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SWEDEN, SINGAPORE, AND THE STATES: A COMPARATIVE ANALYSIS OF THE IMPACT OF TAXATION ON THE WELFARE OF WORKING MOTHERS

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INTRODUCTION .................................................................................................... 1088

I. TAX CULTURE AND POLICY ............................................................................. 1093
   A. Sweden .................................................................................................. 1098
      1. Direct Subsidies ............................................................................... 1100
      2. Vertical Equity ................................................................................ 1101
         a. Tax Base ................................................................................... 1101
         b. Tax Rates .................................................................................. 1102
      3. Tax Unit .......................................................................................... 1103
   B. Singapore ................................................................................................ 1105
      1. Direct Subsidies ............................................................................... 1107
      2. Vertical Equity ................................................................................ 1107
         a. Tax Base ................................................................................... 1108
         b. Tax Rates .................................................................................. 1108
      3. Tax Unit .......................................................................................... 1109
   C. United States ........................................................................................... 1111
      1. Direct Subsidies ............................................................................... 1114
      2. Vertical Equity ................................................................................ 1115
         a. Tax Base ................................................................................... 1115
         b. Tax Rates .................................................................................. 1122
      3. Tax Unit .......................................................................................... 1124

II. LESSONS LEARNED: U.S. AGENDA FOR REFORM ............................................ 1125
   A. Lessons from Sweden: Direct Subsidies and a Focus on Equity ............ 1125
   B. Lessons from Singapore: An Efficient Tax System with Comprehensive Base and Care Subsidies ......................................................... 1126
   C. Additional Macro Proposals ................................................................. 1127
      1. Tax Base .......................................................................................... 1127
      2. Tax Rates ......................................................................................... 1130
      3. Tax Unit .......................................................................................... 1130
   D. Micro Proposals ..................................................................................... 1132

CONCLUSION ....................................................................................................... 1132

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INTRODUCTION

Many scholars have studied the topic of tax culture and policy in a variety of countries across the world.¹ Few have compared how different countries’ tax policies impact families² or have developed tax criteria that assess the impact of those policies on working mothers.³ I chose to study working


mothers because mothers are “derivatively” dependent, that is to say, children depend on their mothers for care, and when mothers must work, they are caught in a “double bind.” On the one hand, mothers physically bear the child and assume the primary responsibility for care giving. On the other hand, they must earn the money to buy the food, shelter, health, and other necessities for themselves and their children. In addition, I chose mothers

4. Gender neutrality seems to be the “preferred norm,” but it may “reinforce a false sense of objectivity” and “raise the risk of essentialism.” Nancy E. Dowd, *Women’s, Men’s and Children’s Equalities: Some Reflections and Uncertainties*, 6 S. CAL. REV. L. & WOMEN’S STUD. 587, 588 (1997). I chose to study mothers rather than parents or families; however, I do not want to leave children out of my discussion either. I found that many studies on families do not address some of the most important issues to women, such as domestic violence.


7. Mothers still have the primary responsibility for child care and housework in the home. “[E]mployed fathers in most OECD countries devote fewer than one-quarter of the hours that their female partners commit to routine housework.” Janet C. Gormick & Marcia K. Meyers, *Creating Gender Egalitarian Societies: An Agenda for Reform*, 36 POL. & SOC’Y 313, 317 (2008). Time-use studies in the United States indicate that “employed mothers do less of everything else; they spend seven fewer hours per week on housework, six fewer hours sleeping, five fewer hours on personal care, and twelve fewer hours on leisure activities than their nonemployed counterparts.” *Id.* at 318. “Men have failed to make a corresponding shift in the amount of time and attention that they devote to caregiving.” *Id.* at 317.

8. The majority of children now grow up in single-parent or two-parent families where both adults work. *See Gormick & Meyers, supra note 7, at 316* (indicating that across thirty OECD countries, 71% of mothers with one child and 62% of mothers with two or more children work; in the United States almost 70% of mothers work; and in Sweden over 80% of mothers work). In the United States approximately 30% of children grow up in single family households; 23% of children grow up in a single family household headed by the mother. *See Marian Wright Edelman, A National Family Portrait, HUFFINGTON POST* (July 29, 2011), http://www.huffingtonpost.com/marian-wright-edelman/a-national-family-portrait_b_913729.html.

However, mothers are employed fewer hours than fathers and are paid less. Due to leaves, career breaks, job choices, and employer discrimination, mothers bear a “mommy tax.” Mothers share of parental earnings in a dual-parent household is about 28% in the United States and in the high thirtieth percentile in Sweden. Gormick & Meyers, *supra* note 7, at 318. Single mothers’ earnings are among the lowest. *See* Timothy S. Grall, U.S. CENSUS BUREAU, CURRENT POPULATION REPORTS: CUSTODIAL MOTHERS AND FATHERS AND THEIR CHILD SUPPORT: 2007, at 10 (2009). Around 31% of all single parents receive public assistance and 4% receive Temporary Assistance for Needy Families. *Id.* at 1.

because of their important connection to children—valuable public goods and the human capital of the future.\textsuperscript{10}

This paper is the beginning of an exploration of the multitude of tax factors that impact the welfare of working mothers. I select three countries which I think exemplify three different and distinct approaches to working mothers’ welfare—Sweden, which adopts a “state-support” system;\textsuperscript{11} Singapore, which adopts a “class/caste” approach;\textsuperscript{12} and the United States, which largely adheres to a “personal responsibility” model.\textsuperscript{13} I chose these three countries because of their differing approaches to working mothers’ welfare, as well as their distinct political, cultural, legal, and tax differences. I will consider each country’s “tax culture,” and the effect of the country’s tax and spending policies on working mothers’ welfare.

I chose Sweden because of all the socialist countries it has the most favorable and transformative family leave policy.\textsuperscript{14} Sweden also has a large

\textit{see also} GARY ORFIELD, UCLA CIVIL RIGHTS PROJECT, \textit{The Future Depends Upon Single Moms: A Policy Analysis Including Data from the Top Ten Metropolitan Areas} 7 (2009).

\textsuperscript{10} Raising healthy children should be a national priority. \textit{See, e.g.}, Paula England & Nancy Folbre, \textit{Who Should Pay for the Kids?}, 563 ANNALS AM. ACAD. POL. & SOC. SCI. 194 (1999) (arguing that well-reared children are public goods because of their capacity to benefit society as a whole); Nancy Folbre, \textit{Children as Public Goods}, 84 AM. ECON. REV. 86 (1994). One very important economic benefit of children is that their income from their wages will help provide retirement benefits for the elderly.

\textsuperscript{11} Sweden sees its role as reducing economic inequity, gender inequity and providing support of children who they see as a public good or valuable social citizens. \textit{See} Gregg M. Olsen, \textit{Toward Global Welfare State Convergence?: Family Policy and Health Care in Sweden, Canada and the United States}, J. SOC. & SOC. WELFARE, June 2007, at 143, 145 (asserting that Sweden’s welfare state “covers a wider range of social contingencies than most nations and provides generous social transfers and a dense network of high quality social services”).

\textsuperscript{12} Singapore supports working moms through a massive “guest worker” program which essentially provides many households with a maid or nanny. These guest workers have low wages, few rights and support from the state. \textit{See} Brenda S.A. Yeoh & Kavitha Annadhurai, \textit{Civil Society Action and the Creation of “Transformative” Spaces for Migrant Domestic Workers in Singapore}, 37 WOMEN’S STUD. 548, 549 (2008). \textit{See also} Brenda S.A. Yeoh et al., \textit{Migrant Female Domestic Workers: Debating the Economic, Social and Political Impacts in Singapore}, 33 INT’L MIGRATION REV. 114, 117 (1999); Brenda S.A. Yeoh & Shirlena Huang, \textit{Singapore Women and Foreign Domestic Workers: Negotiating Domestic Work and Motherhood}, in \textit{GENDER, MIGRATION AND DOMESTIC SERVICE} 277, 279 (Janet Henshall Momsen ed., 1999).

\textsuperscript{13} Working mothers in America are responsible for child care, pre-school, college expenses as well as work-related expenses, such as commuting, work clothes, and meals. Olsen, \textit{supra} note 11, at 145 (stating “[t]he restricted nature of the U.S. welfare state reflects a commitment to a narrow conception of equal opportunity, a negative expression of liberty—freedom from the state—and limited government, helping to explain its higher levels of poverty and smaller middle class”).

number of women in powerful governmental positions and was ranked number one on the Gender Gap Index in the year I started researching this paper. Sweden has a family-friendly tax system with high progressive rates, a comprehensive base, and an individual unit. It also has a large number of direct, rather than tax, subsidies.

I chose Singapore because it has one of the lowest fertility rates of any country in the world, yet one of every seven households has a maid or nanny. Singapore also seems economically comparable to the United States, with one of the highest standards of living in Asia. Singapore’s taxes are low, fair, and simple with a mandated savings system, much like our own Social Security system.

Part I of my Essay explores the “tax culture” of each of the three countries. I define “tax culture” as the values and beliefs embodied in the various taxing systems and provisions of the country. Although all tax cultures have as their purposes supplying adequate revenue, achieving a practical system, and accomplishing political order; they vary in their goals of horizontal equity, reducing economic equality, encouraging market work, and providing specific support for working mothers and their children. In this Essay I try to prioritize

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16. Sweden is now number four after Iceland, Finland, and Norway. RICARDO HAUSMANN ET AL., WORLD ECON. FORUM, THE GLOBAL GENDER GAP REPORT: 2009, at 8 (2009), available at http://www.weforum.org/en/Communities/Women%20Leaders%20and%20Gender%20Parity/GenderGapNetwork/index.htm. See Table 3a for comparisons. Id. at 8–9. The report covers 134 countries and over 90% of the world’s population. Id. at 7. The four major categories examined were: 1) economic participation and opportunity; 2) educational attainment; 3) political empowerment; and 4) health and survival. Id. at 4. The United States ranked thirty-first overall, and Singapore ranked eighty-fourth. Id. at 8, 9.


20. Yeoh & Annadhurai, supra note 12, at 549. The statistics vary; some say one-in-eight and some say one-in-seven households. Id.


the tax features most important to working mothers’ welfare. Spending policies, as well as macro tax concepts, such as the tax base, progressive taxation, and the taxable unit are considered. Specific tax policies, such as those involving children and childcare, housing, earned income, retirement, and education may also be relevant.

Part II of this Essay discusses lessons learned from Sweden and Singapore, and explores proposals to optimize the tax system in the United States so that it can be more supportive of working mothers. First, because working mothers spend a disproportionate part of their income on consumption and often do not adequately save, I make several suggestions as to the tax base, including: 1) moving away from the current hybrid income tax system with fewer subsidies for savings; 2) providing more subsidies for the consumption items important to working moms; 3) limiting the subsidies for the consumption items of the wealthy; and 4) taxing capital gains and dividends the same as earned income. Second, because working mothers earn less in the marketplace, I also suggest ways to make our tax system more progressive: 1) by increasing the federal income tax rates; 2) by making the Social Security system less regressive; and 3) by providing a refundable credit for “regressive state tax regimes”—those using flat-rate consumption taxes that heavily tax household and child/work related items. Third, to eliminate adverse marriage penalties and incentives to stay at home, I advocate changing our marital taxing unit and requiring the imposition of mandatory individual filing. In the alternative, I recommend allowing married couples who file separately to file as singles, and head of households to be taxed as married. I also propose the doubling of the eligibility rules and phase-outs for head of household working moms. Fourth, because working moms often spend considerable time doing both market work and housework, transferring some of these functions to the state (or to their partners or other family members) would be greatly beneficial to their welfare. Although providing universal health care is a good first step, I suggest we provide more direct subsidies that would be of importance to working moms, such as universal preschool.

To the extent the United States is more likely to adopt tax subsidies, rather than direct subsidies, I propose the following specific tax provisions: 1) a family allowance for all lower and middle income head of household working moms to address the negative income resulting from child care responsibilities; 2) an across-the-board “support” credit for moms in two-earner households or head of household working moms—those who have to incur increased transportation, meals, and clothing expenses for work; 3) a “welfare mom’s working opportunity credit” for those hiring welfare moms (with accompanying children) as nannies; and 4) institution of a refundable “rent” credit to subsidize rent expenses for low income head of household moms. Of course, tax culture is just one part of the larger legal and social environment of which working mothers are a part. However, tax policy can be instrumental in
addressing certain equity issues and in providing support to those who sacrifice for the common good.23

I. TAX CULTURE AND POLICY

What is tax culture? Tax culture has been defined as “the body of beliefs and practices that are shared by tax practitioners and policy-makers in a given society and thus provide the background or context in which substantive tax decisions are made.”24 Tax culture has generally been assessed according to a variety of traditional tax policy criteria: supplying adequate revenue, achieving a practical system, imposing equal taxes, reducing economic inequality, and accomplishing political order.25 The tax culture should be assessed by examining all the taxing systems—federal, state, and local—of a country, as well as examining specific micro criteria.26

When assessing the impact of a country’s tax culture on working mothers, it is important to reframe these traditional tax policy criteria based on the economic and social circumstances that generally apply to working mothers.27 First, working mothers tend to earn less than men,28 but a large portion of their income is comprised of earnings, as opposed to savings.29 Second, women


24. Livingston, supra note 1, at 560.


26. Sneed, supra note 25, at 569. Sometimes charges or excise taxes (and where the funds go from the excise taxes) can be important. For example, Singapore imposes a monthly charge or “tax” on the household employer of a foreign nanny or maid. Yeoh et al., supra note 12, at 117. These funds do not go back to the payers or benefit the worker.

27. For an example of how to reframe these criteria, see Nancy E. Shurtz, A Critical View of Traditional Tax Policy Theory: A Pragmatic Alternative, 31 VILL. L. REV. 1665, 1668 (1986) (providing an example of how to reframe these criteria). For an economic perspective, see Faye L. Woodman, Women and Children in the Economy: Reflections from the Income Tax System, 47 U. N.B. L. J. 311, 314 (1998) (discussing the Canadian tax system and the problematic trends toward a hybrid system, towards flattening tax rates, and the emphasis on efficiency over equity).


save less and spend more than the average man.\textsuperscript{30} They generally have less wealth and retirement assets.\textsuperscript{31} Third, when the taxable unit is the married couple and the rates are progressive, working mothers are encouraged to stay at home.\textsuperscript{32} Fourth, working mothers tend to spend more time on household chores and child care than other taxpayers, often with little leisure.\textsuperscript{33} Lastly, working mothers tend to derive greater benefits from government services that are financed with tax dollars.\textsuperscript{34}

Tax subsidies in the form of deductions are more favorable to high income earners.\textsuperscript{35} Low income earners, such as single moms, often take the standard deduction\textsuperscript{36} or, if they are not taxpayers, do not receive any benefit from tax deductions or nonrefundable credits.\textsuperscript{37} Refundable credits, such as the earned income credit, can function the same as direct subsidies\textsuperscript{38} and are better than nonrefundable credits for low income working mothers. However, direct subsidies are best because they can be specifically targeted, adequate, and

\begin{itemize}
\item \textsuperscript{30} Mimi Abramovitz & Sandra Morgen, Taxes Are a Woman’s Issue: Reframing the Debate 19 (2006).
\item \textsuperscript{32} See Edward J. McCaffery, Taxing Women 3 (1997).
\item \textsuperscript{33} See Nancy C. Staudt, Taxing Housework, 84 Geo. L.J. 1571, 1579 (1996). Time use studies in the United States show that employed mothers spend “seven fewer hours per week on housework, six fewer hours sleeping, five fewer hours on personal care, and twelve fewer hours on leisure activities.” Gornick & Meyers, supra note 7, at 318.
\item \textsuperscript{34} See Abramovitz & Morgen, supra note 30, at 19.
\item \textsuperscript{35} For a nonfeminist argument that direct subsidies are best, see Stanley S. Surrey, Tax Incentives as a Device for Implementing Government Policy: A Comparison with Direct Government Expenditures, 83 Harv. L. Rev. 705, 721 (1970). Surrey points out that “Tax incentives are inequitable: They are worth more to the high income taxpayer, than the low income taxpayer; They do not benefit those who are outside the tax system because their incomes are low, they have losses, or they are exempt from tax.” Id. at 720 (caps and italics eliminated from quote).
\item \textsuperscript{37} Katherine D. Black et al., The Bias Against Single Parents in the Internal Revenue Code, 126 Tax Notes 1397, 1397 (2010). The article points out that “13.6 million single parents” are “rearing 21.2 million children,” representing “26 percent of the 81.6 million children living in families” in America. Id.
\item \textsuperscript{38} See Heen, supra note 9, at 175.
\end{itemize}
Thus, replacing tax benefits with direct subsidies would be the single most important tax policy priority for working moms.

When the government takes over responsibility for child care, elder care, education, or other responsibilities of the working mom, the working mother’s welfare is greatly enhanced. Not only will her leisure increase, but her costs for children will be reduced. It may be equally important for the system to encourage her partner or family to be more supportive or grant allowances that help pay more of her expenses, such as health and housing. A direct subsidy in the form of a family allowance is used by most industrialized countries, and makes sense as a tax policy matter.

An efficient governmental system with small debt or even surpluses can be important to working moms, particularly in recessions. In difficult times, studies have shown that spending cuts can actually adversely impact services—such as health, education, and child care. On the state level, fewer school days means mothers bear the burden of child care. On the federal level, Social Security benefit reductions have more of an impact on women than men. At both levels, cuts in government employment can impact women more because they have higher employment in the public sphere. On the state level, balanced budget requirements often require the imposition of

39. Id. at 201. Heen points out that tax systems can provide “relative privacy, reduced bureaucracy, and lack of stigma” but that the workability of refundable credits has the disadvantages of “difficulty of implementing an advance payment mechanism for a population that cannot easily wait until tax refund time” to get the benefit. Id. at 200–01. See also Jonathan Barry Forman, Poverty: Greening the Tax and Transfer System to Create More Opportunities, in AGENDA FOR A SUSTAINABLE AMERICA 187, 193 (John C. Dernbach ed., 2009) (stating that “[t]ransfer programs reduce household income inequality much more than taxes” and citing the Gini index reduction of 17% versus 4.6% with transfer programs).
41. Olsen, supra note 11, at 147.
43. ABRAMOVITZ & MORGEN, supra note 30, at 19.
44. See id. at 81; NICHOLAS JOHNSON ET AL., CTR. BUDGET & POL’Y PRIORITIES, AN UPDATE ON STATE BUDGET CUTS: AT LEAST 46 STATES HAVE IMPOSED CUTS THAT HURT VULNERABLE RESIDENTS AND CAUSE JOB LOSS 1 (2011); ELAINE MAAG, URBAN INST., ANALYZING RECENT STATE TAX POLICY CHOICES AFFECTING LOW-INCOME WORKING FAMILIES: THE RECESSION AND BEYOND 1 (Perspectives on Low-Income Working Families Ser. No. 3, 2006).
45. ABRAMOVITZ & MORGEN, supra note 30, at 79.
47. ABRAMOVITZ & MORGEN, supra note 30, at 28. Women in the United States outnumber men 18% to 13% in public sector jobs. Id. In Sweden, women also make up a large percentage of public employment. Bennhold, supra note 14.
higher taxes, often regressive taxes like sales taxes. Tax increases can also occur at the federal level, as well as increased federal debt, which can mortgage our children’s future.\textsuperscript{48}

Revenue for these direct subsidies must be raised and a tax system that focuses on vertical equity rather than economic efficiency will serve most working mother’s interests best.\textsuperscript{49} In the “land of autonomous, self-actualizing and wealth-maximizing market participants,”\textsuperscript{50} working mothers’ concerns are not taken into account. The mother’s responsibility for looking after her children altruistically does not fit into this model.\textsuperscript{51} Consequently, a tax system that taxes people according to their ability to pay with fair rates and a comprehensive, yet fair, base is the second most important tax system feature after providing direct subsidies.\textsuperscript{52} Progressive taxes are best because they not only leave the lower income taxpayer with greater disposable income, but help assure that taxes on the wealthy will finance needed social services.\textsuperscript{53} Working mothers’ (and particularly single mothers’)\textsuperscript{54} greater family responsibilities make them less competitive in the marketplace, resulting in lower wages and wealth. A flat tax system with a comprehensive base would also work, if liberal exemptions are provided for family responsibilities and direct social subsidies are financed.\textsuperscript{55}

The tax base is probably more important than the tax rates to working mothers. Since women, particularly single women, rely on their earnings more than men,\textsuperscript{56} any double taxation of wages, such as the federal income tax, the payroll tax, and the state and local income and wage taxes will be detrimental to her welfare.\textsuperscript{57} In addition, any favorable treatment of savings will not inure to her benefit, since working mothers tend to consume more (due to work and child-related expenses), spending a greater percentage of their income.\textsuperscript{58} Provisions in the income tax system that favor savings, such as those for health, education, and retirement, should be modified or eliminated.\textsuperscript{59}

\begin{thebibliography}{9}
\bibitem[48]{ABRAMOVITZ\& MORGEN, supra note 30, at 105–06.}
\bibitem[49]{\textit{Id.} at 126; \textit{see also} Meils, \textit{supra} note 31, at 878 (criticizing international agreements for not including provisions to protect the specific problems faced by working women).}
\bibitem[50]{Woodman, \textit{supra} note 27, at 312.}
\bibitem[51]{\textit{Id.}}
\bibitem[52]{ABRAMOVITZ \& MORGEN, supra note 30, at 130.}
\bibitem[53]{\textit{Id.} at 37, 125.}
\bibitem[54]{\textit{See Black et al., supra} note 37, at 1397.}
\bibitem[55]{This is the Singapore model.}
\bibitem[56]{ABRAMOVITZ \& MORGEN, supra note 30, at 19.}
\bibitem[57]{\textit{See id.} at 86–87.}
\bibitem[58]{\textit{See id.} at 61.}
\bibitem[59]{\textit{See id.} at 57.}
\end{thebibliography}
Similarly, a broad-based income system that taxes capital gains and dividends the same as earned income would be the best tax base.\footnote{See id. at 56–57.}

Subsidies for consumption that favor the wealthy, such as deductions for vacation home mortgage interest, should be modified or eliminated.\footnote{See ABRAMOVITZ & MORGEN, supra note 30, at 55.} Conversely, job-related and child care expenses to produce earnings should be subsidized.\footnote{Id. at 57. Or a credit could be provided. All earners have extra expenses for transportation, clothes, and meals. Parents have extra child care expenses.} Lastly, taxes on consumption, such as sales and value added taxes (VAT), should exempt basic necessities as well as those purchases, such as prepared meals, that are more likely to be the expenditures of working mothers.\footnote{Id. at 138–39.}

The taxable unit is another important feature of the taxing system for working mothers.\footnote{Dulude, supra note 2, at 21, 60. At one time this factor was more important than the tax base. Now, with most mothers working, the base seems to be more important.} Family living arrangements affect economic well-being and are important in determining a taxpayer’s ability to pay. Any tax system that encourages women to be full-time homemakers or promotes the gendered division of housework and child care is detrimental to working mothers’ best interests.\footnote{See McCAFFERY, supra note 32, at 138 (“The push toward single-earner families among the Uppers makes Traditional families prominent among the rich and powerful and deprives women of important positions at the top of the social hierarchy.”). See also Laura Ann Davis, Note, A Feminist Justification for the Adoption of an Individual Filing System, 62 S. CAL. L. REV. 197, 198 (1988).} Giving up market work may also be detrimental when divorce or separation rates are high,\footnote{McCAFFERY, supra note 32, at 2–3; see generally Stephen A. Zorn, Innocent Spouses, Reasonable Women and Divorce: The Gap between Reality and the Internal Revenue Code, 3 MICH. J. GENDER & L. 421 (1996).} and joint filing may result in tax liability for the innocent spouse.\footnote{Gary L. Maydew, When is an Innocent Spouse Really Innocent?, TAXES: THE TAX MAG., Jan. 1995, at 39.} Individual taxation eliminates the high marginal tax rates experienced by secondary earners in a progressive tax system.\footnote{Davis, supra note 65, at 218.} Individual taxation eliminates the discrimination in the eligibility rules and phase-outs when marital status is a factor. Under an individual unit system, income from property should be apportioned according to ownership.\footnote{Id. at 198.} Child subsidies could be apportioned according to who cares for or provides financial support for the children.\footnote{See generally Nancy E. Shurtz, Gender Equality and Tax Policy: The Theory of “Taxing Men”, 6 S. CAL. REV. L. & WOMEN’S STUD. 485 (1997).}
Lastly, in circumstances where there are inadequate direct subsidies, hybrid or consumption taxable bases, or the wrong taxing unit, specific tax rules that address women’s concerns also become significant. 71 How the tax code addresses child care, elder care, housework, divorce, retirement, and inheritance are all important. For example, how the tax system treats children—as investments, consumption, or public goods—is a relevant tax policy concern to working mothers. 72 If child care and child rearing are considered socially valuable activities, and children are treated as valuable investments in human capital, then working mothers will not bear the major responsibility for producing these valuable social goods. 73 On the other hand, when children are considered consumption, then their expenses are considered the personal responsibility of the parent. 74 When there is a failure on the personal level to provide adequately for the children, the society may suffer the consequences. 75 Similarly, a tax system that subsidizes other care functions, like those for the elderly or handicapped, can also provide more horizontal equity among taxpayers as well as benefits to the state and society. 76

This section begins by analyzing each country’s tax culture and policies and identifying the criteria most valued by each system. It then goes on to examine the tax features important for the welfare of working mothers. These are divided into the following major categories: adequate revenue for direct subsidies supporting women, vertical equity (including the tax base and tax rates), and the tax unit.

A. Sweden

The tax culture of Sweden focuses primarily on equity, 77 both horizontal and vertical. 78 Horizontal redistribution is characterized as being accomplished

71. ABRAMOVITZ & MORGEN, supra note 30, at 51–54.
72. England & Folbre, supra note 10, at 196; see Folbre, supra note 10, at 86.
73. See Heen, supra note 9, at n.207.
74. Folbre, supra note 10, at 87.
76. See Folbre, supra note 10, at 87.
77. Olsen, supra note 11, at 145.
periodically over one’s life cycle through benefits, pensions, allowances, and insurance. Vertical redistribution from the rich to the poor is accomplished not only through welfare programs but also through progressive taxation. The Swedish tax system as a whole is more progressive than the tax system of the United States or Singapore. Taxes in Sweden account for 47% of gross domestic product (GDP), compared with 27% in the United States. The welfare state in Sweden is significant. “The public sector . . . employs one in three workers, including half of all working women.” “Family benefits cost 3.3% of GDP, the highest in the world along with Denmark and France.” A large percentage of the budget is allocated to social welfare programs and, in contrast to the United States, a small percentage of the overall budget is used to finance national defense. Overall, Sweden has been successful in reducing poverty and inequality and providing broad subsidies to working moms. Compared internationally, poverty rates in Sweden continue to be among the lowest. In addition to progressive taxation and widespread welfare benefits, another factor contributing to the low degree of inequality in Sweden is the relatively even distribution of earnings. The Gini coefficient for 2005 was .230. According to this measurement, which ranges between zero and one, the closer the value is to zero, the more equal the distribution of wealth.

79. Palme, supra note 78, at 16.
80. Id. at 16, 17.
82. Bennhold, supra note 14.
83. Olsen, supra note 11, at 145.
84. Bennhold, supra note 14.
85. Id.
87. Palme, supra note 78, at 16.
88. Id. at 21.
89. Amnafiri, supra note 81 (“The Gini coefficient is a measure of inequality of distribution. It is generally used as a measure of imbalance of income or wealth.”).
As for practicality, the Swedish tax system is relatively complex and sophisticated.\textsuperscript{91} Sweden has taxes on income, capital, and consumption at both the federal and local levels.\textsuperscript{92} Unlike the United States, the focus of the Swedish taxation system is not on generating economic growth.\textsuperscript{93} Yet, “public deficit and debt levels are a fraction of those in most developed economies these days, testimony perhaps to fiscal management born of a banking crisis and recession in the 1990s.”\textsuperscript{94}

The politic of Sweden is one that fosters the welfare state system.\textsuperscript{95} Overall, Swedes seem to accept and support their government’s power to tax and redistribute revenue.\textsuperscript{96} Although Swedes pay a very high level of taxes, they do not appear to have a problem with either tax evasion or tax avoidance, mainly because as one Swedish journalist put it, “most feel they are getting a good return for their money.”\textsuperscript{97} With liberal family allowance, full-time preschool guaranteed at a minimal fee, and quality elder care, “people feel they are getting their money’s worth.”\textsuperscript{98}

1. Direct Subsidies

With respect to one of the criteria most important to women—adequate revenue for programs supporting women—Sweden scores high.\textsuperscript{99} Sweden generates more than adequate revenue from its tax system to finance its social welfare system.\textsuperscript{100} The revenue raised through the progressive tax system is pumped into the public sectors through direct subsidies to support the various programs of the welfare state.\textsuperscript{101} By far the largest budgetary amount goes to “social protection,” which includes child care, housing, and retirement subsidies.\textsuperscript{102} This makes up nearly half of public expenditures.\textsuperscript{103} Subsidies for education and health care are secondary in importance and together

\textsuperscript{91} Larson, \textit{supra} note 78, at 13.  
\textsuperscript{92} Id. at 4.  
\textsuperscript{93} Id. at 14.  
\textsuperscript{94} Bennhold, \textit{supra} note 14.  
\textsuperscript{95} Olsen, \textit{supra} note 11, at 159–60.  
\textsuperscript{96} Palme, \textit{supra} note 78, at 16.  
\textsuperscript{97} Id.  
\textsuperscript{98} Bennhold, \textit{supra} note 14.  
\textsuperscript{99} Olsen, \textit{supra} note 11, at 145.  
\textsuperscript{100} Id. at 147.  
\textsuperscript{101} Palme, \textit{supra} note 78, at 16.  
\textsuperscript{103} Id.
comprise over 25% of the budget. A very small percentage of their budget goes to defense. Sweden, like Singapore, has recently had surpluses in their budget.

2. Vertical Equity

The Swedish Tax system as a whole has a very strong vertical equity component. The rates are high and thus the people pay according to their abilities. However, the tax base could be improved to be more beneficial to working mothers.

a. Tax Base

Sweden perhaps falls short of a perfect taxing system for working mothers in the composition of its tax base. Most of Sweden’s revenue is collected through labor taxes and consumption taxes, rather than through taxes on property and capital. The country’s three major revenue generating groups are labor taxes, goods and services taxes, and taxes on capital and business. Direct taxes on labor are paid by income earners and include local and state taxes, as well as basic pension or social security contributions. Individual income is taxed mainly by municipality of residence but may also be subject to the national income tax if the income level exceeds the proscribed limit.

In 2007 almost 60% of the tax revenue came from labor taxes, which also includes indirect taxes such as those employers pay for social insurance.

104. Id.
105. MINISTRY OF FIN. SWED., supra note 86, at 7.
107. See AULT ET AL., supra note 1, at 103 (“In recent years the budget has been balanced and even with an increasing surplus (2001: 4.8%).”).
109. Id. at 9. Income taxes and social security taxes are imposed on income of the individual. AULT ET AL., supra note 1, at 102. The tax on earned income from employment and business is a progressive rate. Id. County and municipality income taxes are levied on income at rates decided upon by the local government, but normally average around 31%. Id. at 104.
111. Id. at 14. Swedish taxpayers pay taxes only on income derived within the country, not on world-wide income, like the United States. INVEST IN SWED. AGENCY, FACT SHEET: TAXES IN SWEDEN 1 (2008), available at http://investsweden.us/literature/Taxes_in_Sweden.pdf.
112. AULT ET AL., supra note 1, at 102.
Only 14% of the revenue came from taxes on capital and business.\textsuperscript{114} This category also includes the tax on real estate.\textsuperscript{115}

Sweden has a form of social security tax.\textsuperscript{116} In 2007, basic pension contributions were charged at 7%.\textsuperscript{117} Social security contributions are paid by the employer, on up to 33% of earned income for employers and 31% of earned income for employees.\textsuperscript{118} About 60% of these contributions are considered taxes because they do not result in any social benefit.\textsuperscript{119}

As a result of these taxing systems, working women’s salaries are sometimes taxed three times, just like in the United States. Unlike the United States system, however, the Swedish income tax base is not riddled with deductions for the wealthy, or subsidies for savings.

A fairly significant portion—28% of the tax revenue—comes from taxes on goods and services, including the value added tax (VAT).\textsuperscript{120} Sweden’s VAT on goods and services has three levels:\textsuperscript{121} 25% for most goods and services (standard base), 12% for foods and hotel stays, and 6% for printed matter, cultural events, and transport of private persons.\textsuperscript{122} Again, if working women are more likely to spend more money on prepared meals, clothing, and other necessities for the family, such a system will decrease their welfare.

b. Tax Rates

Sweden’s federal taxes are highly progressive, ranging up to 57% on high income earners.\textsuperscript{123} The income tax rates levied on earned income ranges from around 13% to as high as 38%.\textsuperscript{124} Sweden has a zero-bracket amount for personal income tax, which effectuates a threshold level of earned income for the income tax to be imposed.\textsuperscript{125} No income tax is levied on the first 16,600 SEK (approximately $2,278) of earned annual income.\textsuperscript{126}

\begin{itemize}
  \item \textsuperscript{114} Id.
  \item \textsuperscript{115} Id. at 9, 13.
  \item \textsuperscript{116} Id. at 11.
  \item \textsuperscript{117} Id.
  \item \textsuperscript{118} AULT ET AL., supra note 1, at 103.
  \item \textsuperscript{119} Id. at 102–03, 103 n.14.
  \item \textsuperscript{120} SJOSTRAND, supra note 108, at 9, 16. In 2007, the total revenues amounted to 1484 billion SEK of which 479 billion was attributable to income taxes, 473 billion to social security contributions, and 288 billion to the VAT. Id. at 9, 11, 16.
  \item \textsuperscript{121} SWEDISH TAX AGENCY, THE VAT BROCHURE, SKV 552B EDITION 10 (2010), available at http://www.skatteverket.se/download/18.6efe6285127ab4fd1d2580008468/552B10.pdf.
  \item \textsuperscript{122} SJOSTRAND, supra note 108, at 16.
  \item \textsuperscript{123} Id. at 25. Sweden and Denmark are competitors “for the dubious honor of the world’s highest tax burden.” LARSON, supra note 78, at 1.
  \item \textsuperscript{124} SJOSTRAND, supra note 108, at 25.
  \item \textsuperscript{125} LARSON, supra note 78, at 5.
  \item \textsuperscript{126} Id.
\end{itemize}
A 20% state income tax is imposed on individuals who earn more than 316,700 SEK per month and 25% for those earning more than 476,700 SEK per month. In 2007 the average local income taxes levied by municipalities and county councils was 31.55% of every 100 SEK earned. The basic allowance for these local taxes is usually 11,900 SEK, but could increase to a maximum of 31,100 SEK. In 2007, the median income for full-time working males was 321,200 SEK; for full-time females the median income was 268,500 SEK.

Corporate tax rates for limited liability companies are levied at a flat rate of 28% on profits and other taxable income. Sole proprietors and trading partnerships are taxed as the owner’s income from employment. Like the United States, corporations are subject to a system of double taxation.

3. Tax Unit

Perhaps the most significant tax change in the Swedish taxation system was the shift to the individual unit from the family-based system which aggregated the income of the household couple. Now, each individual is taxed on what he or she earns or generates. Nevertheless, the married couple is treated as one economic unit for purposes of unearned income. Therefore, the incentive is not to share the underlying property that generates the unearned income.

The taxable unit was changed as a means of encouraging secondary workers (primarily women) to enter the workforce. The Swedish system, in contrast to the American system, ensures that the marginal tax rate on the secondary worker is not affected by the income level of the other partner. This encourages women to work outside the home and return to work after exercising the parental leave allowances.

127. Sjöstrand, supra note 108, at 11.
128. Id. at 6, 10.
129. Id. at 10.
130. Id.
131. Id. at 47.
132. Sjöstrand, supra note 108, at 47.
133. Ault et al., supra note 1, at 102.
134. Id. at 262.
135. Palme, supra note 78, at 18.
136. Dulude, supra note 2, at 81.
137. Ault et al., supra note 1, at 262–63.
139. Ault et al., supra note 1, at 263.
140. Palme, supra note 78, at 18.
Instead of dependency exemptions or other deductions for families, Sweden, like most European countries, has a “family allowance” that arguably covers the involuntary expenditures of the minimal necessities of everyday life.\footnote{Olsen, supra note 11, at 146–47. The general child allowance, paid out to the child’s mother, covers all resident children until they reach 16 years of age (or 20 if a student, or 23 if attending a special school for the intellectually disadvantaged). The allowance is about 1050 SEK a month (around $150). Sweden, CLEARINGHOUSE ON INT’L DEVS. IN CHILD, YOUTH, & FAMILY POLICIES AT COLUMBIA UNIV., http://childpolicyintl.org/countries/sweden.html#family allowances (last visited July 31, 2011).} In 2008, Sweden introduced a gender equality bonus designed to provide an incentive for mothers and fathers to share parental leave equally.\footnote{Id. at 4.} With some of the same goals in mind, Sweden allows a deduction for some household-related services, in order to encourage women to increase their working hours.\footnote{Id. at 4.}

At one point in the history of the Swedish tax system, a debate arose as to the desirability of allowing a deduction for the expenses of domestic workers.\footnote{John R. Bowman & Alyson M. Cole, Do Working Mothers Oppress Other Women? The Swedish “Maid Debate” and the Welfare State Politics of Gender Equality, 35 SIGNS: J. OF WOMEN IN CULTURE & SOC. 157, 158 (2009).} In the 1990s when the state cut the elder care supports, a number of higher income citizens, including several government officials, hired under-the-table domestic workers.\footnote{See id.} In 1993, a tax subsidy for these expenses was proposed, debated, and defeated.\footnote{Id. at 161.} The proponents argued that these expenses were just like any other legitimate business expense.\footnote{Id. at 163.} The opponents argued that these were personal expenses, only benefiting the wealthy, and were inconsistent with the Swedish culture of equality.\footnote{Id. at 163.}

The Swedish system allows deductions for all workers who incur work related expenditures. For example, all workers get a basic allowance of between SEK 12,600 (about $1,625) and SEK 33,000 (about $4,275).\footnote{Sweden, in LEX MUNDI, TAX DESK BOOK 408, 408 (2010), available at http://www.lexmundi.com/Document.asp?DocID=2316&SnilD=2.} The purpose of this provision was to encourage those on welfare (particularly single moms) to enter the market and get jobs.\footnote{See Rolf Aaberge & Lennart Flood, Evaluation of an In-Work Tax Credit Reform in Sweden: Effects on Labor Supply and Welfare Participation of Single Mothers 2–3 (IZA Discussion Paper, No. 3736, 2008), available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1278937; Lennart Flood et al., From Welfare to Work: Evaluating a Proposed Tax and Benefit
earned income credit, however, there is no phase-out for high earners or any refund feature. Interestingly, the Swedish taxpayer is allowed a deduction for commuting, if the expenses exceed SEK 7,000 (about $900) per year.151

Lastly, an important feature of the Swedish taxing system is the benefits the system provides to single parents. They qualify for additional family allowances as well as special tax breaks.152

B. Singapore

While Sweden’s taxing system is known for its equity, Singapore’s taxing system is known for its simplicity and efficiency. Paying taxes in Singapore is so simple that some taxpayers are not required to file returns.153 The Inland Revenue Authority of Singapore (IRAS), which receives employment information from employers, sends out a notice informing the employee of her tax liability.154 If the taxpayers agree with the notice, they do nothing.155 However, if they disagree or their circumstances change, they simply send in the correction.156 The IRAS then gives an “assessment” and recalculates the tax.157 The taxpayer can pay online, by phone, or with a check.158 A survey of the two nations found that 96% of Singapore’s taxpayers prepared their own returns, but only 37% of United States federal taxpayers did the same.159

Singapore has no withholding of taxes for residents.160 However, many employers pay their employees a half-month bonus in June and a full-month bonus in December.161 Such bonuses are part of the employment package and act as a kind of tax withholding, which many employees use to pay their

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151. AULT ET AL., supra note 1, at 208.
152. Dowd, supra note 2, at 323.
154. Id.
taxes.162 If the employer does not make such a bonus payment, employees are responsible for saving funds to pay their taxes.

Because of liberal exemptions, large numbers of Singaporeans do not even pay taxes.163 In 2005, a little over 40% of the labor force were considered taxpayers.164 Thus, the incentives that do exist in the income tax system fall on the higher income taxpayers.165 Many of these rebates and relief measures are available only to women.166

The tax system of Singapore is noteworthy for its mandated responsibility through forced savings.167 The Central Provident Fund (CPF) is a trust fund generated by workers.168 It is similar to the U.S. Social Security system except that, it is an actual existing fund, and in addition to retirement, it can be used as a safety net for education or other purposes, such as the purchase of a home or in case of unemployment.169

Like Swedish citizens, Singaporeans perceive the system as transparent without hidden loopholes that favor the wealthy.170 Thus, there is virtually no tax fraud in Singapore.171 With the traditional culture of deference to authorities and the additional desire to act for the good of all, evasion of taxes, or even avoidance, could be seen as a negative trait.172 In fact, a study on taxpaying mentality in Singapore, Australia, and the United States concluded “[T]he first and most influential factor was taxpayers’ own personal moral beliefs, along with the beliefs of those close to them (e.g., friends and important others).”173

162. See Email Interview with Sien Lee, J.D., University of Oregon Law School, 2009; Singaporean mother of two (May 28, 2009) (on file with author).
164. Id. at 543 n.15.
165. Id. at 542. Singapore had a controversial pro-natal policy that promoted child birth in high income populations. Id.
166. See id. at 543.
167. Callick, supra note 22.
169. Id.
170. With Singapore’s economic advancement and younger generations who have not been exposed to the tumultuous early years of independence, there is no certainty that the same attitudes towards paying taxes will be sustained.
172. Bobek et al., supra note 159, at 57.
173. Id. at 49.
1. Direct Subsidies

In 2007 Singapore generated more than adequate revenue to effectively run its country and finance its limited welfare (housing, health, and education) system.\footnote{Sing Gov’t, \textit{supra} note 106, at 4.} Singapore is so efficient in its collection process that in 2007 it ran primarily surpluses.\footnote{Id.} The scale of welfare support in Singapore is minimal compared to that of Sweden.\footnote{See Youynn Teo, \textit{Inequality for the Greater Good: Gendered State Rule in Singapore}, 39 CRIT. ASIAN STUD. 423, 426 (2007) (“The Singapore state is situated in such a demographic context, and, in contrast to some European states, it tries to appear staunchly ‘anti-welfare’ as it presents itself.”).} This is due in large part to Singapore’s focus on “personal responsibility.”\footnote{Callick, \textit{supra} note 22.} The charges the government makes for nannies are not placed back into the support system for working moms or their nannies but rather are used for general financing of the government.\footnote{See Yeoh & Annaburai, \textit{supra} note 12, at 550. Employers post a security bond to ensure that the employer has sufficient funds to repatriate the worker at the end of the contract. \textit{See} Yeoh et al., \textit{supra} note 12, at 118 (stating levy is to regulate not as a trust fund). Again, it appears as though, except for the permit process, the maids are the “personal responsibility” of the family.} 

The country’s major revenue generating groups are the income tax and the value added tax. In 2009, almost 39.6\% of its revenues came from the income tax and 17.5\% from the VAT.\footnote{An Overview of the Singapore Tax System, INLAND REVENUE AUTH. OF SING., http://www.iras.gov.sg/irasHome/page03a.aspx?id=5676 (last visited June 10, 2011).} Most of the revenue raised, nearly 46\%, is used for “Social Development,” which includes housing, education, and health.\footnote{Expenditure Overview, SING. BUDGET, http://www.mof.gov.sg/budget_2009/expenditure_overview/social_dev.html (last visited June 10, 2011).} In 2009, almost 35\% of Singapore’s budget went into “Security and External Relations,” of which 77\% was allocated to the Ministry of Defense.\footnote{Sing Gov’t, \textit{Review of Financial Year 2010}, available at http://www.singaporebudget.gov.sg/budget_2011/revenue_expenditure/toc.html.} Although this amount is quite large when compared to Sweden, Singapore is known for its surveillance and autocracy.

2. Vertical Equity

The Singapore tax system is vertical equitable in that many low-income taxpayers are exempt from tax. The rates are not progressive, but the base is comprehensive. It is very working-mother friendly for the upper income groups since many exemptions are provided in the tax system for family responsibilities.
a. Tax Base

Singapore raises revenue through an income tax, a VAT, and other charges. Most of this revenue is raised through the income tax.\textsuperscript{182} Singaporeans pay tax on income earned in Singapore or derived from Singapore-based business.\textsuperscript{183} The income base is fairly comprehensive.\textsuperscript{184} Besides deductions for business expenses and rental expenses, the income tax has fifteen clearly defined deductions and two tax rebates or allowances.\textsuperscript{185} Of the fifteen deductions, the Earned Income Relief\textsuperscript{186} is for everyone who received earned income.\textsuperscript{187} This is similar to the Swedish system and unlike the United States earned income credit. In addition to the eight provisions discussed in the prior section, there is a tax write-off for charitable donations and a special allowance or rebate to “cushion the effects of the economic downturn on individuals.”\textsuperscript{188} Lastly, there are several retirement fund (CPF) initiatives to encourage savings.\textsuperscript{189}

It is important to note that Singapore also has “charges” or “fees” that help with raising revenue. Large amounts of revenue are raised through charges for maid or nanny services.\textsuperscript{190} It is also important to note that, unlike many excise taxes in the United States, none of these funds go back into the system to help with the immigration or support of these servants.\textsuperscript{191}

b. Tax Rates

In contrast to Sweden, the income tax rates for Singaporeans are quite low. Those whose taxable income is $20,000 or less pay no income tax at all.\textsuperscript{192} The rate for the next $10,000 is 3.5%.\textsuperscript{193} The rate is progressive and caps at 20% for people who earn over $320,000.\textsuperscript{194} Consequently, about 40% of

\begin{itemize}
\item \textsuperscript{182} S. Sharma, \textit{Tax Headaches & How to Treat Them}, SMA NEWS, May 2002, at 8, 9.
\item \textsuperscript{184} Id.
\item \textsuperscript{185} \textit{Individuals (For Locals)}, INLAND REVENUE AUTH. OF SING., http://www.iras.gov.sg/irasHome/page01.aspx?id=110 (last visited June 10, 2011).
\item \textsuperscript{186} \textit{Earned Income Relief}, INLAND REVENUE AUTH. OF SING., http://www.iras.gov.sg/irasHome/page01.aspx?id=200 (last visited June 10, 2011). This is to recognize earners and their job related expenses. Id.
\item \textsuperscript{187} PRICEWATERHOUSECOOPERS, supra note 183, at 4.
\item \textsuperscript{188} \textit{Individuals (For Locals)}, supra note 185.
\item \textsuperscript{189} Lev, supra note 168.
\item \textsuperscript{190} Yeoh et al., supra note 12, at 121 (noting the “total sum collected each year is by no means small, amounting to an annual figure in the region of $30 million”).
\item \textsuperscript{191} See supra note 178 and accompanying text.
\item \textsuperscript{193} Id.
\item \textsuperscript{194} Id.
\end{itemize}
residents pay no taxes.\textsuperscript{195} Because of these low rates, it is fairly easy for Singaporeans to pay their taxes. In addition, low rates of income tax encourage compliance and cooperation. Furthermore, the Singapore government is very fiscally frugal, often resulting in yearly budget surpluses.\textsuperscript{196} Low taxes also encourage economic growth because there is more income for the taxpayer to save and invest. Clearly, one of Singapore’s tax policies has been to grow its economy through its simple and low taxing scheme.

3. Tax Unit

Like Sweden, the taxable unit in Singapore is the individual.\textsuperscript{197} Unlike Sweden, however, the Singapore income tax provides numerous deductions and credits for family responsibility. These tax incentives “mark the expectation that women play dual roles as workers and mothers”\textsuperscript{198} and are a “central strategy for encouraging fertility” and reinforcing the woman’s supportive role within the family.\textsuperscript{199} Seven of the income tax deductions relate to having or caring for children, grandparents, or handicapped siblings: the Qualifying Handicapped Child Relief,\textsuperscript{200} the Working Mother’s Child Relief,\textsuperscript{201} the Grandparent Caregiver Relief,\textsuperscript{202} the Spouse Relief,\textsuperscript{203} the Parent/Handicapped Parent Relief,\textsuperscript{204} the Handicapped Brother/Sister Relief,\textsuperscript{205} and the Foreign Maid Levy Relief.\textsuperscript{206} In addition there is a Parenthood Tax

\begin{thebibliography}{99}
\bibitem{195} See Teo, supra note 163, at 543 n.15.
\bibitem{196} See supra note 174 and accompanying text.
\bibitem{198} Teo, supra note 176, at 429.
\bibitem{199} Teo, supra note 163, at 542.
\bibitem{203} \textit{Spouse Relief}, INLAND REVENUE AUTH. OF SING., http://www.iras.gov.sg/irasHome/page01.aspx?id=218 (last visited June 10, 2011). This is also entitled the “Spouse/Handicapped Spouse Relief” and is intended to provide relief for supporting a non-earner spouse. \textit{Id.}
\end{thebibliography}
Rebate, similar to the Swedish family allowance, but only available to married couples. Again, the purpose here is to encourage couples to have more children.

Three of these tax deduction provisions are available only to working mothers: the Working Mother’s Child Relief, the Grandparent Caregiver Relief, and the Foreign Maid Levy Relief. Resident working mothers that were married, divorced, or widowed in the previous year are eligible for a Working Mother’s Child Relief. This specific deduction aims to encourage mothers to remain in the workforce after giving birth. The Grandparent Caregiver Relief, like most of the other deductions, is for taking care of one’s parents, grandparents, handicapped siblings or a disabled or divorced spouse. The tax system also provides tax relief to married working mothers who employ foreign domestic workers: The Foreign Maid Levy Relief. This relief is equal to twice the tax paid to the immigrant domestic worker. In essence, this results in all taxpayers subsidizing this particular family arrangement.
C. United States

While the Swedish tax system is known for its equity and the Singapore tax system is known for its efficiency, the U.S. tax system is known for its complexity. The United States has a federal system comprised of income, Social Security, excise, estate, gift, and generation-skipping taxes. In addition, each state in the United States has a property tax, plus either an income tax or a consumption tax, or both. The U.S. system has been criticized as yielding excessive tax breaks for particular constituencies and, as a result, being “riddled with loopholes.” The federal income tax code is full of subsidies for education, housing, charities, and the environment. Despite its complexities, the overall effectiveness, including administration and implementation, of the system is reflected by the high rate of compliance by taxpayers. However, tax avoidance is very common and accepted.

219. Id. at 14. As of this writing (Jan. 13, 2010) the federal estate tax has been repealed.
220. Sheets: Taxes: State and Local Taxes, U.S. DEP’T OF TREASURY, http://www.ustreas.gov/education/fact-sheets/taxes/state-local.shtml (last visited Sept. 2, 2010). As a response to these complexity issues, many argue that U.S. tax policy needs to focus on increasing practicality by making the system easier to understand, administer, and implement, with the overall goal being to create a cost-effective system that allows taxes to be easily collected. SLEMROD & BAKIJA, supra note 218, at 3–4.
221. See STEINMO, supra note 1. Although many Americans seem to favor the idea of flat taxes, they tolerate the present system. See Livingston, supra note 1, at 563.
The United States is less focused on vertical equity than Sweden. Nevertheless, the federal income tax is progressive, with marginal rates up to 35%. Other taxes, most notably the Social Security tax and capital gains taxes, as well as virtually all state tax systems, are regressive. As one website notes, the Gini coefficient (a measure of inequality of income distribution) for the United States is 0.466. As mentioned earlier, this coefficient ranges between zero and one, and the closer the value is to zero, the more equal the distribution of wealth. The statistics show that the U.S. Gini coefficient has been increasing slowly over the years.

Some scholars believe that there is “long-term erosion in the support for progressivity” in the United States. Progressive taxation reflects a nation’s commitment that costs of government should be based on ability to pay. One feminist scholar, Majorie Kornhauser, views the progressive tax as obligatory toward the good of society as “a means by which individuals fulfill their responsibilities to others.” Unfortunately, regressive taxes hit working mothers particularly hard, resulting in less disposable income for the necessities of child care, health care, college, and other expenditures. Livingston argues that the weakened support for progressivity arises from three processes: the conservative direction of politics in the United States, poverty among women and minorities, and the effect of the globalization process, which suggests that a country with progressive rates will lose business to other countries.

227. SLEMROD & BAKIJA, supra note 218, at 145.
228. STEINMO, supra note 1, at 37.
232. See CIA WORLD FACTBOOK, supra note 19.
234. Livingston, supra note 1, at 559. There is continued discussion and literature regarding proposals for redistribution of wealth, but most of the concern focuses on “a reshuffling of resources for the sake of some vague principle of fairness.” Shurtz, supra note 70, at 528–29.
238. Livingston, supra note 1, at 559.
The conservative direction of the country has resulted in tax policy being focused on economic growth rather than equity. Since the United States is a very capitalist society, it prides itself on rewarding perseverance and entrepreneurship as a means of success and wealth. Americans strive to improve their lives through work, home ownership (and even vacation home ownership), and at death, they want to leave their children with substantial inheritances. Overall, Americans expect consistent growth and they are firm believers in the market-based economy.

Political philosophy thus plays a significant role in U.S. tax policy. The United States has largely adopted a model of “personal responsibility.” The individual is seen as capable of providing for himself or herself and his or her family by working and saving. Thus, they are responsible for child rearing, preschool, college costs, and (historically) health care. Only in unusual circumstances, such as welfare, unemployment, disability, or retirement (and in the future, health care) will the state provide support.

Americans’ opinion on the tax code varies. A Kaiser Family Foundation survey indicated that a slim majority (51%) believe the federal tax system is fair—up a few percentage points from the past few years. An ABC News/Washington Post Poll indicated that taxpayers want to keep the Bush tax cuts but are very concerned with the deficit and spending. Finally, a Gallup survey conducted in April of 2010 showed that Americans are split on whether their taxes are too burdensome. Gallup has been asking Americans about

239. ABRAMOVITZ & MORGAN, supra note 30, at 70–73, 83–84 (stating that the trend for less progressive taxation accelerated with the election of President Ronald Reagan and were made worse by the Bush tax cuts). See also id. at 61 (describing the Bush repeal of the estate tax, elimination of the phase-out tax provisions under Section 68 and Section 152 of the Code).

240. The United States was born from humble roots and yet became a global superpower in less than 200 years as a result of the nation’s achievements.

241. Livingston, supra note 1, at 562. These philosophical views differ between individualism and egalitarianism. See id. Egalitarians see the tax system as part of one’s civic duty and view fairness as a major argument for tax compliance. Id.

242. See id. (discussing the importance of individualism to Americans).

243. Id.

244. See discussion infra Part I.C.2.a.

245. See infra notes 300–04 and accompanying text (discussing the American Social Security system).


their taxes since 1956 and in almost every year, Americans have considered their taxes too high.\textsuperscript{249}

The legislative tax-writing process in the United States is complex and involves a mixture of partisanship and nonpartisanship, consensus, and institutional input from a variety of committees and counsels, such as the congressional Joint Committee on Taxation and the Department of the Treasury Office of Tax Legislative Counsel.\textsuperscript{250} The Internal Revenue Service is a bureau of the Department of the Treasury and is one of the most efficient tax administrators in the world.\textsuperscript{251} The process of tax-writing involves balancing the division of power between the various congressional committees, other actors (including lawyers), and state and federal governments.\textsuperscript{252} As might be expected, “change tends to be slow and incremental and it is difficult to ascribe any clear ideological direction to it.”\textsuperscript{253}

1. Direct Subsidies

The U.S. federal tax system as a whole does not rate as well on the tests of fiscal adequacy as Sweden and Singapore. While both Singapore and Sweden have had recent budget surpluses, the current national debt of the United States is almost nine trillion dollars.\textsuperscript{254} Such debt is detrimental to the most vulnerable—single moms and children—because debt often results in reduced social welfare spending and/or increased regressive taxation.\textsuperscript{255} Similarly, the requirement that states have to balance their budgets has caused hardship to working mothers and children.\textsuperscript{256}

The federal budget outlays consist of 37% for Social Security, Medicare, and other retirement benefits; 24% for defense and related expenses; 20% for social programs; 9% for community development; 8% for interest on the debt; and 2% for law enforcement and general government expenses.\textsuperscript{257} Of these outlays, a relatively small percentage goes to the means-tested social welfare programs, in contrast to those for unemployment and Social Security.\textsuperscript{258}

\begin{itemize}
\item \textsuperscript{249} Id.
\item \textsuperscript{250} Livingston, supra note 1, at 561.
\item \textsuperscript{252} Livingston, supra note 1, at 561–62.
\item \textsuperscript{253} Id. at 562.
\item \textsuperscript{254} The Debt to the Penny and Who Holds It, TREASURYDIRECT, http://www.treasurydirect.gov/NP/BPDLogin?application=nd (as of Sept. 17, 2010).
\item \textsuperscript{255} ABRAMOVITZ & MORGEN, supra note 30, at 103.
\item \textsuperscript{256} Id. at 79–82.
\item \textsuperscript{257} 1040A—Main Contents, IRS.GOV, http://www.irs.gov/instructions/i1040a/ar02.html#d0e59772 (last visited June 10, 2011).
\item \textsuperscript{258} ABRAMOVITZ & MORGEN, supra note 30, at 59 (stating that in 2003 the federal government spent 61% of its outlays on programs that serve large numbers of people, like


In addition to the regular budget, the United States has a tax expenditure budget that lists various policy categories and lost revenues from various tax exemptions, deductions, and credits. These tax expenditures cost the government more than the amounts spent on social welfare programs. For example, “[i]n 2002, $609 billion was spent on fiscal welfare. This is $320 billion more than was spent on non-defense discretionary programs . . . $323 billion more than on means-tested programs . . . and $156.9 billion more than on on Social Security.” Many of the largest tax expenditure programs are for homeowners or individuals with higher education expenses, employer-sponsored health insurance coverage, or employer-sponsored retirement pensions—expenditures involving savings and wealth of no benefit to poor working mothers. Furthermore, in recent years these tax expenditures have expanded and widened the gap between the social welfare programs and those from the tax code.

2. Vertical Equity

The United States federal tax systems (income and social security) do not primarily focus on vertical equity. The federal income tax seems to focus on economic policies, including those involving consumption and savings. The federal income tax base is riddled with preferences for the wealthy and most state tax systems are regressive.

a. Tax Base

The major income generating taxes in the United States are personal income taxes; Social Security and Medicare taxes; corporate income taxes; and excise, estate, and gift and other similar taxes. In 2009, 43% of the revenue came from the individual income tax system, including tax on capital income, 42% arose from social insurance and retirement receipts, 7% from corporate unemployment insurance, social security, but only 12% for Medicaid, TANF and other means-tested programs.


260. ABRAMOVITZ & MORGEN, supra note 30, at 59.

261. Id. at 59–60.


263. ABRAMOVITZ & MORGEN, supra note 30, at 61–62.
income tax, 4% from estate, gift, and excise taxes, and 4% from other sources.\textsuperscript{264}

In the United States, Social Security is a mandatory supplemental retirement system established in 1935 as part of President Franklin Delano Roosevelt’s New Deal.\textsuperscript{265} Social Security was motivated by the events of the Great Depression during which many unemployed workers and retired elderly were left in poverty.\textsuperscript{266} The Social Security program was intended to ensure that any wage-earner who paid into the system would receive benefits that did not fall below a basic subsistence level.\textsuperscript{267} From its inception, however, it allowed for benefits to “house spouses.”\textsuperscript{268} For example, if a woman has never worked in the market but is married to a worker husband, she may claim Social Security through him.\textsuperscript{269} If she works, she can claim her benefits or 50% of her husband’s, whichever is greater.\textsuperscript{270} If she gets divorced but has been married for ten years, she also can claim under her ex-husband.\textsuperscript{271} Lastly, if she is widowed and has not remarried at retirement age, she also may claim through her deceased spouse.\textsuperscript{272} Social Security is funded out of payroll taxes, i.e. a certain percentage of a worker’s paycheck (currently 12.4%) goes directly into the Social Security fund to help provide benefits to current recipients up to a base amount of $106,800.\textsuperscript{273} In recent years, current workers have complained that the system is unsustainable and will not be available

\begin{itemize}
\item \textsuperscript{266} Id.
\item \textsuperscript{267} Arthur J. Altmeyer, Chairman, Social Security Board, Radio Address delivered over Columbia Network: Goals for Social Security (Feb. 11, 1945), available at \url{http://www.ssa.gov/history/aja245.html}.
\item \textsuperscript{268} Id.
\item \textsuperscript{269} Benefits for Your Spouse, SOC. SEC. ADMIN., http://www.ssa.gov/retire2/yourspouse.htm (last visited Jan. 1, 2010).
\item \textsuperscript{270} Mary E. Becker, Commentary, Obscuring the Struggle: Sex Discrimination, Social Security, and Stone, Seidman, Sunstein & Tushnet’s Constitutional Law, 89 Colum. L. Rev. 264, 280 (1989).
\item \textsuperscript{271} Benefits for Your Divorced Spouse, SOC. SEC. ONLINE, http://www.ssa.gov/retire2/yourdivspouse.htm (last visited Jan. 9, 2011).
\item \textsuperscript{272} SOC. SEC. ADMIN., SURVIVORS BENEFITS 10 (2011), available at \url{http://www.ssa.gov/pubs/10084.pdf}.
\item \textsuperscript{273} Kathy Ruffing, Ctr. on Budget & Policy Priorities, A Case for Social Security Cost-of-Living Adjustment in 2010 is Weak: If Policymakers Feel a Need to Act, They Should Consider a One-Time Payment 6 (2009), available at \url{http://www.cbpp.org/files/10-14-09bud.pdf}.
\end{itemize}
when they retire.274 The Medicare tax is a flat rate of 1.45% but has no income limit.275

Corporate income in the United States is subject to a double tax.276 Corporate income is first taxed to the corporation and then taxed again when the income is distributed to the shareholders of the corporation, at a reduced rate.277 A shareholder is allowed “a deduction for a percentage of the dividend a corporate shareholder receives,” which will depend on the level of shareholding.278 Corporate income tax also has an alternative minimum tax (AMT) that is levied at 20%, after the $40,000 allowance, which gets phased out.279 Unlike individual income, corporate income does not enjoy a reduced rate of tax on capital gains.280

Under the federal income tax system, all working moms, whether filing jointly or as head of household, can qualify for the dependency exemption, as well as the Child Tax Credit, if they do not make too much money.281 The dependency exemption allows a parent to decrease his or her taxable income for each person they support.282 In order for the parent to claim a dependency exemption, the child must meet certain characteristics and must not claim a personal exemption on their own tax return.283 In order to claim the per child credit, the taxpayer must not make over a certain amount of adjusted gross income.284 For lower income taxpayers, the credit is partially refundable and was recently amended to include more than two children.285 As an alternative, or in addition to the credit, some employers subsidize child care as a nontaxable fringe benefit.286 Lastly, poor wage earning mothers can obtain the earned income tax credit (EITC).287 “According to Census Bureau data,
EITC lifts 4.9 million people above the poverty level annually, including more than 2.7 million children.\footnote{Id. at 51. Unfortunately, many people, including a disproportionate number of minorities, are unaware of their eligibility. \textit{Id.} at 57–58.}

Scholars have disagreed over whether children in America are public goods, investments, or consumers.\footnote{O’Kelley, \textit{supra} note 23, at 378–79.} In the U.S. tax system, children are generally considered the personal consumption and responsibility of the parent.\footnote{Id. at 377. Child care is one of the largest expenses that many families have. See Stacey L. Bradford, \textit{Cut Your Child-Care Costs}, SMARTMONEY (Feb. 5, 2010), http://www.smartmoney.com/Personal-Finance/Taxes/Cut-Your-Child-Care-Costs-14246.} Child care expenses are deemed personal expenses that do not qualify for a deduction as an ordinary business expense.\footnote{O’Kelley, \textit{supra} note 23, at 377.} Although child care expenses are not deductible, there is a limited credit that provides for employment-related child or dependent care expenses.\footnote{See \textit{AULT ET AL.}, \textit{supra} note 1, at 216.}

In general, housework and child care in the United States are not taxed.\footnote{But see Staudt, \textit{supra} note 33, at 1576.} It is recognized that housework is performed predominantly by women, and one feminist scholar, Nancy Staudt, has suggested that this work should be valued and taxed in order “to ensure women have access to social welfare benefits typically tied to waged labor, such as social security, disability, and Medicare benefits.”\footnote{Id. at 1647.} On the other hand, other scholars have pointed out the difficulties surrounding the valuation of housework, including the complexity of determining a satisfactory formula for calculating its value and identifying the proper taxable unit, as well as the potential of harming single mothers.\footnote{Shurtz, \textit{supra} note 70, at 514, 515.}

The U.S. federal income tax system is riddled with exemptions, deductions, and credits. This has led one commentator to predict that “the income tax will become a misnomer—it will really be a salary tax.”\footnote{Allan Sloan, \textit{Why Your Tax Cut Doesn’t Add Up}, NEWSWEEK, Apr. 12, 2004, at 42.} From a working mother’s perspective, there seem to be three major problems with the federal income tax base. First, the savings tax benefits, such as those for retirement, education, and health, are favored. These subsidies are unavailable to those who are unable to save.\footnote{See \textit{ABRAMOVITZ & MORGEN}, \textit{supra} note 30, at 57.} Second, many of the subsidies for consumption items are of no benefit to the working mom.\footnote{See \textit{id.} at 55.} Third, the system favorably taxes certain investment income.\footnote{See \textit{id.} at 56–57.}
Perhaps the largest amount of federal tax subsidies goes to retirement.\(^300\) Retirement is important for working mothers, but they are more dependent on Social Security because of their lower wages.\(^301\) Nevertheless, the federal tax system provides numerous employer-based and private tax incentives to motivate citizens to save for their own retirement. These include “Individual Retirement Accounts (IRAs), 401(k)s, Keogh Plans, or Simplified Employee Pensions (SEPs).”\(^302\) In addition, there is a credit for retirement savings contributions for low or moderate income earners.\(^303\) Ironically, the contribution limits for the traditional IRA and the Roth IRA were increased to allow older women over the age of fifty-five to “catch-up” by contributing more to these savings plans.\(^304\) Unfortunately, women who cannot save money cannot benefit from this provision.

Another large tax expenditure item is education.\(^305\) Paying for college is important to working moms and has become increasingly difficult in America.\(^306\) College tuition has risen disproportionately to wages\(^307\) and students often end up with heavy loans to pay off.\(^308\) To assist taxpayers with paying for college for their children or themselves, the IRS provides tax benefits for those who are saving for or paying college tuition. These include: the Qualified Tuition Program (QTP); the Coverdell Education Savings Account (ESA); the Education Savings Bond Program; the Education Exemption to Additional Tax on Early IRA Distributions; the American Opportunity Credit; the Lifetime Learning Credit; the Student Loan Interest Deduction; and Tuition and Fees Deduction.\(^309\) One of the major problems

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300. See id. at 33.
301. Id. at 35, 53–54.
302. ABRAMOVITZ & MORGEN, supra note 30, at 54.
304. Id. § 219.
306. With the recent budget cuts the ability of students to obtain subsidized loans and low interest rates has been diminished. See Jeanne Sahadi, CBO: Debt Ceiling Cuts at Least $2.1 Trillion, CNN.COM (Aug. 1, 2011), http://money.cnn.com/2011/08/01/news/economy/debt_ceiling_deal_cbo.
307. SHURTZ, supra note 222, at 9–10 (explaining the cost of tuition at a four-year public institution jumped 38% in the last decade. For the 2008–2009 academic year, the total average cost of a four-year public school was nearly $20,000. Tuition increases have exceeded inflation and wage increases).
with these subsidies is that working mothers who do not have the ability to save cannot benefit from these education savings techniques, and the credits are unavailable to upper income single mothers, who are treated as single under the phase-out rules. The student loan interest is a per return benefit and thus is unavailable to two-earner married couples, both of whom have student loans.

Health care is another major concern among working moms. Half of workers in the lowest-wage jobs and half of those in mid-range jobs, as well as a quarter of those in higher salary jobs, either had problems paying medical bills in a twelve-month period or were paying off accrued debt. If one member of a family is uninsured and has an accident or costly medical treatment, the resulting medical bills can affect the entire family’s economic stability. A survey showed that more than 25% said that housing problems resulted from medical debt, including the inability to pay rent or mortgage, and the development of bad credit ratings. Researchers recently found that the average out-of-pocket medical debt for those who filed for bankruptcy was $11,854. Significantly, 75.7% of those who filed for bankruptcy had health insurance coverage. Furthermore, 54% of all bankruptcy filings were partly the result of medical expenses. To help Americans afford health care, the federal government gives tax breaks for health-related savings and expenditures, e.g., the Health Savings Account, Medical Savings Accounts, Flexible Spending Arrangements, Health Reimbursement Arrangements, et cetera. However, working mothers have difficulty saving under these circumstances.


312. SHURTZ, supra note 222, at 512.


317. Id.

318. Id.

plans. The United States Congress recently passed a form of universal health care. Unlike the single-payer system of Sweden and much of Europe, the United States’ form of universal health care allows employees to keep their current employer-provided plans.

The second problem with the federal income tax base is that consumption items of the wealthy (such as primary homes and vacation home purchases)—which are not available to many working mothers—are subsidized. Affordable housing is a significant concern of working mothers, yet U.S. housing (nontax) subsidies are inadequate. Families who pay more than 30% of their income toward housing have difficulties meeting the other necessities of life such as food, clothing, medical care, and transportation. These families are considered cost-burdened. Housing costs are particularly high in cities, and this has created housing challenges “not only for lower-income groups that traditionally face such hardships, . . . but also for teachers, nurses, firefighters, police officers, and other moderate-income workers.”

“Eighty per cent of the 1,000 large and small American cities surveyed by the National League for Cities in 2007 reported that rising housing costs are putting a severe strain on families.” Census data shows “that the home ownership rate for families headed by women was almost 16 percent lower” than for other citizens. Unfortunately, the federal government uses multiple tax incentives for home-ownership, e.g., home mortgage interest deductions, home equity interest deductions, deductions for penalty for early payoff of mortgage, deductions for loan origination, and real estate taxes. However, these deductions are upside-down subsidies that favor high income

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320. Statement of Waxman, supra note 310.
323. Id. The U.S. Department of Housing and Urban Development defines housing as “affordable” if the tenants or owners pay no more than 30% of their income on housing. Affordable Housing, U.S. DEPT OF HOUSING & URBAN DEV., http://www hud gov/offices/cpd/affordablehousing/index.cfm (last visited June 10, 2011).
324. Id.
326. Id.
327. ABRAMOVITZ & MORGEN supra note 30, at 55.
328. Id. at 52.
taxpayers.\textsuperscript{329} Thus, working mothers that rent or have low incomes receive no benefit from these provisions.

Another itemized deduction that favors the high income taxpayer is the charitable deduction.\textsuperscript{330} The majority of taxpayers who take the standard deduction will receive no benefit from this. To the extent the charitable funds go to the things which working mothers and children need, then this deduction should remain. However, to the extent that art, music, and other charities are benefited, the deduction could be modified.

Lastly, the federal income tax favors certain investments that depend on excess disposable income or savings. Certain investments, such as those for municipalities, are tax-exempt.\textsuperscript{331} Other investments, such as capital gains and dividends, are favorably taxed.\textsuperscript{332} The estate tax was repealed in 2010 and after the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, taxpayers can transfer $5 million tax free at death or during their life.\textsuperscript{333}

The last general complaint about the bases of the various tax systems is that earnings are doubly or triply taxed. First, the federal income tax taxes earnings. Second, Social Security taxes earnings. Third, most states, and some localities, tax earnings. “[T]hree-fourths of families pay more in payroll taxes [i.e., social security] than income taxes.”\textsuperscript{334}

b. Tax Rates

U.S. federal income taxes are slightly progressive—\textsuperscript{335} with rates up to 36.9\%. In 2010, the personal and dependency exemption provided an inflation-adjusted exemption of $3,650 and an inflation-adjusted standard deduction of $5,700 for the single taxpayer, $8,350 for the head of household, or $11,400 for married couples.\textsuperscript{336} The Social Security rates, on the other hand are regressive, and there are no exemptions.\textsuperscript{337} The Social Security tax rate is flat on salary capped at a certain amount.\textsuperscript{338} Just recently, the United States adopted a system similar to that of Sweden—the Social Security base will now

\begin{itemize}
  \item \textsuperscript{329} \textit{Id.} at 55.
  \item \textsuperscript{330} I.R.C. § 170 (2006). See also \textit{ABRAMOVITZ & MORGEN}, supra note 30, at 57.
  \item \textsuperscript{331} See I.R.C. § 103.
  \item \textsuperscript{332} \textit{ABRAMOVITZ & MORGEN}, supra note 30, at 73.
  \item \textsuperscript{334} \textit{Id.} at 84.
  \item \textsuperscript{335} I.R.C. § 1 (2006).
  \item \textsuperscript{336} \textit{INTERNAL REV. SERV., IRS REV. PROC.} 2008-66, at 11–12 (2008).
  \item \textsuperscript{337} \textit{ABRAMOVITZ & MORGEN}, supra note 30, at 77.
  \item \textsuperscript{338} \textit{Id.} The current cap is $106,800. \textit{SOC. SEC. ADMIN., UPDATE 2011}, SSA Pub. No. 05-10003 (2011), available at \textit{http://ssa.gov/pubs/10003.html}.  
\end{itemize}
include rents and other capital income for high-income taxpayers.339 Another facet of the U.S. income tax is the alternative minimum tax (AMT), which was employed to prevent significant tax liability avoidance through the use of exclusions, deductions, and credits.340 Unfortunately, the AMT can hurt lower-income taxpayers, especially those with children.341

Capital income in the United States is taxed according to long-term and short-term capital gains.342 Short-term capital gains include investments that have been held for a year or less343 and are taxed at the investor’s ordinary income tax rate.344 Long-term capital gains include investments that have been held for over a year345 and are taxed favorably.346 Capital income also includes “qualified dividends.”347 Accordingly, for 2008–2010, the tax rate on eligible dividends and long-term capital gains is 0% for those taxed at a rate below 25%.348 For others, the rate is 15%.349

All except seven states have an income tax and the state rates are much lower than the federal rates.350 Sometimes the state will exempt capital income, and other times the state will tax capital income.351 Most states also have a sales tax. Although the rates that vary widely, they are generally considered regressive.352 Currently no VAT exists at the federal level, but one is proposed.353

340. ABRAMOVITZ & MORGAN, supra note 30, at 86.
341. Id. at 87.
343. Id. § 1222(1).
346. Id. § 1222.
347. Id. § 1(h)(3).
348. Id. § (h)(1)(B).
349. Id. § 1(h)(1)(C).
352. California has one of the highest rates with 8.25%. Id. See MURPHY & CLEMENS, supra note 350, at 51 tbl.7.
3. Tax Unit

The taxable unit in the United States under the federal income tax system is the married couple, although originally it was the individual.\textsuperscript{354} As it currently stands, the married couple filing jointly enjoys a different rate schedule, which provides broader brackets for lower rates than those imposed on heads of household and single taxpayers.\textsuperscript{355} However, when a working mother combines her income with a working husband, she incurs a “marriage penalty.”\textsuperscript{356} Thus, her marital status can impact her taxes.

The United States also has a tax category for heads of household (often single moms with children) with rates between that of single taxpayers and married couples.\textsuperscript{357} This category also gives those individuals a higher standard deduction than those filing as single.\textsuperscript{358} An individual can file as a head of household if he or she is unmarried, pay more than half the costs of keeping up a house, and has a qualifying person (such as a minor child) living with him or her.\textsuperscript{359} For example, under the 2010 federal income tax rates, a single taxpayer filing individually who has a taxable income of $80,000 would owe $16,188 in taxes, while a head of household with the same taxable income would owe $14,854.\textsuperscript{360} Similarly, while a single taxpayer is eligible for a standard deduction of $5,700 in 2010, a taxpayer filing as a head of household is allowed a standard deduction of $8,350.\textsuperscript{361}

Scholars have criticized the joint filing system as perpetuating an outdated perception that the proper gender role of women is in the home, rather than in the workplace.\textsuperscript{362} This economic inefficiency taxes the lower-earning spouse, typically the wife, at the same marginal rate of the higher earning spouse, thereby creating a disincentive for the wife to perform market labor.\textsuperscript{363} The taxable unit has also been criticized as discriminatory against two-earner couples,\textsuperscript{364} head of household taxpayers,\textsuperscript{365} singles,\textsuperscript{366} and gay and lesbian

\begin{itemize}
  \item \textsuperscript{354} Shurtz, supra note 70, at 497–98.
  \item \textsuperscript{355} AULT ET AL., supra note 1, at 139.
  \item \textsuperscript{357} AULT ET AL., supra note 1, at 139–40.
  \item \textsuperscript{358} Id. at 144.
  \item \textsuperscript{359} Black et al., supra note 37, at 1398.
  \item \textsuperscript{362} See, e.g., Blumberg, \textit{supra} note 3, at 90 (citing Oliver Oldman & Ralph Temple, \textit{Comparative Analysis of the Taxation of Married Persons}, 12 STAN. L. REV. 585, 601–02 (1960)).
  \item \textsuperscript{363} Shurtz, \textit{supra} note 70, at 499.
  \item \textsuperscript{364} See \textit{McCaffery}, \textit{supra} note 32, at 83.
  \item \textsuperscript{365} See Black et al., \textit{supra} note 37, at 1397.
  \item \textsuperscript{366} Lily Kahng, \textit{One is the Loneliest Number: The Single Taxpayer in a Joint Return World}, 61 HASTINGS L.J. 651 (2010).
\end{itemize}
couples, many of whom function in the same way as traditional families. Many scholars have thus called for reform in this area, most particularly the adoption of the individual unit, that has been adopted by both Sweden and Singapore.

II. LESSONS LEARNED: U.S. AGENDA FOR REFORM

What the earlier discussion illustrates is that many features of the current U.S. tax system should be modified to accommodate the interests of working mothers. Lessons can be learned from both Sweden and Singapore. For example, macro tax policy suggestions include using more direct subsidies, focusing more on efficiency, making the rate structure more progressive, modifying the tax base, and changing the taxable unit. The micro tax policies deal with the specific issues of concern to working moms, such as those for child care, health care, housing, and education.

A. Lessons from Sweden: Direct Subsidies and a Focus on Equity

The Swedish support model is ideal for working mothers. The Swedish system has widespread direct subsidies, such as those for child care and health care, that provide great services to all citizens, often with fees charged based on income levels. Furthermore, these universal services seem to be of uniformly high quality. Sweden’s tax system is based on principles of equity, which feature progressive tax rates and the individual unit.

The advantages of direct subsidies over tax subsidies were touted by Stanley S. Surrey in his classic 1970 law review. He argues that direct subsidies are better than tax subsidies because they are more equitable, prevent windfalls, are economically efficient, and do not distort the base or rates. He asserts that tax incentives confuse and divide “authority in the legislative and administrative processes,” make maintaining budgetary control difficult, cause “confusion in perceiving and setting national priorities, and [pose]

370. Id.
371. See Dowd, supra note 4, at 594.
372. Id.
374. See id. at 719, 720, 725.
dangers to the tax structure itself. 375 A more recent law review article by Mary Heen compares direct subsidies with tax subsidies involving child care. 376 She concludes that the tax system has serious administrative and equity problems and is generally inferior to direct subsidies for children. 377

Direct subsidies already exist in the United States and generally work quite well. Social Security, Medicare, Medicaid, public education, and financial aid for higher education are all examples of direct subsidies. 378 Social Security, for example, has drastically lowered the poverty rate among the elderly and “provides over 40 percent of the income of people 65 and older.” 379 It was instrumental in reducing women’s poverty since women are more dependent than men on these benefits. 380 Health care has recently become universal. 381 What the United States needs now is a universal preschool. This would support our mothers and children while serving the country’s needs to remain a competitive global leader.

B. Lessons from Singapore: An Efficient Tax System with Comprehensive Base and Care Subsidies

The tax system of Singapore also offers lessons for the United States. First, a tax system with a comprehensive base will work to provide adequate revenues even with low tax rates and large exemptions. 382 Second, a tax system need not be complicated to be effective. 383 Third, calculation of the tax at the national level could result in large efficiencies. 384 Fourth, subsidies can be used within the tax system to provide support for important care-giving functions. 385 When combined with direct subsidies for quality health care,

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375. Id. at 734.
377. Id. at 814 (discussing direct subsidies in general).
378. Id. at 757 nn.18, 19.
379. Thomas N. Bethell, Social Security: Where Do We Go From Here?, AARP BULL. (July 1, 2010), available at http://www.aarp.org/work/social-securityinfo-07-2010/social_security where_do_we_go_from_here.html. The poverty rate among the elderly has been reduced from 35% in 1960 to less than 10% today. Id.
380. See A. Barry Rand, Protect Social Security, AARP BULL. (July 1, 2010), available at http://www.aarp.org/work/social-security/info-07-2010/protect_social_security_.html. In 2008, 48.4% of a woman’s (65 and older) retirement income came from Social Security. Id. This contrasts with only 33.7% for men. Id.
382. See text accompanying notes 182–91.
383. See text accompanying notes 154–60.
384. See text accompanying notes 155–57.
385. See text accompanying notes 174–75.
child care, elder care, and education, such a system could serve as a model to emulate.

Unfortunately, Singapore does not provide universal subsidies for child or elder care. Instead, these care functions are largely provided only to higher income taxpayers through the tax codes various deduction provisions. The United States has already eliminated the deduction route for dependent care and has changed to the credit system to provide fairer benefits.

The Singapore state wants women to work in the marketplace. However it does not provide universal preschool, child care, or elder care. Additionally, there is wide disparity of income or wealth among the classes in Singapore, particularly between the guest workers and the residents. A similar model on a reduced scale exists and is thriving in the United States. Theoretically, the United States has minimum wage laws, Social Security laws, and other laws that might apply in this setting, and thus be distinguishable from that of Singapore. However, child care in the home in the United States is on a private, cash basis, and is unregulated.

C. Additional Macro Proposals

Although it may not be politically feasible to adopt the same tax systems as Sweden or Singapore, the United States can nevertheless learn lessons from those countries on how to restructure their tax system to favor working mothers. Working women’s lives would be made better by providing them with greater financial support and directing to them a greater flow of wealth. The tax base, tax rates, and tax unit in the United States should all be examined and modified.

1. Tax Base

Several modifications in the tax base should be made to accommodate the interests of working mothers. First, since most of mothers’ income comes in the form of earnings, double (or triple) tax on such earnings should be reduced or eliminated. The Social Security system could be integrated into the income tax system or made fairer with an exemption, similar to that in the

386. See supra text accompanying notes 200–08.
387. See discussion supra Part I.C.2.
388. See supra note 12 and accompanying text.
391. The tax code, however, can only deal with financial help. What women need is a dismantling of the sexual division of labor at home, and/or more direct subsidies from the state.
392. See supra note 304 and accompanying text.
393. See supra note 334 and accompanying text.
federal income tax system. Scholars Yin and Foreman have proposed providing an exemption of a certain amount of wages from the Social Security wages of poor workers, augmented by a refundable “family allowance,” much like the allowance provided under the Swedish system.\(^{394}\) Such a proposal would go a long way toward providing equity to working mothers, particularly single working moms. A better proposal may be to expand the Social Security base to include rents and other investment income of high income taxpayers, like that of the Swedish tax system. Lastly, to address regressive state taxing schemes, a refundable credit for low income taxpayers could be enacted.

Another important reform would be to broaden the federal income tax base by eliminating some of the hybrid savings features of the system.\(^{395}\) Provisions in the income tax system that favor savings, such as those for retirement, education, and health care should be eliminated or modified. Since most working mothers are not able to save,\(^{396}\) these tax incentives do not favor them. The budgeted dollar amounts for these saving programs—the Section 529 plan, the Coverdell, savings bond interest, et cetera,\(^{397}\)—could then be used for direct subsidies or pay-as-you-go tax measures that have a refundable component. For example, the code is full of tax subsidies that favor college, yet until recently the pay-as-you go techniques, such as the Hope Scholarship Credit, the Lifetime Learning Credit or the Tuition and Fees Deduction, did not have a refundable feature. The American Opportunity Credit has a refundable feature,\(^{398}\) however, higher-income single mothers are ineligible for the benefit.\(^{399}\) Those mothers also would not be likely to qualify for the financial aid subsidies. The post-college loan interest benefit may also not be available to them.\(^{400}\)

Similarly, the retirement tax savings provisions provide the largest expenditure item in the tax expenditure budget.\(^{401}\) Yet, many women with their lower wages and increased consumption expenditures (due to work and child related expenses) are not able to take advantage of some of the “catch-up” IRA deduction provisions that were intended for their benefit.\(^{402}\) Although


\(^{397}\) See discussion *supra* Part I.C.2.a.

\(^{398}\) Black et al., *supra* note 37, at 1401.

\(^{399}\) *Id.*

\(^{400}\) *Id.*

\(^{401}\) See *supra* note 300 and accompanying text.

\(^{402}\) ABRAMOVITZ & MORGAN, *supra* note 30, at 47–49.
Social Security may be available to working women (and studies show they are more dependent on this income than men) these subsidies are inadequate, due to women’s lower labor wages. Therefore, the budgeted dollar amounts from these savings programs could be redirected to increase the minimum Social Security entitlement. Similar discrimination results from the health savings accounts.403 Here, women may not be able to save and may not be adequately covered under an employer plan.

In all of these circumstances, working mothers would be better served if the savings provisions were modified or eliminated—and the saved funds directed to refundable pay-as-you-go tax benefits or direct subsidies.

A third proposal would be to tax both investment and capital income the same as earned income. Under the Haig-Simons definition of income, income is consumption plus savings.404 The definition does not indicate that savings should be taxed more favorable.405 Working women who have little savings do not benefit when savings are exempt or treated favorably under the income tax system.406 Therefore, savings, such as dividends and capital gains, should be taxed the same as earned income. This proposal would serve horizontal equity and simplicity. The supply side economic “trickle down” theory is not persuasive.407 In this recessionary economy, cash flows are going outside the country, and the theory that the rich will take the risks to create wealth for others has changed. Consumption, however, is local. Therefore, the demand theory that consumption drives factory orders, and thus the economy, is the better view.408

Lastly, certain consumption expenses of the wealthy should not be subsidized in the federal income tax system. Rather, consumption expenses of working mothers should be favored. For example, no deduction should be allowed for the mortgage interest on a vacation home. If most working mothers rent, then all mortgage interest deductions should be eliminated—or a floor should be placed on these, similar to that under Section 67.409

405. Id.
406. See supra notes 30–31 and accompanying text.
Alternatively, a refundable rent credit should be provided when direct subsidies are inadequate. Similar to the analysis above, deductions for consumption items, such as rent, should be turned into refundable credits.

Consumption items involving necessities for children and work related expenditures should be deducted under the federal income tax system. Earlier tax law allowed for a two-earner deduction for work related expenses. Both Sweden and Singapore have such a provision. A more equitable tax subsidy would be a refundable credit.

Of course, tax base issues do not just revolve around the Social Security and federal income tax systems. Any sales tax (or a VAT, if passed) should exempt the purchase of goods and services most common to the working mom. In addition, any new tax initiatives, such as the VAT and carbon tax, should be evaluated before enactment for its impact on working women and their children.

2. Tax Rates

The Singapore taxing system illustrates that the tax rates per se might not be as important as the base, the exemption levels, or the taxable unit to the welfare of working women. Where the money is spent is of key importance. If Social Security is integrated with the income tax, then rates would have to rise dramatically; however, instituting a comprehensive tax base and taxing capital gains and dividends like ordinary income would reduce the rates. If exemption levels are high, though, then rates will also need to be high.

Scholars in the field have examined the progressive rates under the federal income tax system from a feminist point of view. To the extent that working mothers fall in lower income brackets, either because of their choice of job, their low wages, or their marital situation, a more progressive tax system can result in their benefit, if redistribution results from the revenue. To the extent that state tax systems are regressive and thus impact working mothers adversely, then a progressive federal income tax is fairer to them.

3. Tax Unit

Various scholars have argued that the marital unit should be abandoned in favor of the individual. Some attack joint filing on the ground that it creates a

411. See supra notes 139–41, 208 and accompanying text.
412. See Kornhauser, supra note 236. See also Marjorie E. Kornhauser, A Taxing Woman: The Relationship of Feminist Scholarship to Tax, 6 CAL. REV. L. & WOMEN’S STUD. 301, 317 (1996) (discussing how her article came to be considered the “feminist progressivity” article).
413. Not only is marriage important, but divorce. Women who are lucky enough to be connected to a payer husband with resources can reap the benefit of alimony and child support.
disincentive for wives to perform market work.414 Others have emphasized that two-earner couples incur more work-related expenses than one earner couples and do not receive the value of non-taxed imputed services that single earner couples receive.415 Some commentators think joint filing violates “marriage neutrality,” thus discouraging some taxpayers from marrying,416 while others do not see marriage as an institution to be emulated and point out the discrimination against cohabiting couples.417 Lastly, some scholars have attacked the joint filing assumption that couples act as a unitary economic entity, pooling their resources for joint purposes.418

Whatever the reasons, including complexity and inequity,419 the marital unit should be abandoned. Sweden, Singapore, and many other countries have demonstrated how a system using the individual unit can work fairly and effectively.420 It is possible that politically, the unit in America will never change. Therefore, the inequity—although not the complexity—can be resolved by “second best” measures.421 First, married couples could be allowed to file separately and be treated as single. Heads of household taxpayers could be taxed as married, particularly with respect to the limitation rules. For single working moms, the eligibility income rules and phase-outs should be doubled. For example, the per child tax credit rules for head of household and married couples should be the same. Single parents do not have the value of the imputed income of the one-earner couples and have more expenses for their children than married parents. Therefore they should have the same benefit as one-earner couples throughout the code. Similarly, the education benefits—Coverdell, American Opportunity Credit, and student loan interest deduction—should have the same income level for single parents and married couples.

415. Gann, supra note 368, at 20.
419. See generally Black et al., supra note 37; Kahng, supra note 366.
420. See, e.g., Dulude, supra note 2.
421. Originally the “second best” was used in welfare economics to indicate that when market failures exist and Pareto optimality cannot be attained, other measures might be necessary. See R.G. Lipsey & Kelvin Lancaster, The General Theory of the Second Best, 24 REV. ECON. STUD. 11 (1959). Now it is used to refer to solutions to problems that may not be the best but could still help solve the issue.
D. Micro Proposals

Although direct subsidies are best, the U.S. system tends to favor tax incentives. There are a series of specific or micro tax provisions that could be enacted to benefit working moms. For example, if universal preschool cannot be provided, then a more liberal credit for child care should be enacted. Similarly, a credit for the negative income tax due to second shift work could be given. If housing and health care are not adequately provided through direct subsidies, then refundable credits should be enacted. Lastly, a welfare mom’s working opportunity credit should be enacted to allow for a working mom’s expenses of employing a welfare mom, but only if she allows the welfare mom’s children to be taken care of in the employer’s house. Lastly, the earned income credit could be increased or a family allowance provided.

CONCLUSION

Examining the tax culture of Sweden, Singapore, and the United States illustrates how that culture can impact working mothers welfare. Sweden should be praised for the high value it places on women’s equality in the marketplace and at home. With its extensive universal child care system and a liberal maternity and paternity leave policy, it is a model for the “state support” system for working mothers. Singapore has a less extensive support system than Sweden, but it does provide excellent housing, health care, and education benefits. The Singapore system is slightly less socialist than the American system, since there is no entitlement for unemployment compensation or Social Security retirement benefits. Like the United States, it adopts a “responsibility” model for child rearing, but unlike in the states, that caregiving is done primarily by young immigrant women workers with few rights. However, one in seven households have such a maid, which enables working mothers to have more leisure time.

The United States, which was founded on freedom and equality, appears to advocate independence of its women; however, important tax provisions put an unfair burden on working mothers in bearing the responsibility of rearing and educating children. Numerous tax policy changes could be made to truly support its mothers in the workplace and at home. These would include expanding the income tax base, making the system more progressive, adopting the individual unit, and adopting more direct subsidies, such as those for child care or preschool.