but it would also increase economic parity within single-earner households. Second, and relatedly, the tax system must find a way to credit service providers with the value of their labor. Implementing a credit system would account for the actual economic value of the non-market labor that uncompensated service providers offer which manifests as "imputed income" to the recipients of the service. Given that the services in this framework remain uncompensated, income security programs built into the tax system would have to be responsive to the imputed loss that uncompensated service providers experience.

Ultimately, this Article draws attention to the federal income tax system's failure to account for the economic value of uncompensated service work as part of the broader consideration of tax citizenship. It is the first of a series of Articles that the taxation of kinship networks (broadly) and Black Kinship Networks (specifically) by outlining the tax disparities between some of the component features of extended kin networks and nuclear families.