

against "taxing" wealth is that *income* is the basic measure of ability to pay in the positive tax system. Reducing NIT benefits on the basis of wealth as well as income seems to impose a discriminatory capital levy on those with very low incomes. Moreover, the use of a comprehensive income tax base would prevent most "tax avoidance" on the part of recipients of NIT allowances.

On the other hand, it may be argued that the analogy between positive and negative income taxation is not appropriate. Isn't a government providing financial assistance to a family on a need basis entitled to ask the family to use at least part of its wealth in its own support? Some would argue that the family should be required to exhaust its capital before becoming eligible for NIT allowances. This is an unappealing view, and not only because it is inhumane. A 100 per cent capital levy is surely a disincentive to rainy-day saving, an invitation to improvidence for anyone who thinks it likely he will be needing government help.

In practice, the use of any except the harshest capital test would have little effect on the vast majority of poor persons. It has been estimated that only 39 per cent of all family units with incomes below \$3,000 have a net worth of more than \$5,000. The average net worth of all families in these income classes was \$7,609, of which owner-occupied homes accounted for \$3,204.¹

Nevertheless, it seems desirable to take some account of wealth, if only to avoid the charge that the program would subsidize wealthy persons who prefer to hold their capital in forms that yield little or no current income. Currently, an individual owning \$100,000 worth of IBM stock receives cash dividends of less than \$1,000 per year. While it is highly unlikely that such an individual would not have enough other income to disqualify him for NIT benefits, the mere possibility that the public might be obliged to such a capitalist could discredit the program.

One possibility is to deny eligibility to any individual or family unit with a net worth of more than, say, \$25,000. This solution has the merit of simplicity. However, a fixed limit would deny benefits to families with wealth just above the limit, while others just below it would be eligible. Such a "notch" would be inequitable and would create incentives to conceal or even give away wealth in order to preserve eligibility for negative income tax.

1. D. PROJECTOR & G. WEISS, SURVEY OF FINANCIAL CHARACTERISTICS OF CONSUMERS, table A-1, at 96, table A-8, at 110 (1966).