# Estimating the Economic Boost of Marriage Equality in Minnesota

By Angeliki Kastanis and M.V. Lee Badgett

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## Executive Summary

Currently, same-sex couples are not allowed to marry in Minnesota. However, should the state choose to allow those couples to marry in the future, the state would see an economic boost as same-sex couples plan their weddings and as their out-of-state guests purchase goods and services in the state. This study estimates the impact on the state's economy and on some state and local tax revenue.

- We predict that approximately **4,946 in-state same-sex couples would choose to marry in the three years** following an opening of marriage to same-sex couples in Minnesota.
- The total spending on wedding arrangements and tourism by resident same-sex couples and their guests would add an estimated **$42 million to the state and local economy** of Minnesota over the course of three years, with a **$27 million boost in the first year alone**.
- This economic boost would likely **add $3 million in tax revenue** to state and local coffers, with an estimated **$2 million occurring in the first year**.
- This report does not include spending estimates for out-of-state same-sex couples that might travel to Minnesota in order to marry, spending additional funds on wedding planning and tourism during their brief stay.

## Introduction

If the State of Minnesota grants same-sex couples the right to marry, we predict that the State will see a surge in spending related to weddings by same-sex couples who currently reside in Minnesota, as well as an increase in tourism spending by wedding guests from other states. This increase in spending would benefit Minnesota's wedding and tourism-related businesses and would generate additional tax revenue for state and local coffers.

In this report, we estimate the size of the impact on Minnesota's businesses and on the state and local sales tax revenue for the first three years that same-sex couples are allowed to marry. The figures in this report are based on the best available data from several sources.

We draw upon data indicating average wedding expenditures in Minnesota and tourism reports from 2010, U.S. Census 2010 data on same-sex couples, along with data regarding marriage expenses by same-sex couples in other states.

Based on the analysis set forth in detail below, we predict that in the first three years that same-sex couples are permitted to marry in Minnesota, the state's wedding and tourism-related businesses would see spending rise by $42 million. As a result, the state and local tax revenues would rise by $3 million.

## In-State Couples

In order to assess the economic impact of opening marriage to same-sex couples in Minnesota, we must first calculate the number of same-sex couples who will marry. According to U.S. Census 2010, Minnesota has 10,207 resident same-sex couples.[1] We draw upon the experience of other states that have permitted marriage between individuals of the same-sex to estimate the number of same-sex couples who might elect to enter a marriage in Minnesota. In Massachusetts, a little more than 50% of same-sex couples married during that initial three-year period.[2] This prediction conforms to detailed data regarding rates at which same-sex couples have married in several other jurisdictions that have recently allowed them to do so.[3]

Accordingly, we predict that half of the same-sex couples in Minnesota would marry in the first three years. We then subtract the 158 same-sex couples from Minnesota who travelled to Iowa to marry following their 2009 decision to extend marriage to same-sex couples.[4] Therefore, we estimate that a total of 4,946 marriage licenses will be issued to same-sex couples in the first three years following the opening of marriage in the State of Minnesota.

Note that not all of these couples will marry within the first year that they are permitted to do so. We use data from Massachusetts to predict the timing and adjust our results throughout this report. Out of the total marriages of same-sex couples that took place in Massachusetts in the three-year period following 2004, 64% of marriages occurred in the first year, 21% in the second year, and 15% in the third year.[5] Therefore, we predict that in Minnesota 64% of 4,946 same-sex couples would marry in the first year (Year 1), or 3,165 couples. An additional 21% would marry in the second (Year 2), bringing the total to 85% of 4,946, or 4,204 couples. And finally, all 4,946 couples would be married by the end of the third year (Year 3).

## Existing Domestic Partnerships

Currently, there is no state-level relationship recognition for same-sex couples in Minnesota. One form of relationship recognition, domestic

partnership, exists only at the municipal level. Since the City of Minneapolis created Minnesota's first municipal domestic partner registration ordinance in 1991, 18 additional cities in Minnesota have followed. These domestic partnership ordinances allow same-sex couples the ability to document their relationships for the purpose of obtaining voluntary employer benefits, but little else. Municipal domestic partner registration ordinances do not apply in areas of law that are governed by State law, such as inheritance, adoption, and child custody. Because marriage is a very different kind of legal status, we make no adjustment to our estimate for those couples who have entered a municipal domestic partnership.

## Wedding Spending

According to *The Wedding Report,* the average spending on weddings in Minnesota in 2012 was $22,884**.** Due to societal discrimination, same-sex couples may receive less financial support from their parents and other family members to cover wedding costs, resulting in overall reduced spending. Also, only spending that comes from couples' savings would truly be "new spending" for the State's businesses, rather than money diverted from some other expenditure. To take these factors into account, as in previous studies by the Williams Institute, we estimate here that same-sex couples spend one-quarter of the amount that different-sex couples spend on wedding arrangements.[6] Accordingly, we assume that same-sex couples will have spent just over $5,720 per wedding. Using this figure, the calculated total for the estimated 4,946 resident couples sums to $28 million in additional wedding spending for the first three years.

## Out-of-Town Guests

In 2008, a report based on the Health and Marriage Equality in Massachusetts Survey indicated that Massachusetts same-sex weddings included an average of 16 out-of-town guests.[7] A Minnesota report on the economic impact of tourism lists average per diem expenditures for visitors to the state as $172 per guest.[8] This figure includes transportation, lodging, food, shopping and entertainment.

We assume that same-sex couples who are residents of Minnesota will have a similar count of 16 out-of-town guests at their ceremonies as indicated in the Massachusetts survey and that each of these guests will spend the $172 average amount spent by Minnesota tourists for a one day visit. The total estimate for out-of-town guests for weddings of resident same-sex couples is calculated to be 79,136 people, leading to additional tourism expenditures of $14 million.

## Revenue: Sales Tax

State and local governments will directly benefit from this increase in spending through the state sales tax and various local sales taxes. As indicated in Table 1, we estimate that a decision by Minnesota to allow same-sex couples to marry would result in approximately $42 million in additional spending on weddings and tourism in the state.

The State of Minnesota imposes a tax of 6.875% on the sale of most non-lodging services.[9] According to a 2011 report by the Tax Foundation, Minnesota has a combined state and local sales tax burden of 7.18%.[10] We use this average percentage as the combined state and local tax rate when calculating our figures.

By applying the various tax percentages to the categories in Table 1, we estimate that the overall spending boost will generate $3 million in tax revenue for state and local governments in the first three years same-sex couples may marry. The results of our calculations are displayed in Table 2.

Although a further breakdown distinguishing state and local tax revenue is difficult to calculate due to the varying combined tax burdens across the cities and counties of Minnesota, we estimate that local sales taxes will provide an estimated $128,000 of tax revenue directly to local governments (Table 3).

For a conservative total tax revenue estimate, we have not included tax revenue gained from lodging specific taxes that vary across the state. Lodging taxes in those areas where additional lodging taxes apply, such as Minneapolis-St. Paul, can add an additional 3-6% to the tax rate, which would increase the estimate of total revenue collected by local governments. [11]

## Out-of-State Couples

The total spending estimates in our report are conservative in that we do not include out-of-state same-sex couples that may decide to travel to Minnesota to marry.

A recent Williams Institute study indicates that same-sex couples will travel from out of state to marry if they cannot marry in their home state, as seen in the experiences of several states.[12] For example, of the total number of marriages by same-sex couples during the first year following the Iowa Supreme Court decision in *Varnum v. Brien*, 866 couples who married were Iowa residents and 1,233 couples were non-residents. Notably, the top five contributors of non-resident same-sex couples were surrounding states in the Midwest, including Minnesota. Media reports suggest that these out-of-state couples have generated notable tourism and wedding related spending in other states.[13]

Minnesota is situated in the Midwest, bordered on the north by Canada and the south by Iowa, which are both areas where same-sex couples may marry. However, Minnesota is bordered by North and South Dakota on the west and Wisconsin on the east, which are three states that do not allow same-sex couples to marry. It is likely that if Minnesota opens marriage to same-sex couples, and if it issues licenses to both in-state and out-of-state same-sex couples, the state will become one of several destinations for out-of-state same-sex couples looking for the opportunity to marry within the United States.

According to a 2008 Minnesota Traveler Profile Report, the states that send the most visitors to Minnesota are Wisconsin, North Dakota, Iowa, South Dakota and Illinois.[14] Only Iowa allows same-sex couples to marry. North Dakota and South Dakota offer no statewide partnership recognition to same-sex couples. Since 2009, Wisconsin has offered limited rights to same-sex couples through the process of registering as domestic partners. In Illinois, a new law went into effect on June 1, 2011 allowing same-sex couples to enter into a civil union. The total number of same-sex couples within the five states (not including Iowa) that send the most visitors to Minnesota is 33,501.[15] An additional impact may occur if a percentage of these 33,501 same-sex couples decide to travel to Minnesota to marry.

Out-of-state couples would generate additional spending on wedding-related goods and services and, most likely, on tourist-related goods and services.

## Further Impacts

The economic impact of travel and tourism by same-sex couples seeking to marry in Minnesota is more far reaching than just the effects on state and local sales tax receipts. For example, tourism expenditures are often directly related to employment opportunities in the travel industry. According to a report on the economic impact of tourism in Minnesota's counties in 2010, travel spending directly supported 235,258 full- and part-time jobs with earnings of $11.3 billion.[16] Thus, we calculate roughly that for every $48,114 spent by travelers in Minnesota, one job will be generated. If we use our guest tourism expenditure estimates, we conclude that extending the right to marry to same-sex couples can generate approximately 283 jobs in the travel industry in Minnesota within the first three years.[17]

## Conclusion

In this study, we have drawn on information regarding marriage spending by same-sex couples in other states, along with Minnesota wedding expenditure and tourism data, to estimate the economic boost if Minnesota extends the right to marry to same-sex couples.

Our calculations indicate that the total spending on wedding arrangements and tourism by same-sex couples and their guests would be about $27 million in the first year alone. We estimate that total economic boost over three years would generate about $3 million in tax revenue for the state and various localities.

Although we did not include the impact in our estimate, it is important to note that also allowing out-of-state same-sex couples the opportunity to wed will likely result in further economic gains for Minnesota businesses. This impact would then translate into additional increased tax revenue for the state and local budgets.

We note that sales taxes only capture the most direct tax effects of increased tourism and wedding expenditures. Businesses and individuals also pay taxes on the new earnings generated by wedding spending, providing a further boost to the state budget.

**Table 1. Minnesota Wedding Spending and Tourism Figures by Resident Same-Sex Couples and their Guests**

| SPENDING | Year 1 | Year 2 | Year 3 | Total |
|---|---|---|---|---|
| # of Marriages by Same-Sex Couples | 3,165 | 1,039 | 742 | **4,946** |
| Wedding Spending | $18,106,965 | $5,944,119 | $4,244,982 | **$28,296,066** |
| Out-of-Town Wedding Guests | 50,640 | 16,624 | 11,872 | **79,136** |
| Out-of-Town Guest Spending | $8,710,080 | $2,859,328 | $2,041,984 | **$13,611,392** |
| **TOTAL SPENDING** | **$26,817,045** | **$8,803,447** | **$6,286,966** | **$41,907,458** |

**Table 2. Tax Revenue from Wedding Spending and Tourism by Resident Same-Sex Couples and their Guests**

| TAX REVENUE | Year 1 | Year 2 | Year 3 | Total |
|---|---|---|---|---|
| Wedding Spending | $18,106,965 | $5,944,119 | $4,244,982 | $28,296,066 |
| **Tax Revenue from Wedding Spending** | **$1,300,080** | **$426,788** | **$304,790** | **$2,031,658** |
| Out-of-Town Guest Spending | $8,710,080 | $2,859,328 | $2,041,984 | $13,611,392 |
| **Out-of-Town Guest Tax Revenue** | **$625,384** | **$205,300** | **$146,614** | **$977,298** |
| **TOTAL TAX REVENUE** | **$1,925,464** | **$632,088** | **$451,404** | **$3,008,956** |

**Table 3. Tax Revenue by Type of Tax**

| TAX REVENUE | State Sales Tax (6.875%) | Various Local Sales Taxes (.305%)[18] | Total |
|---|---|---|---|
| **TOTAL** | $2,881,138 | $127,818 | **$3,008,956** |

## About the Authors

**Angeliki Kastanis** is a Public Policy Research Fellow at the Williams Institute, UCLA School of Law. She received her Master in Public Policy from the Irving B. Harris School of Public Policy at the University of Chicago.

**M.V. Lee Badgett** is the Research Director at the Williams Institute, and Director of the Center for Public Policy and Administration at the University of Massachusetts Amherst, where she is also a Professor of Economics. She studies family policy and employment discrimination related to sexual orientation.

## For more information

The Williams Institute, UCLA School of Law
Box 951476
Los Angeles, CA 90095-1476
(310)267-4382
williamsinstitute@law.ucla.edu http://williamsinstitute.law.ucla.edu

# Endnotes

[1] Gates, Gary J. & Cooke, Abigail M., *Minnesota Census Snapshot: 2010* (The Williams Institute, 2011), *available at* http://williamsinstitute.law.ucla.edu/wp-content/uploads/Census2010Snapshot_Minnesota_v2.pdf.

[2] Data reveals that 9,931 same-sex couples married in Massachusetts within three years of the state allowing same-sex couples to marry. Next, we estimate the total number of same-sex couples in Massachusetts. Data from the pre-2008 ACS overcounts the total number of same-sex couples. *See also* Gates, Gary J. *Same-Sex Spouses and Unmarried Partners In The American Community Survey, 2008* (The Williams Institute, 2008), available at http://williamsinstitute.law.ucla.edu/wp-content/uploads/Gates-ACS2008FullReport-Sept-2009.pdf. Accordingly, we use 2008 ACS data to estimate the total number of same-sex couples in Massachusetts in 2004, or 19,550 couples. This suggests that approximately 51% of couples married over three years.

[3] Badgett, M.V. Lee & Herman, Jody L. *Patterns of Relationship Recognition by Same-Sex Couples in the United States* (The Williams Institute, 2011).

[4] Ibid.
According to this report, 105 Minnesota same-sex couples married in Iowa between March 2009 and April 2010. We estimate that another 53(50% of 105) Minnesota couples have married in Iowa since April 2010, thus, bringing the total number of Minnesota same-sex couples married in Iowa to 158. Notably, some same-sex couples may have already married in other states in the U.S. or other countries, such as Canada. Since do not know how many couples went to other states or Canada, we cannot adjust our estimates for those couples.

[5] Ibid.

[6] Badgett, M.V. Lee & Gates, Gary J. *The Effect of Marriage Equality and Domestic Partnership on Business and the Economy.* (The Williams Institute, 2006), available at http://williamsinstitute.law.ucla.edu/research/economic-impact-reports/the-effect-of-marriage-equality-and-domestic-partnership-on-business-and-the-economy/.

[7] Goldberg, Naomi G., Steinberger, Michael D. & Badgett, M.V. Lee. *The Business Boost from Marriage Equality: Evidence from the Health and Marriage Equality in Massachusetts Survey* (The Williams Institute, 2009), available at http://williamsinstitute.law.ucla.edu/research/economic-impact-reports/the-business-boost-from-marriage-equality-evidence-from-the-health-and-marriage-equality-in-massachusetts-survey/.

[8] Davidson-Peterson Associates. (2009). *The Economic Impact of Expenditures By Travelers On Minnesota: June 2007 – May 2008*. Retrieved from http://www.exploreminnesota.com/industry-minnesota/research-reports/researchdetails/index.aspx?nid=136

[9] Ibid.

[10] Tax Foundation. (2012). State and Local General Sales Tax Rates. Retrieved from http://www.taxfoundation.org/taxdata/show/26269.html

[11] Minnesota Department of Revenue. (2010). *Minnesota Tax Handbook: A Profile of State and Local Taxes in Minnesota.* Retrieved from http://www.revenue.state.mn.us/research_stats/research_reports/2010/2010_handbook.pdf

[12] Kastanis, Angeliki, Badgett, M.V. Lee & Herman, Jody L., *Estimating the Economic Boost of Marriage Equality in Iowa: Sales Tax* (The Williams Institute, 2011), available at http://williamsinstitute.law.ucla.edu/research/economic-impact-reports/estimating-the-economic-boost-of-marriage-equality-in-iowa-sales-tax/

[13] Bly, Laura. (2004, February 26). Localities Cashing in on Same-Sex Marriages. *USA Today*. Retrieved September 6, 2011, from http://www.usatoday.com/travel/news/2004-02-26-same-sex-marriage_x.htm (See also http://www.businessweek.com/magazine/a-gay-wedding-windfall-for-new-york-10202011.html). Goldberg, Naomi G., Steinberger, Michael D. & Badgett, M.V. Lee. *The Business Boost from Marriage Equality: Evidence from the Health and Marriage Equality in Massachusetts Survey* (The Williams Institute, 2009), available at http://williamsinstitute.law.ucla.edu/research/economic-impact-reports/the-business-boost-from-marriage-equality-evidence-from-the-health-and-marriage-equality-in-massachusetts-survey/.

[14] Davidson-Peterson Associates. (2009). *The Profile of Travelers in Minnesota: June through May 2005-2006 and 2007-2008.* Retrieved from http://www.tourism.umn.edu/prod/groups/cfans/@pub/@cfans/@tourism/documents/article/cfans_article_127329.pdf

[15] Gates, Gary J. & Cooke, Abigail M., *Wisconsin Census Snapshot: 2010* (The Williams Institute, 2011). (See also, *North Dakota Census Snapshot: 2010, South Dakota Census Snapshot: 2010, Illinois Census Snapshot: 2010.*)

[16] Davidson-Peterson Associates. (2009). *The Profile of Travelers in Minnesota: June through May 2005-2006 and 2007-2008.* Retrieved from http://www.tourism.umn.edu/prod/groups/cfans/@pub/@cfans/@tourism/documents/article/cfans_article_127329.pdf

[17] These employment figures were generated by using the tourism expenditures of the out-of town guests.

[18] We calculate this tax rate by subtracting the 6.875% state sales tax from the average combined state and local sales tax burden for Minnesota according to the Tax Foundation. *See footnote 10.*