

# Estimating the Economic Boost of Marriage for Same-Sex Couples in Puerto Rico



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## Executive Summary

If marriage is extended to same-sex couples in Puerto Rico, the Commonwealth would see an economic boost as same-sex couples plan their weddings and as their non-resident guests purchase goods and services. This study estimates the impact on the Commonwealth’s economy and on sales tax revenue for Commonwealth and municipal governments.

- We predict that **2,371 resident couples in Puerto Rico would choose to marry in the three years** following an opening of marriage to same-sex couples.
- The total spending on wedding arrangements by resident same-sex couples and their non-resident guests would add an estimated **\$17.2 million to the economy** of Puerto Rico over the course of three years, with an **\$11 million boost in the first year alone**.
- This economic boost would **add \$1.2 million in sales tax revenue** to Commonwealth and municipal coffers.
- Spending related to same-sex couples’ wedding ceremonies and celebrations would create **46 to 137 jobs** in the tourism and recreation sector for the Commonwealth.

ECONOMIC IMPACT OF MARRIAGE FOR SAME-SEX COUPLES IN PUERTO RICO	TOTAL
Marriages by Same-Sex Couples	2,371
Direct Wedding Spending	\$5,412,993
<b>Non-Resident Guest Spending</b>	<b>\$11,836,032</b>
<b>TOTAL COMBINED SPENDING</b>	<b>\$17,249,025</b>
<b>TOTAL SALES TAX REVENUE</b>	<b>\$1,207,432</b>

## Introduction

As of October 2014, 19 states in the U.S., the District of Columbia, and the U.S. federal government formally recognized marriages between same-sex partners.<sup>1</sup> Additionally, federal district courts in several states have held, or suggested, that withholding state-granted marriages to same-sex couples is unconstitutional in decisions which are on hold pending appeal.<sup>2</sup> In this study, we estimate the impact of weddings of same-sex couples on Puerto Rico's economy over the next three years if the Commonwealth were to recognize those marriages.

Our analyses are informed by the methodology that we've used in previous studies of the economic impact of marriage for same-sex couples in a number of U.S. states.<sup>3</sup> We utilized a number of relevant data sources, including Census 2010 and the American Community Survey, to estimate the impact of extending marriage to same-sex couples in Puerto Rico.

All of the findings from previous studies suggest that extending marriage rights to same-sex couples produces a positive impact on states' budgets and economies. Similar conclusions have been reached by legislative offices in Connecticut<sup>4</sup> and Vermont,<sup>5</sup> as well as by the Comptroller General of New York.<sup>6</sup> The U.S. Congressional Budget Office has concluded that if all fifty states, in addition to the federal

government, extended the rights and obligations of marriage to same-sex couples, the federal government would benefit by nearly \$1 billion each year.<sup>7</sup> Throughout this report, we rely on conservative estimates to assess the economic impact of extending the right to marry to same-sex couples. In other words, all assumptions are cautious and, given the range of possibilities, likely produce revenue impacts on the lower bound. Even so, we find that extending marriage to same-sex couples in Puerto Rico will have a positive impact on the Commonwealth's economy.

## Resident Couples

To determine the potential impact of marriage for same-sex couples in Puerto Rico, we first estimate the number of same-sex couples that will marry within the first three years. According to the most recent Census in 2010, there are 4,742 same-sex couples living in Puerto Rico.<sup>8</sup>

We draw upon the experience of states in the U.S. that have permitted marriage between individuals of the same sex to estimate the number of same-sex couples who might marry in Puerto Rico. In Massachusetts, just over half of same-sex couples married during the initial three-year period.<sup>9</sup> This finding has been confirmed in several other jurisdictions that have more recently allowed same-sex couples to marry.<sup>10,11</sup> Accordingly, we predict that 50%

of Puerto Rico's 4,742 same-sex couples, or 2,371 couples, would marry in the first three years (Table 1).<sup>12</sup>

## Wedding Spending

If Puerto Rico grants same-sex couples the right to marry, we predict that the Commonwealth will see a surge in spending on weddings by same-sex resident couples, non-resident couples, and their out-of-state guests. Our analysis predicts that allowing same-sex couples to marry would generate \$17.2 million through direct wedding spending and wedding-related tourism in the first three years. We estimate that wedding spending generated by marriages of same-sex couples would create 46 to 137 jobs in the first three years.

Our estimates of the economic and fiscal impacts of allowing same-sex couples to marry in Puerto Rico are conservatively low. We do not consider the impact of non-resident couples who will travel to Puerto Rico to marry, and our wedding spending estimates are low compared to average wedding spending in the U.S. Higher spending by resident same-sex couples and spending generated by non-resident destination weddings would have an additional positive impact on the economy of Puerto Rico.

## Direct Wedding Spending by Resident Couples

Following the legalization of marriage for same-sex couples, Massachusetts experienced a rise in spending associated with wedding planning, such as increased demand for catering services and hotel rooms.<sup>13</sup> More recently, New York,<sup>14</sup> Connecticut,<sup>15</sup> and Washington<sup>16</sup> have also reported a rise in wedding spending after marriage rights were extended to same-sex couples. We expect that Puerto Rico would experience the same economic benefit.

There are no available data on wedding spending in Puerto Rico, so we rely on U.S.-based data to estimate wedding spending by same-sex couples in the Commonwealth. According to *The Wedding Report*, couples in the U.S. spend an average of \$25,200 on their weddings.<sup>17</sup> This amount represents approximately 49% of the average yearly household income in the U.S.<sup>18</sup> Across the 50 U.S. states, the range in wedding spending varies, on average, from 39% of the median annual household income to 55% of the median annual household income in a state.<sup>19</sup> Couples in states with lower median annual household incomes tend to spend proportionately less on their weddings than couples in states with higher incomes.<sup>20</sup> Across the 10 states with the lowest household incomes, the average amount of wedding spending is equivalent to an average

of 47% of median annual household income.<sup>21</sup> By contrast, across the 10 states with the highest household incomes, the average amount of wedding spending is equivalent to an average of 50% of median annual household income.<sup>22</sup>

The median annual income in Puerto Rico (\$19,429<sup>23</sup>) is well below the lowest median annual household income in the U.S. (\$37,095 in Mississippi<sup>24</sup>). For this reason, we apply the average proportion of wedding spending compared to median annual household income in the 10 states with the lowest household incomes (47%) in order to estimate how much couples in Puerto Rico spend on their weddings, on average. Based on these figures, we estimate that couples in Puerto Rico spend an average of \$9,131 on their weddings.

Same-sex couples may receive less financial support from their parents and other family members to cover wedding costs due to persistent stigma, resulting in less spending than their heterosexual counterparts. Taking 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.<sup>25, 26</sup> Accordingly, we assume that same-sex couples will spend an average of \$2,283 per wedding in Puerto Rico. Using this estimate, we expect resident same-

sex couples to generate \$5.4 million in direct wedding spending over the introductory three year period.

### *Non-Resident Guests*

In 2008, a report based on *The Health and Marriage Equality in Massachusetts Survey* indicated that in Massachusetts, weddings of same-sex couples included an average of 16 out-of-state guests.<sup>27</sup> We assume that same-sex couples who celebrate their weddings in Puerto Rico will have a similar count of 16 non-resident guests at their ceremonies. Based on this assumption, we estimate that a total of 37,936 non-resident guests will attend the weddings of the 2,371 same-sex resident couples who marry in Puerto Rico in the first three years.

In order to estimate non-resident guest spending, we utilize the per diem allowance for food and lodging in Puerto Rico as set forth by the U.S. Defense Travel Management Office (DTMO).<sup>28</sup> The DTMO's per diem allowance rates are used by federal government agencies to reimburse their employees' business-related travel expenses.<sup>29</sup> We determine a Commonwealth-wide per diem rate by averaging DTMO's per diems across municipalities in Puerto Rico, weighted by each municipality's population.<sup>30</sup> Additionally, in determining daily hotel spending per guest, we

assume that guests will share a room. Based on our calculations, we estimate that each guest who travels to Puerto Rico for a wedding will spend, on average, \$156 per day on food and lodging.

We further assume that guests will spend two nights in Puerto Rico when they attend weddings, rather than one, because Puerto Rico is only accessible by air and therefore likely to be more difficult to travel to and from than destinations located on the mainland U.S. Thus, we estimate that each guest will spend \$312 on meals and lodging for a two day visit to Puerto Rico. In total, we estimate that the 37,936 out-of-state guests will spend \$11.8 million attending weddings of same-sex couples in Puerto Rico during the first three years after legalization (Table 1).

### ***Job Creation***

In 2013, Puerto Rico generated almost \$2.4 billion overall in travel and tourism spending, which supported 19,000 jobs in Puerto Rico during the year.<sup>31</sup> Based on these figures, we calculated that for every \$126,000 in tourism spending in Puerto Rico, one additional job is created. Taking into account our estimated amount of increased spending, we can deduce that new spending generated by weddings of same-sex couples could create an additional 46 to 137 jobs for residents of Puerto Rico.

The number of jobs that could be generated by the total amount of additional spending provides our upper-bound estimate for job creation (137). Sustaining these jobs over time would require the same amount of spending per year. Thus, we assume that one-third of these jobs will likely be sustained for the full three-year period. Based on this assumption, our low-end estimate is that 46 jobs will be sustained over the three-year period.

### **Sales Tax Revenue**

The Commonwealth and municipal governments will directly benefit from this increase in spending through the Commonwealth sales tax and a range of municipal sales taxes. The Commonwealth of Puerto Rico imposes an average 6.0% general sales or use tax on consumers.<sup>32</sup> Additionally, municipal governments levy a 1% sales tax.<sup>33</sup> Thus, the total sales tax in Puerto Rico is 7%.

The combined wedding-related spending of same-sex couples and their non-resident guests is estimated to be \$17.2 million, as indicated in Table 1. Using these figures, we estimate that the overall spending boost will generate \$1.2 million in sales tax revenue in the first three years same-sex couples are permitted to marry.

## Conclusion

In this study, we have drawn on information regarding marriage spending by same-sex couples in U.S. states, along with data specific to Puerto Rico, to estimate the economic boost if the Commonwealth extends the right to marry to same-sex couples. Our calculations indicate that the total spending on wedding arrangements and tourism by resident same-sex couples and their guests would be approximately \$17.2 million over three years, with a positive impact of \$11 million in the first year alone. We estimate that the total economic boost over three years would generate about \$1.2 million in tax revenue for Commonwealth and municipal governments, and create 46 to 137 new jobs.

Our estimates throughout this report are conservatively low. The economic and fiscal boost in Puerto Rico will be larger if same-sex couples spend more than an average of \$2,283 on their weddings, a low estimate given average wedding spending in the U.S., and if non-resident same-sex couples travel to Puerto Rico for their weddings.

Finally, 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 Commonwealth and municipal budgets.

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

<b>SPENDING</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Total</b>
# of Marriages by Same-Sex Couples	1,517	498	356	<b>2,371</b>
Wedding Spending	\$3,463,311	\$1,136,934	\$812,748	<b>\$5,412,993</b>
Non-Resident Guest Spending	\$7,572,864	\$2,486,016	\$1,777,152	<b>\$11,836,032</b>
<b>TOTAL COMBINED SPENDING</b>	<b>\$11,036,175</b>	<b>\$3,622,950</b>	<b>\$2,589,900</b>	<b>\$17,249,025</b>

**Table 2. Tax Revenue from Wedding Spending**

<b>TAX REVENUE</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Total</b>
Commonwealth Sales Tax Revenue	\$662,171	\$217,377	\$155,394	<b>\$1,034,942</b>
Local Sales Tax Revenue	\$110,362	\$36,229	\$25,899	<b>\$172,490</b>
<b>TOTAL SALES TAX REVENUE</b>	<b>\$772,533</b>	<b>\$253,606</b>	<b>\$181,293</b>	<b>\$1,207,432</b>

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## Endnotes

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<sup>1</sup> See Chris Cillizza. 2014. [“The Rapidly Evolving State of Same-Sex Marriage, in 1 Map,”](#) *Washington Post*, May 15.

<sup>2</sup> Deboer v. Snyder, No. 12-CV-10285 (E.D. Mich. Mar. 21, 2014); Tanco v. Haslam, No. 3:13-cv-01159; De Leon v. Perry, No. SA-13-CA-00982-OLG (W.D. Tex. Feb. 26, 2014); Bishop v. U.S., No. 04-CV-848-TCK-TLW (N.D. Okla. Jan. 14, 2014); Kitchen v. Herbert, No. 2:13-cv-217 (D. Utah Dec. 20, 2013); Wright v. Arkansas, No. 60CV-13-2662 (Ark. Cir. Ct. May 9, 2014); Latta v. Otter, No. 1:13-cv-00482-CWD (D. Idaho May 13, 2014); Henry v. Himes, No. 1:14-cv-129 (S.D. Ohio Apr. 14, 2014); Wolf v. Walker, No. 14-cv-64-bbc (W.D. Wis. June 6, 2014); Baskin v. Bogan, No. 1:14-cv-00355-RLY-TAB (S.D. Ind. June 25, 2014); Love v. Beshear, No. 3:13-CV-750-H (W.D. Ky. July 1, 2014); Brinkman v. Long, No. 14-CV-20731 (Co. Dist. Ct. July 9, 2014). Three appellate courts have also determined that withholding marriage to same-sex couples is unconstitutional. Kitchen v. Herbert, No. 2:13-CV-00217-RJS (10th Cir. June 25, 2014); Bostic v. Shaefer, No. 14-1167(4th Cir. Feb. 14, 2014); Baskin v. Bogan, Nos. 14-2386 to 14-2388 (7th Cir. Sept. 4, 2014) and Wolf v. Walker, No. 14-2526 (7th Cir. Sept. 4, 2014).

<sup>3</sup> Reports available on the Williams Institute’s web site under [Economic Impact Reports, by state.](#)

<sup>4</sup> Office of Legislative Research. (2002). [Office of Fiscal Analysis Report on HB 5001.](#) (Hartford, CT: Connecticut’s General Assembly).

<sup>5</sup> Vermont Civil Union Review Commission, (2002). [Report of the Vermont Civil Union Review Commission.](#) (Montpellier, VT: Office of the Legislative Council).

<sup>6</sup> Hevesi, Alan G.,(2004). [Testimony of New York State Comptroller, Alan G. Hevesi, to New York City Council in Support of the Right to Civil Marriage for Same-Sex Couples in New York State.](#) March 3. (New York: Office of the New York State Comptroller).

<sup>7</sup> Holtz-Eakin, Douglas,(2004). [“The Potential Budgetary Impact of Recognizing Same-Sex Marriages.”](#) Letter to the Chairman of the House Subcommittee on the Constitution, June 21.

<sup>8</sup> Analysis performed by Gary J. Gates using data from the 2010 Census.

<sup>9</sup> This calculation is based upon collected data revealing that 9,931 same-sex couples married in Massachusetts within the first three years after same-sex couples were allowed to marry. To estimate the total number of same-sex couples residing in Massachusetts in 2004 we utilized American Community Survey data and determined that there were approximately 19,550 resident same-sex couples at that time. This suggests that approximately 51% of couples married over three years.

<sup>10</sup> Badgett, M.V. Lee & Jody L. Herman, (2011) [Patterns of Relationship Recognition by Same-Sex Couples in the United States.](#) (Los Angeles: The Williams Institute).

<sup>11</sup> Washington State Department of Health, (2013). [Washington same sex couples: follow-up data report released.](#) (press release), Dec. 5.

<sup>12</sup> Not all couples who will marry in the first three years will do so within the first year they are permitted. Using data from Massachusetts, we can predict the timing of nuptials over three years; 64% married in the first year, 21% married in the second year, and 15% married in the third year.

<sup>13</sup> Belkin, Douglas. 2004. “Wedding Bell Bonanza: Tourism, Marriage Industry Foresee Boom in Same-Sex Nuptials,” *Boston Globe*, Feb. 26.

<sup>14</sup> Gammage, Jeff. (2013). [“Another Reason Backers Say Pa. Should Legalize Gay Marriage: \\$\\$\\$.”](#) *Philly.com*. July 16.

<sup>15</sup> Buck, Rinker. (2010). [“Same-Sex Marriage Law An Economic Boon For State: Couples Coming From Other States Boosting Hospitality Industry.”](#) *The Courant*. Oct. 10.

<sup>16</sup> Lerner, Sara. (2013). [“Same-Sex Marriage Anniversary An Economic Boost For Washington.”](#) *KUOW.ORG*. Dec. 10.

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- <sup>17</sup> Wedding Report, (2013). [“Wedding Statistics Summary for the United States.”](#)
- <sup>18</sup> Calculated by authors using data from the American Community Survey, 2012 ACS 1-Year Estimates, Selected Economic Characteristics table, by state, available at <http://factfinder2.census.gov/faces/nav/jsf/pages/searchresults.xhtml?refresh=t>; Wedding Report, (2013). [“Wedding Statistics Summary for the United States.”](#)
- <sup>19</sup> Ibid.
- <sup>20</sup> Ibid.; Wedding Report, (2013). [“Wedding Statistics Summary for the United States.”](#)
- <sup>21</sup> Calculated by authors using data from the American Community Survey, 2012 ACS 1-Year Estimates, Selected Economic Characteristics table, by state, available at <http://factfinder2.census.gov/faces/nav/jsf/pages/searchresults.xhtml?refresh=t>; Wedding Report, (2013). [“Wedding Statistics Summary for the United States.”](#)
- <sup>22</sup> Ibid.
- <sup>23</sup> American Community Survey, 2012 ACS 1-Year Estimates, Selected Economic Characteristics for Puerto Rico, available at [http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS\\_12\\_1YR\\_DP03&prodType=table](http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_12_1YR_DP03&prodType=table).
- <sup>24</sup> American Community Survey, 2012 ACS 1-Year Estimates, Selected Economic Characteristics table, by state, available at <http://factfinder2.census.gov/faces/nav/jsf/pages/searchresults.xhtml?refresh=t>.
- <sup>25</sup> Badgett, M.V. Lee & Gary J. Gates, (2006). [“The Effect of Marriage Equality and Domestic Partnership on Business and the Economy.”](#) (Los Angeles: The Williams Institute). As well as, Goldberg, Naomi G., Steinberger, Michael D., & M.V. Lee Badgett, (2009). [“The Business Boost from Marriage Equality: Evidence from the Health and Marriage Equality in Massachusetts Survey.”](#) (The Williams Institute, 2009).
- <sup>26</sup> Community Marketing & Insights with the Gay Wedding Institute, (2013). [“Same-Sex Couples: Weddings and Engagements.”](#) (San Francisco: Community Marketing & Insights with the Gay Wedding Institute).
- <sup>27</sup> Goldberg, Steinberger, and Badgett, *The Business Boost from Marriage Equality*.
- <sup>28</sup> U.S. Defense Travel Management Office, (2014). [“Per Diem Rates.”](#)
- <sup>29</sup> More information about the per diem rates is available at U.S. Defense Travel Management Office, (2014). [“Per Diem Rate Review: Frequently Asked Questions.”](#)
- <sup>30</sup> Per diem rates by municipality across Puerto Rico are available at U.S. Defense Travel Management Office, (2014). [“Per Diem Rates Query.”](#) (select ‘Puerto Rico’ from drop down menu under ‘Outside CONUS, Non-Foreign Oversees and Foreign’).
- <sup>31</sup> World Travel & Tourism Council. (2014). [“Travel & Tourism: Economic Impact 2014 Puerto Rico.”](#)
- <sup>32</sup> Scott Drenkard, [“State and Local Sales Tax Rates in 2014.”](#) (Washington: The Tax Foundation, March 18).
- <sup>33</sup> Ibid.