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THE NEGATIVE INCOME TAX  
EXPERIMENT IN NEW JERSEY:

General Discussion

by

David N. Kershaw

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This paper is taken primarily from remarks by Mr. Kershaw at the "Conference on Public Welfare Issues", held in New Brunswick, New Jersey, April 26, 1969.

THE NEGATIVE INCOME TAX  
EXPERIMENT IN NEW JERSEY:

General Discussion

My intention this afternoon is to do essentially four things:

1) Offer a general explanation of the negative income tax, what it is and how it works; 2) Discuss its probable impact on various segments of the poor and near-poor populations; 3) Discuss the negative income tax experiment as it is currently operating in New Jersey; and 4) Estimate some of the costs associated with various negative tax schemes and indicate some of my feelings about the prospects for reform.

As a preliminary note, it is probably worth reviewing some of the things that are wrong with the current public assistance system, since it is public reaction to the real and perceived evils of that system which has brought the negative income concept tax (and other income maintenance plans) actively to the public's attention.

First and foremost, the existing public assistance system has failed to meet the economic needs of the poor. Nationally, approximately 80 percent of poor families are not reached by public assistance programs; of those who are reached, 5 out of 6 are still below the poverty line after they have received assistance.

Secondly, some poor families could never be reached by definition, since a person must fall under one of the public assist-

ance "categories" before even contemplating application for assistance. The requirement that a person be disabled, aged, blind or a child in a household where no father lives is a reflection of our nation's historical priorities. There is now growing sentiment that eligibility for assistance should be based only on demonstrated need and that it be available to any needy person as a matter of right.

Third, the fact that social services are combined with income grants under the current system means that it is both complex and costly to administer as well as open to abuse. There is no question but that services must be provided to needy families, but experience shows that when one program combines personalized services with income grants, grants tend to become devices for controlling recipient behavior.

Fourth, the current system lacks a set of national standards. The vast differences in payments between states should be eliminated. Under the current system for example, a child on AFDC in New York receives approximately \$70 per month while a child in Mississippi receives about \$8.00. We must begin to view poverty as a national problem.

Fifth, the AFDC program itself, in states without an "unemployed or underemployed parent" provision, may force a father

to leave his family in order to support it. The forced breakup of the poor family for financial reasons, a family already under the terrible psychological strains imposed by poverty conditions, denies the children of such families the same opportunities for growth available to others.

Finally, the current system imposes a rather substantial disincentive to work on recipients by "taxing" them at a very high rate on earned income. This high tax rate often has the effect of forcing otherwise productive people out of the labor force by denying them significant enough financial returns for working. The effect of this disincentive, particularly over a relatively long period, is the often discussed "cycle of dependency". Whereas the goal of any income maintenance system should be the integration of recipients into society as a whole, the effect of the system has been the opposite.

The negative income tax concept is largely a reaction to these specific public assistance failings, as well as a feeling that we ought to be able to provide a simpler solution to our problems.

First introduced to the public on a wide scale in 1962 by Professor Milton Friedman of the University of Chicago, the negative income tax concept has rapidly gained the public's attention. According to Friedman, it would be an extension of

the Federal income tax system which would pay out cash -- that is, negative taxes -- to families at the low end of the income scale, thereby assuring a basic level of income to everyone, strengthening the private market and individual initiative by allowing people to make their own decisions on spending and saving, and cutting back on the large and growing government bureaucracy of social welfare programs. Such a program would make cash payments available to all needy families as a matter of right and would be based on some national standard of need.

Although many different negative tax "plans" have been advanced, all are essentially defined by two variables: the guarantee level and the special tax applied to the guarantee.

The guarantee is defined as the amount paid to a family if its other income is zero. Discussions of guarantee levels have generally used the Social Security Administration poverty lines (3300 dollars annually for a family of four) as a reference point.

The special tax is defined as the rate at which the guarantee is reduced as the family's other income rises.

Illustration I on the following page shows the relationship between these two variables. I have chosen 3000 dollar guarantee because the mathematics involved is simpler than the regular 3300 dollar amount. As you can see, when the family's earned income

Illustration I

Negative Tax Plan for Family of Four

(Guarantee = \$3,000  
"Tax" Rate = 50%)

<u>Family Earned Income</u>	<u>Negative Tax Payment</u>	<u>Total Family Income</u>
0	3,000	3,000
1,000	2,500	3,500
2,000	2,000	4,000
3,000	1,500	4,500
4,000	1,000	5,000
5,000	500	5,500
6,000	0	6,000

is zero, it receives the full 3000 dollar guarantee -- the tax has no effect. Now let us suppose that in the next year the family's earned income rises to 1000 dollars. Because the family is subject to a 50 percent special tax on its earnings, it retains half of what it earns; this is carried out by reducing the guarantee by one-half of the family's earnings, that is by 500 dollars. The family now receives 2500 dollars in transfers and 1000 dollars of its own income, or a total of 3500 dollars. The special tax works precisely like the positive tax -- in this example the family is effectively in a 50 percent marginal tax bracket. As you can see, the family's total income continues to rise as its earned income rises, despite the reduction in the guarantee. Just as in the positive tax system, a family is always better off the higher is its own earned income.

As the table also indicates, the family will continue to receive payments until its own income reaches 6000 dollars. At 6000 dollars of earned income, the family has reached its "break-even point" and moves from being a tax recipient to a tax-payer. As long as the family remains above the breakeven level, it receives no payments. If for any reason the family income were to drop below 6000 dollars, the family would begin to receive payments again.

The selection of a "best" guarantee level and tax rate are clearly critical problems. The guarantee level, since it will be the sole source of support for a family with no other means of earning income, must be substantial enough to support it entirely. The tax rate is critical because it determines both the extent to which a disincentive to work will be present and, therefore, how much the program would cost.

It is difficult to select a "best" tax rate because the disincentive and cost issues are in direct conflict. For example, the first column on Illustration II shows the effect of a 30 percent tax rate, assuming a 3000 dollar guarantee. While it is presumed that this low rate would provide a high incentive to work -- the family would keep 70 cents of each dollar earned -- it would continue to pay families up to over 9,500 dollars of income. This would bring a large number of middle income people into the program, give an increased percentage of the total expenditure to the non-poor, and raise the cost of such a program drastically. On the other hand, a tax rate of 70 percent, while keeping the cost within bounds, would severely limit the incentive to work.

Faced with this problem, and in the absence of empirical evidence, most negative tax proponents have settled on a tax rate of 50 percent as a sensible middle position.



Illustration II

Negative Tax Plans at Different Special Tax Rates

(Guarantee = \$3,000)

<u>Family Earned Income</u>	30% Tax Rate		50% Tax Rate		70% Tax Rate	
	<u>Grant</u>	<u>Total Income</u>	<u>Grant</u>	<u>Total Income</u>	<u>Grant</u>	<u>Total Income</u>
0	3,000	3,000	3,000	3,000	3,000	3,000
500	2,850	3,350	2,750	3,250	2,650	3,150
1,000	2,700	3,700	2,500	3,500	2,300	3,300
1,500	2,550	4,050	2,250	3,750	1,950	3,450
2,000	2,400	4,400	2,000	4,000	1,600	3,600
2,500	2,250	4,750	1,750	4,250	1,250	3,750
3,000	2,100	5,100	1,500	4,500	900	3,900
3,500	1,950	5,450	1,250	4,750	550	4,050
4,000	1,800	5,800	1,000	5,000	200	4,200
4,500	1,650	6,150	750	5,250	0	4,500
5,000	1,500	6,500	500	5,500		
5,500	1,350	6,850	250	5,750		
6,000	1,200	7,200	0	6,000		
6,500	1,050	7,550				
7,000	900	7,900				
7,500	750	8,250				
8,000	600	8,600				
8,500	450	8,950				
9,000	300	9,300				
9,500	150	9,650				
10,000	0	10,000				

There are a great number of variations one could introduce to change plans from this basic one, such as varying tax rates; an earnings "disregard" on some proportion of income while taxing the rest; different guarantee levels and/or tax rates for individuals and families in different circumstances; some proportion of the guarantee in cash and the rest in kind (or in negotiable transfers like food stamps), and so forth. Nevertheless, any plan must contain the basic elements I have just discussed to be correctly labeled a negative income tax.

The remaining critical point to discuss is the relationship between the negative and positive tax systems. If a negative income tax system is to work properly, it should introduce a degree of symmetry into the entire tax structure. If this system is going to move families into the society as a whole, it must necessarily allow a family to travel the road from being a negative tax recipient to a positive taxpayer, smoothly and without interruption.

Consider the same negative tax plan we have been discussing: a 3000 dollar guarantee and a 50 percent tax rate. Illustration III shows how the positive tax system works now. The diagonal line on the graph signifies those points at which the amount a family earns exactly equals the amount it takes home; that is, there is no tax paid. Our tax system now places a family of four whose

income is below 3000 (I am using this number to represent the approximate exemptions and deductions for a family of four) on this "45 degree line". The family will remain on that line-- neither receiving nor paying taxes--until its income exceeds 3000 dollars, at which time it will begin to pay. The darker line demonstrates that reduced income above 3000 dollars.

Now, to introduce a negative income tax--that is, to make the system symmetrical--one would want to extend that darker line back below the 45 degree line, providing families who have incomes below 3000 dollars with payments. As Illustration IV shows, in order for the positive and negative tax systems to mesh correctly, the negative tax line would have to intersect the positive one at 3000 dollars. This means that the guarantee level would have to be reduced to 1500 dollars if the tax rate is to remain at 50 percent or, the guarantee level could be left at 3000 dollars by increasing the special tax rate to 100 percent--the two dotted lines show these two possibilities. In the first case the guarantee is too low to support non-working families; in the second case the disincentive effects would be drastic.

If, however, we decide to add a negative tax program but retain the one we have discussed above, with a 3000 dollar guarantee

Illustration III

Current Positive Tax System

(Family of Four)

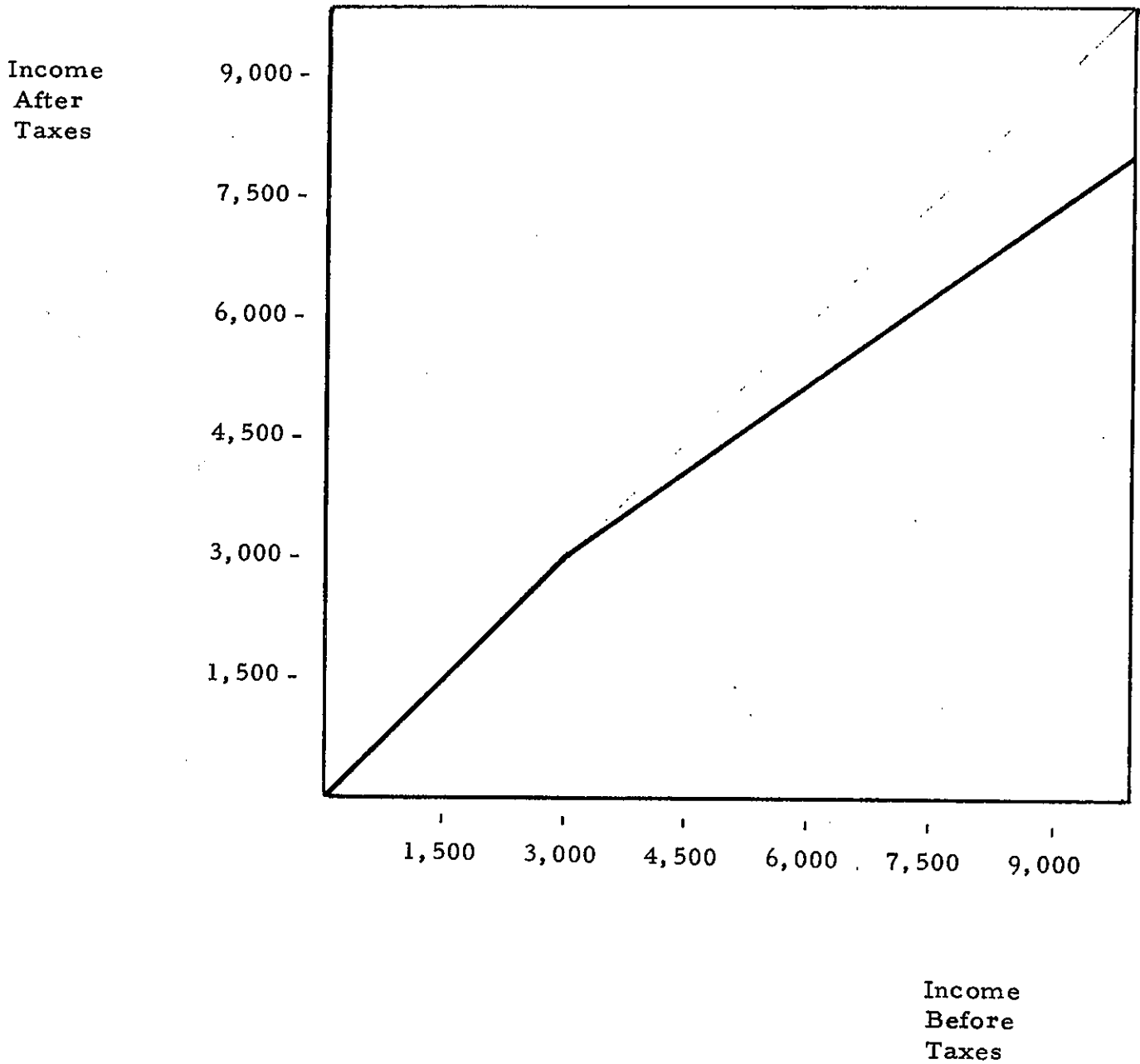
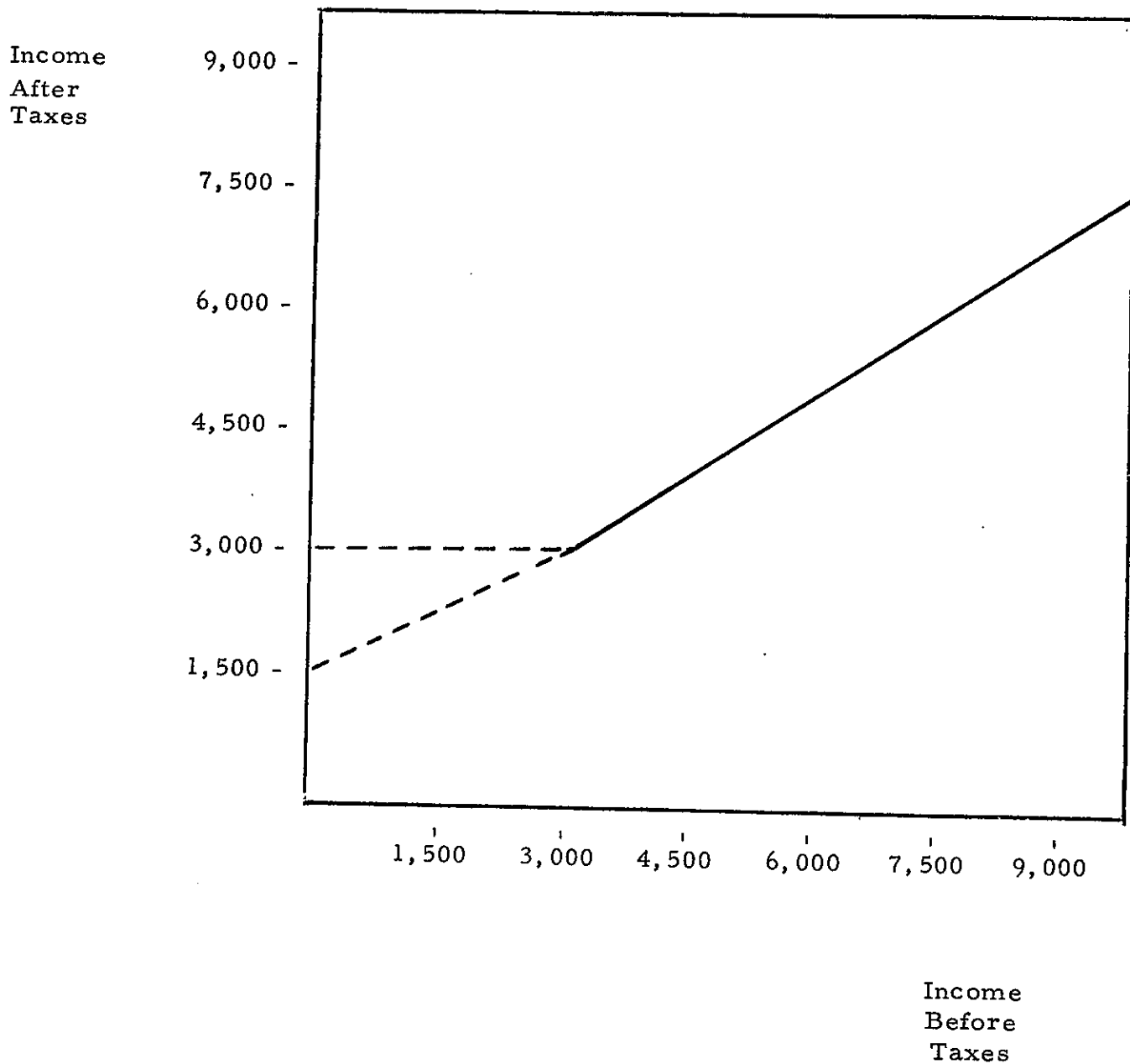


Illustration IV

Adding the Negative Income Tax

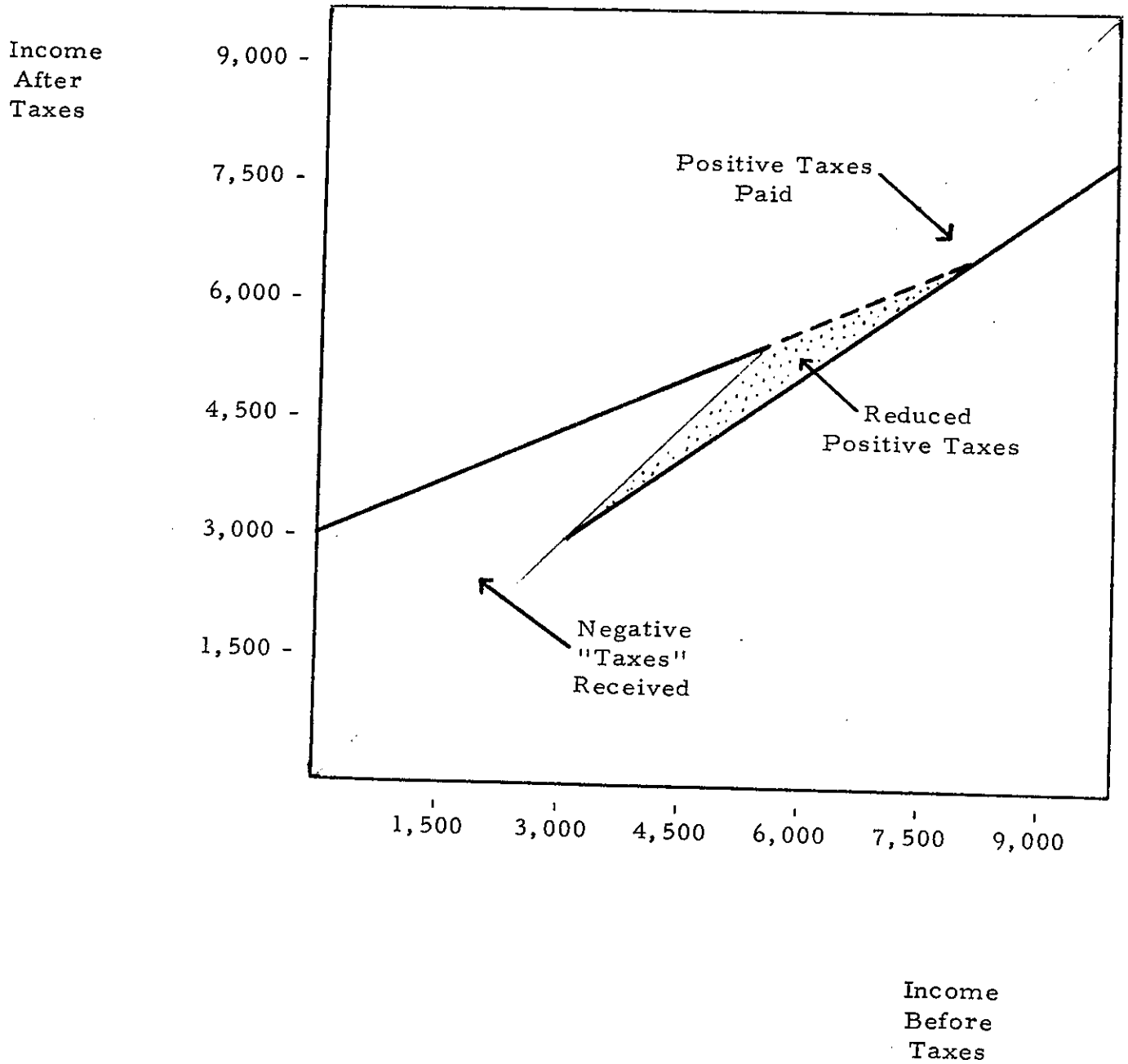


and a special tax of 50 percent, the problem described in Illustration V would occur. In this Illustration, an individual earning \$5999 would pay no taxes under the negative tax system; if his income rose by two dollars to \$6001, however, he would be forced to pay a positive tax on all of his income over \$3000 under the positive tax system.

I use this illustration to make the point that the two systems would have to be accommodated to one another to form a coherent whole. The "notch" -- or place where the positive and negative tax systems do not match properly -- can be erased by providing a special supplementary payment to people in that area -- effectively reducing their positive taxes. This would have the effect of extending the negative tax line -- as the dotted line shows -- to a little higher point. The result of this would be a "breakeven point" which was still at 6000 dollars and another "tax breakeven point" a little higher -- at about 7000 dollars according to our illustration.

Illustration V

Combining the Negative and Positive Income Tax Systems



Having outlined what the negative income is, I think that it is important to say a word about what it is not. Active disenchantment with the current welfare system has led many to expect more than they should from a negative income tax program. It must be kept carefully in mind that it is only a system of income maintenance. It does not automatically provide job training or jobs; it does not provide education or adult education; it does not provide counseling or other family services currently administered by welfare agencies. It will not necessarily create an incentive to spur earners to greater heights of economic effort. Rather, its intention is simply to place a floor under incomes; it provides a firm barrier between families and poverty, regardless of their actions. It should have, if administered properly, largely a neutral impact on the family. As such it should minimize the disincentive normally associated with cash transfers, and depend upon other programs -- such as job training, adult education, counseling -- for the positive trust toward self-sufficiency. Therefore, while it is important to separate services from grants, it is equally important to continue to provide -- and to improve -- such services to work with any new income maintenance system.



From the foregoing discussion, it is pretty clear what the impact of a negative income tax would be on some groups in the poverty population. For those either unable or unwilling to work, the negative tax would provide support payments bringing them up to the prescribed guarantee level. This group would include the aged, the disabled, in addition to others such as unemployed and underemployed teenagers.

For families with an earner, the impact is considerably more complex. Quite obviously it would enable a family with an unemployed earner to weather the difficult periods between jobs. In this sense it would operate like unemployment insurance, although it would not be tied to previous work experience. The negative tax payment would be less than the individual would earn if employed, but it would support the family until the next job were secured.

For families with an underemployed or fully employed earner, and this includes both male and female-headed families, the impact of the payments -- and the consequent family reaction -- is much more difficult to judge. The cost of a national program rests heavily on the reactions of families who are in a position to choose between work and leisure. The effect of a negative tax on these people may be to increase their productivity through more expenditures on health care, better diets, training and so forth. This would clearly

raise earnings and decrease the cost of a national program. On the other hand, individuals may decide to reduce work effort and take more leisure, thereby raising the cost of such a program. Finally, they may continue as they are.

It was the difficulty in reaching a conclusion as to how such families would react that led the Office of Economic Opportunity to fund an experiment in New Jersey.

In the New Jersey experiment, MATHEMATICA and the Institute for Research on Poverty at the University of Wisconsin, are selecting approximately 1200 low income families from four metropolitan areas in the state. These families have a number of characteristics in common in addition to the obvious characteristic that they are urban: each has a non-aged male head, an employable (although not necessarily employed) member, and a total family income below 150 percent of the poverty line (or about 5000 dollars for a family of four). While this male-headed group is the single most important one from the standpoint of work reaction and therefore cost, serious thought is now also being given to conducting a similar experiment with female-headed families.

Following a process of random selection, families are assigned to one of eight negative income tax plans in addition to a control group which does not receive payments. As Illustration VI shows,

each of these plans is defined by a guarantee level and a tax rate. It is our judgement that this range of plans encompasses the area of greatest policy interest. The guarantee level varies from one-half of the poverty line (1650 dollars for a family of four) to one and one-fourth times the poverty line (or 4125 dollars for such a family). Similarly, tax rates vary from 30 percent to 70 percent.

Each of these families receives a regular cash payment for 3 years, the amount being based on the size of the family, the plan to which the family is assigned, and the current income of the family. In addition to these payments, each family will be interviewed quarterly for the three year period.

The primary purpose of the quarterly interviews is to gather data on the work behavior of the earners in the sample. Changes, if any, which occur in such behavior will be related to the payment levels for purposes of analysis.

In addition to this basic labor supply data, the quarterly questionnaires will gather information on a wide range of topics, for example:

1. Attitudes toward work and job satisfaction. Can reductions in labor supply be attributed to low attachment to work or to the kind of job the person holds? What is the affect of the transfers on the extent to which recipients value work in general?

Illustration VI

Negative Income Tax Plans in the New Jersey Experiment

("X" marks plans in use)

Guarantee Levels	Tax Rates		
	30%	50%	70%
.50 Poverty Line (\$1,650)*	X	X	
.75 Poverty Line (\$2,475)	X	X	X
1.00 Poverty Line (\$3,300)		X	X
1.25 Poverty Line (\$4,125)		X	

\*Numbers in parentheses are guarantee levels for a family of four.

2. Consumption and expenditure patterns. What sorts of goods will families purchase with added income? Do the kinds of things they buy change over time if they have added income? Do these payments affect savings or credit buying decisions?
3. The family. What difference will payments make on family attitudes toward education for the children? Toward family participation in various activities? Will support payments which are not seriously affected if a parent remains in the home or leaves have a noticeable impact on the stability of the family?
4. Political integration. What methods of political action are selected by recipients and how do these change over time? Is there any significant change in the respondent with respect to his identification with the political system, and his willingness to utilize sanctioned avenues for interest articulation?
5. General mobility. What sort of occupational aspirations do respondents have? Are they upwardly mobile? Are they geographically mobile?
6. Dependence on government. To what extent do respondents take advantage of various government operated services available to

them? To what extent do they depend on them? Are income maintenance activities of the government separated from other governmental activities?

7. Social integration and anomie. Would income transfers enhance people's ties with society by showing them that society is responsive to their needs? To what extent does alienation exist among the poor and what impact do transfer payments have on these attitudes?

Families will be asked to respond to questions addressed to these issues. In addition, families will continue to be paid and interviewed regardless of where they move within the United States. This step is an attempt to test empirically the proposition that current public assistance payments have an impact on family mobility.

Families who break up will continue to receive payments, divided between the new units. Both parts of the family will continue to be paid and interviewed over the full three year period.

In order to administer the experiment, MATHEMATICA has staffed a small office in Princeton to direct the field activities. This central office includes the project director and a full-time member of the research staff in addition to a small support staff including research

assistants, programmers, coders, and clerical personnel. Part-time staff members will supplement the full-time staff in Princeton during the course of the three years.

As the study has begun to operate in each of the experimental cities, field offices have been established to serve as a base of operations for interviewers, provide assistance to families in the sample, and answer questions by the general public. Each office will be staffed by an office manager and an assistant; their primary duties will be to expedite the filing of Family Income Reports, train and supervise interviewers, and validate income information.

Every effort has been made to disassociate the data gathering and family selection mechanism from the payment-disbursement mechanism. To this end, the field activities have been separated into two relatively distinct parts: Interviewing and administration of payments.

Interviewing is being done by MATHEMATICA under the name "Urban Opinion Surveys" (now constituted as a division of the parent company). Urban Opinion Surveys is responsible for the initial screening interviews and for administering the quarterly interviews throughout the study.

An extensive set of these screening interviews is required to locate eligible families. In Paterson and Passaic, for example, MATHEMATICA conducted interviews in 21 census tracts within the central sections of the cities. Every second household was interviewed throughout this area. The resulting 8,000 interviews yielded 1,000 families who were initially designated as eligible. These families were then interviewed a second time, using the more extensive "pre-enrollment" questionnaire. The pre-enrollment questionnaire is designed as a check on the information gathered on the screening interview as well as a source for base-line data on each family. From the information contained in the screening and pre-enrollment interviews together, families were determined to be eligible for inclusion in the sample and were assigned to one of the eight experimental plans or to the control group. Those families assigned to the control group were set aside to be interviewed by Urban Opinion Surveys each quarter for the duration of the three years. Payment levels were then determined for the experimental families and the first checks were written in preparation for enrollment in the program.



By the time the screening activities are completed, approximately 30,000 initial interviews will have been administered.

The Council for Grants to Families, a separate corporate entity established jointly by MATHEMATICA and the University of Wisconsin, is responsible for disbursing the payments and generally overseeing the operation of the study in the field. After a family is selected and assigned to an experimental plan, the family's first check is written and an enroller, working as a representative of the Council, visits the family. The enroller explains the program to the family as briefly as possible, being careful to outline the family's obligation to report income and family size periodically.

Experience to date has revealed few problems with this phase. Most families understand at least the outlines of the study and are anxious to cooperate.

Families who agree to participate will continue to receive payments every two weeks for the remainder of the three-year study. They are, of course, free to do what they wish with the payments and are obligated only to provide the Council with income and family composition information every four weeks. The payments

for each family are determined each four-week period using a 360-40 IBM computer at the State of New Jersey Department of the Treasury.

In addition, families will receive a payment of \$5.00 for taking the time to answer each quarterly interview, and members of the control group will receive an extra bonus at the end of each year for their cooperation. It is anticipated that the control group bonuses will increase each year in order to encourage families to report changes in address. Some attrition is expected among control group families and experimental families on less generous plans.

A request to the Internal Revenue Service was made to determine the status of the payments with respect to the positive income tax. The IRS subsequently ruled that the benefit payments (not the bonus or payment for the interviews) do not constitute income under the individual income tax laws and are therefore not taxable. This ruling has enabled us to retain maximum control over the marginal tax rate of each family.

The experiment has been in operation for nine months in Trenton, where families have been interviewed three times. Payments have been made to families in Paterson and Passaic for three months and it is anticipated that a group of families in Jersey City will be added to the sample within the next month.

Unfortunately, it is not now possible to say anything concrete about the impact of the various plans on the families,<sup>1</sup> since the experiment is still in its early stages. On a subjective level however, several things of interest can be said.

First, there has been no notable "impact effect". It was thought by many that the introduction of the payments to the families would create an initial impact of serious proportions, perhaps lasting for a significant period of time. Such an impact would presumably take the form of wholesale quitting of jobs to take advantage of the windfall gain. This has not happened. On the contrary, most families have reacted very normally, notwithstanding their obvious shock at our arrival out of the blue with their first check in hand.

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A set of brief profiles on typical families is included in the Appendix.

Secondly, doubts held by many regarding the inability of poor families to handle the paperwork required in a self-administered program have been largely allayed. While there is clearly a period of learning required, most of the families have been quite able to submit their income reports to us in reasonably good shape. While other groups in the poverty population, such as the aged and disabled, may well have more difficulty, we are gaining in confidence on this point.

Third, after an initial period of uncertainty regarding our aims, the families are beginning to view our payments as something to which they are entitled as a matter of right. It is critical, we feel, that they do so in order for us to obtain good information. Tangible evidence of this attitude on the part of the families came the first time our checks were late -- a number of families wasted no time informing us of our obligations to mail payments promptly.

Finally, we are quite confident about the possibility of administering a system similar to ours on a national level. Even with the complicating factors of interview administration and monthly payment calculation, we have been able to carry on with quite a small staff.

We hope to be able to say something preliminary regarding the work behavior aspects of the experiment at sometime in the reasonably

near future.

Before concluding, I thought you might find it interesting if I made some cost estimates of various negative tax plans. Exact numbers here will have to await the results of our experiment, of course. The following costs are all in addition to current expenditures for welfare.

-- A poverty level guarantee (that is, 3300 for a family of four) with no tax rate: 150 billion dollars;

-- A poverty level guarantee with a 30 percent tax rate: 50 billion dollars;

-- A poverty level guarantee with a 50 percent tax rate: 20 to 25 billion dollars;

-- A one-half of poverty guarantee with a 50 percent tax rate: 5 to 8 billion dollars;

For the sake of comparison, a family allowance system which provided \$50 per month per child would cost \$42 billion of which \$7 billion would be recouped through the positive tax system and a total of \$6 billion would go to the poor.

Now, what are the chances of all of this coming to pass within the foreseeable future? It is clearly going to be very expensive to provide a new income maintenance system which thoroughly addresses

itself to the problems of the current one. Given the existing public mood on domestic expenditures, I would be hesitant to place a high probability on that. However, there are some causes for optimism.

Primarily, the welfare system in the progressive states has moved a good distance toward the key aspects of the negative income tax. All of the following are now being tried in some states: higher support levels; an "unemployed and underemployed parent" rule to permit a man to remain in the home without forfeiting benefits to his children; a presumption of eligibility when a family applies for welfare; a simple income declaration by families instead of an elaborate, and many times demeaning, investigation; an earnings disregard permitting a family to keep some earned income each month; and a tax rate of  $66 \frac{2}{3}$  applied to the remainder. Finally, H. E. W. is contemplating the possibility of substituting a negative income tax for families with children for the current AFDC program.

If major modifications are made in the current system, we may clearly get a negative income tax system by evolution. Indeed, the negative income tax concept and public assistance reform approach one another.

We hope that the experiment in New Jersey, and others like it, will supply the kind of data needed to bring about significant changes.

Appendix

FAMILY PROFILES

The names of the families participating in the experiment and the information collected during the course of the three-year period will be kept strictly confidential. However, it is possible to indicate the general outlines of the program by providing a brief profile of four families currently participating in the Trenton phase of the study.

Family 1

A Negro family of five people, the husband is 35 years of age and his wife is 26. Their three children range in age from three months to eight years. The husband, a high school graduate who moved to Trenton in 1955, is employed as a machine operator at \$96 per week. The family lives in a four-room apartment which rents for \$86 per month.

At \$96 per week, family 1 receives \$10.75 additional income in negative tax payments for a total weekly income of \$106.75. Should the husband's income fall to \$50 per week, his payments would increase to \$43 per week for a total of \$93 per week. If for some reason his income were to fall to zero, he would receive \$78 per week in payments. Like every family enrolled in the experiment, family 1 is always better off if the husband is working; although the payments are reduced as the family's

own income rises, the total income the family receives is always greatest when the family's own income is greatest.

### Family 2

A white family of six people, the husband is 41 and his wife is 37 years of age. Their four children range in age from 7 to 16. The husband, who completed the ninth grade, has lived in Trenton all his life. He is employed as a cook at \$100 per week. The family owns its home and is paying \$86 per month on the mortgage and taxes of \$400 per year.

Family 2 is enrolled in an experimental plan which adds \$28.50 per week to its income when it earns \$100 per week. Should its income fall to zero, the family would receive \$58.50 weekly.

### Family 3

A white family of 12 people, the husband is 42 and the wife is 43. Their ten children range in age from 5 to 20 years old. The husband, a recent arrival in Trenton, is employed as a gardener at \$85 per week. They pay \$100 per month for their five-room apartment.

Family 3 receives a weekly payment of \$7.75 when its income is \$85 per week. If the family income rises to \$95 per week, the family will then stop receiving payments, although they would, of course, receive payments again if their income fell.



Family 4

A Negro family of four people, the husband and wife are both 25 years of age. The husband works for an automotive manufacturing company and earns \$110 per week. A lifetime resident of Trenton, he has a tenth grade education.

Family 4 is guaranteed \$31.75 per week if the family income is zero and, at his present income, the husband receives no payments. Should his income fall to \$65 per week or below, however, he would begin to receive payments. For him the negative tax acts as an insurance plan which places a "floor" under his income.