in the payment of transfers to individuals and families, so that the mere preparation and mailing of NIT allowance checks poses no great administrative difficulties. The problem is to devise a method of payment prompt enough to prevent distress among those eligible and in great need for assistance while avoiding the paternalistic rules now imposed by the nation's welfare programs. Among the methods we have considered, two meet the requirements: (1) automatic payments of full basic allowances to all families,[4] except those who waive payment in order to avoid withholding of the offsetting tax on other earnings; (2) payment of *net* benefits upon execution of a declaration of estimated income, patterned along the lines now used for quarterly payments of federal income tax by persons not subject to withholding.

A. *Automatic Payments of the Full Basic Allowance*

Under this system, the full basic allowance would be mailed out at the beginning of each period—week, or half-month—to all families. The checks would be received by families who may ultimately have incomes in excess of the break-even point, as well as those who will be eligible for net benefits. Likewise, all families would be subject to withholding at the rate of the offsetting tax on the first X dollars of their earnings, and would be required to pay the offsetting tax on other income by quarterly declaration. Final adjustment would be made by the tax return for the year filed the next April 15th.

This method may be illustrated for a family of two which, on the basis of the H-50 Schedule, has a basic allowance of $1,600, a break-even point of $3,200 and an offsetting tax rate of 50 per cent, and a tax-break-even point of $3,868. The basic allowance would be mailed to all families in 24 installments of $66.67. However, withholding tables would be adjusted so that 50 per cent of earnings up to $322.33 per month ($3,868 a year) would be withheld. Taxpayers not subject to withholding would be expected to pay the offsetting tax quarterly.

4. This is the procedure used for "demogrants" or family allowances in other countries. The essential characteristic of demogrants is that the payment is made to all families in the potential eligible group, regardless of income. In some cases, the allowances are subject to positive income tax, but this is not a necessary condition. Family allowances are used in many countries, including Canada, Belgium, France, West Germany, Italy, Luxemburg, Netherlands, Sweden and the United Kingdom. For data on the European countries, see JOINT ECONOMIC COMMITTEE, EUROPEAN ECONOMIC SYSTEMS, ECONOMIC POLICIES AND PRACTICES, PAPER No. 7, 89th Cong., 1st Sess. (1965). It should be noted that universal payment of basic allowances under an NIT program does not mean everyone is benefited by the program. Most people would pay an offsetting tax large enough to repay the allowance checks. Therefore the NIT program differs in essential respects from programs under which everyone benefits, no matter how wealthy. There is only an apparent procedural similarity.