

to the money income of farmers for this purpose. Farm families could declare a smaller amount, but the burden of proof would be on them. In addition, the value of meals and lodging provided by employers should be included in employees' incomes, at least up to the amount that the individual would normally spend for the same purposes.

(4) Whether government transfer payments should be regarded as income subject to offsetting tax will depend in large measure on how the plan is integrated with other public welfare and social insurance programs. This problem is discussed in Section III *infra*. In general we recommend that if a transfer is intended not as a payment based on need but as deferred compensation for previous work it should be counted as income. Unemployment compensation and veterans' pensions, for example, would thus be included in the NIT base. If on the other hand a payment is based on need and is designed to supplement the benefits of the NIT program, it should not be counted as income. Public assistance, the benefits of the food stamp program, and rent subsidies would accordingly be excluded from income if these programs are continued unchanged after the negative income tax took effect.

Pensions and annuities from pension plans other than social security should be included in income to the same extent that they are included in the positive income tax base. Social security benefits are not included in the positive income tax base. But if social security beneficiaries are eligible for NIT, their benefits under Federal Old Age Survivors and Disability Insurance—but not their Medicare benefits—should be subject to the offsetting tax, at least in part. They might well be included in full, since the proportion of benefits paid for by the recipients is currently relatively low, particularly among those with very small benefits. Alternatively, a standard fraction of these social security benefits might be excluded as a return of contributions previously made from taxed income.

(5) Transfer payments from relatives, friends, and private charities are as helpful in maintaining consumption as are government transfers. These gifts should not be discouraged, but neither should the government assist individuals with easy access to private sources of aid as generously as it assists others. If gifts from relatives were to be wholly excluded from the negative income tax base, adult children of very wealthy families might be eligible for negative income tax allowances. Also, inequities might arise if some individuals were more fortunate than others in the amounts of assistance they receive from private charities. We propose as a compromise that transfer income from individuals and private charities be excluded from the tax base up to an