

To illustrate how the plan would operate, a four-person family under the H-50 Schedule would receive a basic allowance of \$2,600, and its other income would be taxed at a 50 per cent rate. However, no family would be left with a smaller net disposable income than it would enjoy under the current federal income tax without a basic allowance. For every family size there is an income at which the net tax, *i.e.*, offsetting tax less basic allowance, under this new rule is the same as the tax under present rates. On higher incomes, the regular tax schedule would apply.

The proposal thus would not increase anyone's tax liability under

TABLE I
BASIC ALLOWANCES, BREAK-EVEN POINTS, AND LEVEL AT WHICH PRESENT INCOME TAX
SCHEDULE APPLIES UNDER THE PROPOSED NEGATIVE INCOME TAX^a

Family size (number of persons) ^b	Basic allowance (received by units with no income)	Break-even point (point at which no allowance is received and no taxes paid)	Level at which present tax rates begin to apply ^b	Present marginal tax rate at income in (4)
(1)	(2)	(3)	(4)	(5)
<i>H Schedule (with a tax rate of 50%)</i>				
1 adult	\$ 800	\$1,600	\$1,876	15%
2 adults	1,600	3,200	3,868	16
3	2,100	4,200	4,996	17
4 } including	2,600	5,200	6,144	17
5 } at	3,000	6,000	7,003	17
6 } least	3,400	6,800	7,857	17
7 } 2	3,600	7,200	8,100	17
8 } adults ^c	3,800	7,600	8,359	16
<i>L Schedule (with a tax rate of 33$\frac{1}{3}$%)</i>				
1 person	\$ 400	\$1,200	\$1,420	15%
2	800	2,400	3,007	15
3 } persons	1,200	3,600	4,633	16
4 }	1,600	4,800	6,279	17
5	2,000	6,000	7,963	19
6 } including	2,400	7,200	9,728	19
7 } at least	2,550	7,650	9,951	19
8 } 2 adults ^d	2,700	8,100	10,196	19

^a The tax rates are 50 per cent for the H Schedule and 33 $\frac{1}{3}$ per cent for the L Schedule.

^b Assumes one-person family is a single unattached individual with no dependents and that families of two or more persons are husband and wife families and file joint returns. Assumes also that the families are entitled to the number of exemptions shown in column 1 (and no additional exemptions for blindness or old age) and use the standard deduction. Rates are those applicable to 1965 and 1966 incomes under the Revenue Act of 1964.

^c A family of three or more receives basic allowances \$300 less if only one of the members is adult.

^d A family of six or more receives basic allowance \$150 less if only one of the members is adult.