Mr. LAMPMAN. Madam Chairman, there are apparently a great many difficult issues to be resolved in, first of all, drafting a statute for a negative income tax or an income supplement program or a family allowance that is income-conditioned—whatever we choose to call it. There are also many difficulties to be encountered in administrative regulations to be drawn and in actual carrying out of the intent of any legislation.

Representative GRIFFITHS. What are the problems in the definition of income? What is income?

Mr. LAMPMAN. In the definition of income, and this is a very good example of these difficulties, one has to decide which types of income are to be included and which are to be excluded in figuring the basis for the allowance or negative tax benefit. For example, should one include some of the forms of presently known taxable income? Tax exempt interest, for example, as I am sure you are very much aware, there are some people who have very high incomes, indeed, who now pay no income tax at all. If we follow the present definition of income for positive tax purposes, this might mean that some wealthy people would be eligible for a negative income tax allowance. This would be unseemly, I suppose, for most people.

So we would have to have a definition of income that includes tax-exempt interest. It may have to include various types of transfer payments that are now made and various types of subsidy payments that are received—capital gains.

Representative GRIFFITHS. That is, the social security, the farm program, and so forth.

Mr. LAMPMAN. Yes.

Mr. MORGAN. The critical one is imputed rent, for example. If you own your own home, what do you do about free rent?

Mr. LAMPMAN. In defining your income for tax purposes, we now allow certain deductions and certain credits. What would we do about the investment tax credit which many small businessmen are now eligible to take? I assume we would disallow that one.

What about oil depletion allowance?

Representative GRIFFITHS. We are going to write in a new one.

Mr. LAMPMAN. We are going to have to go through many such matters in defining income for negative tax allowance purposes.

Representative GRIFFITHS. We are going to write in a new one this week on industrial bonds, a million dollar tax exempt. The industry buys the bonds and get a tax-free interest rate and then literally pays rent to itself for the building and that is deductible.

Mr. Laird, of Wisconsin, asks if the individual will claim it. No, this is just the same people who got the investment credit last year are going to get this in the new tax conference report.

What about the accounting period?

Mr. LAMPMAN. The income accounting period is a matter that I think would be of great importance in designing a negative tax plan. Should one have the standard calendar year or fiscal year period for people on a negative tax benefit scheme?

Alternatives to that are to have a much shorter income period—say a quarter or 6 months period. Some people have urged that we should have a shorter period because some people will be in a situation where