

invite many families to underestimate their income in order to obtain current payments. Claims for benefit payments would have to be compared with income information already available from prior years, from prior declarations, and employers' withholding. The computer makes prompt cross-checking of this kind feasible. Nevertheless, some families will use the NIT facility as an easy source of credit. This is not wholly undesirable, because many poor people lack credit facilities. But it would be reasonable to charge an interest penalty for underpayment of taxes or over-claiming of benefits. There will also be cases of outright fraud and these will have to be handled as severely as is fraud in the positive income tax. However, it should be remembered that the amounts potentially involved in "negative" fraud are small fractions of the sums often at stake in "positive" fraud.

It is difficult to choose between the two methods of payment. Both are workable. The declaration method would limit payments to families who expect to be eligible for net benefits and would not require any changes in the present withholding system. The automatic payment method, on the other hand, would be less likely to be abused by persons who are willing to take the chance of defrauding the government. The declaration method imposes the burden of initiative on those who need payments; the automatic payment method places the burden on those who do not want them. It may be argued that the latter are more likely to have the needed financial literacy and paperwork sophistication.

V. Budgetary Cost of the Plans

We have made a tentative and preliminary attempt to estimate the cost of the plans to the federal government. These estimates should be regarded as merely indicative and very rough. The costs are defined as the net reduction in income tax revenues which would result from superimposing the plans on the 1965 income tax code; this sum is the equivalent of the total increase in family incomes after taxes and allowances resulting from the plan. Although the tax law and rates applicable in 1965 are the reference point, the cost estimates are based on the 1962 population and the 1962 distribution of families by size and income. The reason is that 1962 was the last year for which *Statistics of Income: Individual Income Tax Returns* was published when work on these estimates commenced.

We made four sets of cost estimates covering each of the two allowance schedules in turn at the rates of 50 per cent and $33\frac{1}{3}$ per cent.