

The design being suggested is a powerful device to redistribute income in the egalitarian direction. The amount of redistribution depends on the height of the tax rate and the size of the credit. A credit tax rate combination of \$400 per person per year and a rate of 25 percent can be expected to approximately double the income share of the lowest fifth of the income distribution where the poor are found. If the public wants greater redistribution, the credit and the tax rate can be further increased.

The system also has the property of permitting the Congress to make specific, unambiguous provisions for people who for one reason or another are believed to merit special treatment. For example, people who are blind may be given an extra credit, as may the totally disabled; I would hope that no extra credit would be given to a person merely because he has reached a certain age in life such as 65 years. It is also feasible to install a general and comprehensive plan of medical protection. Incremental credits could be given as a percentage of medical expenses above some cutoff such as \$100 per person per year.

SOME COMPARISONS WITH OTHER PLANS

Of the many and various other plans of redistribution that I have examined all have the characteristic of being truncated. There is to be one income tax for the people with low incomes and the existing Federal individual income tax for people above some level of income.

In my opinion, these plans are certain to lead to large-scale administrative complications and may even turn out to be simply another grandiose public assistance device. Among the difficulties of a two-income-tax system is the problem of fragmentation. As a matter of literal fact, there are more people who receive zero income than any other amount of income simply for the reason that women and children in households commonly have a zero income. A truncated plan invites people with low legal incomes to split off.

For example the father might separate from the family, report his income for tax purposes as under present law, and the wife and children would classify as poor and qualify for the credit. Less dramatic illustrations are young people, including college students, who could report low incomes and qualify for the credit even though their parents are above the \$20,000 bracket. If we are to start on the path toward systematic redistribution of income, it is important that we get off on the right foot, and in my view these various truncated schemes would start us off on the wrong foot.

ADMINISTRATION

In regard to administration, a credit income tax would, according to my proposal, be administered by the Internal Revenue Service. The principle of collection at the source should be pushed just as far as it is practical to do so. Taxpayers could be given an option, if their estimated income for a year is below some number, of receiving the credit in monthly or quarterly installments. People above that line would apply the credit to that portion of their income that would not receive collection-at-the-source treatment. In the simple case where a person's total income is subject to tax at the source, his tax liability