

The plan must include units with incomes somewhat higher than the break-even level of \$5,200 in order to avoid confiscatory marginal tax rates at that point. The H Schedule would wipe out all tax payments on incomes below \$5,200. If the regular tax schedules were applied to all income above \$5,200 a four-person family with an income of \$5,201 would pay a tax of \$322, leaving it with a disposable income of \$4,879. In other words, the additional dollar of earned income would cost the family \$322. The plan avoids this problem by giving the family the option to remain under the negative income tax system until its disposable income is exactly the same under the positive and negative income tax. For a family of four persons, this point is reached under the H Schedule at a "tax-break-even" income of \$6,144.

Figure 1 Illustration of Proposed Income Allowance Plan for 4-person family under the H-50 Schedule

