adult basic allowance might be allowed for a person engaged in full time study for his first college degree, and added to the basic allowance to which the unit would be entitled if the college student were not counted as a member. Suppose, for example, that one of the three children of a married couple goes to college. Under the H Schedule the basic allowance of the family unit would rise from $3,000 to $3,400 ($800 for the student plus the schedule allowance for a unit of four, $2,600).

These rules leave open at least two possibilities that might be regarded as loopholes, but there are good reasons for retaining both. The first is that any adult could qualify as a separate unit and receive an allowance while remaining residentially, economically, and socially a part of a unit with adequate income. If this is deemed a loophole, it would be possible to plug it. But it seems consistent with good social policy and certainly with horizontal equity to assist adults who are incapacitated for independent living and employment by physical or psychological difficulties, even if they are attached to families of high income. The other possible "loophole" is that married minors would be permitted to claim allowances even though they are living with a parent. Again, this is a possibility which could be eliminated. But the advantages of giving married couples of whatever age some financial independence, even if their parents are well off, seem worth the small cost involved.

III. Definition of Income

Since the basic purpose of the negative income tax is to alleviate economic need, the definition of income should not coincide with the definition used for positive income tax purposes. The latter excludes many items of income that contribute as much to the ability of the family unit to support itself at an adequate consumption level as do taxable items. To avoid paying benefits to those who are not needy, the definition of income should be comprehensive.

A. *Receipts To Be Included in Income*

Income for NIT purposes should include many items that are specifically excluded in whole or in part from the positive income tax base. Thus, tax-exempt interest, realized capital gains, and scholarships and fellowships in excess of tuition would be included in full; income from oil and other minerals would be computed after allowance for cost depletion only; and exclusions for dividends and sick pay would not be