Consumer Finances provides good coverage, Model B must give much more detailed estimates for the upper-income classes. Insofar as the tax cut does accrue to families with incomes below $5,000,

TABLE 10. *Incidence by Income Classes of a Proportionate Reduction of Income Tax Payments, 1954*

Family personal income ($ thousand)	Per cent distribution of income tax liability[a]
0 to 3	3.6
3 to 5	13.2
5 to 7.5	24.0
7.5 to 10	14.4
10 to 15	10.3
15 to 20	5.0
20 to 30	6.5
30 to 50	7.8
50 to 100	7.7
Over 100	7.5

[a] Goldsmith, *op cit.*, p. 15. The breakdown of the 34.5 per cent paid on incomes above $15,000 is in proportion to the tax liabilities of these classes in 1952, as given in the *Statistics of Income for 1952, Preliminary Report*, U. S. Treasury Department, Internal Revenue Service.

we can simply use the interest rates derived earlier. But a somewhat different approach is required for the upper-income groups. In the lower brackets, the diversity of interest rates is explained primarily by the presence or absence of debt and by the kind of debt owed. In the upper brackets, the form of the assets from which income is derived and the rates at which such income is taxed are the most important variables.

First, we determine what proportion of families in each class has debts in such amounts that borrowing rates would dominate choices between spending and saving, and then estimate the relevant borrowing rates. For the remaining families, which include a rapidly increasing share as we go up the income scale, we try to determine the kind of earning assets from which they derive their nonwage income and at what rates of return this income is received. Again, combining the distribution of incidence of the tax cut with the interest rates applicable to different income classes, we derive an average rate which measures the value of the money released by the postulated tax cut.