



United States
of America

(NOT PRINTED AT GOVERNMENT EXPENSE) 11

Congressional Record

PROCEEDINGS AND DEBATES OF THE 90th CONGRESS, SECOND SESSION

Vol. 114

WASHINGTON, THURSDAY, MAY 16, 1968

No. 84

House of Representatives

THE INCOME MAINTENANCE ACT, H.R. 17331

Mr. RYAN. Mr. Speaker, today I have introduced the Income Maintenance Act (H.R. 17331) which would provide a comprehensive national income maintenance system for all Americans.

Present welfare laws seldom provide sufficient income for needy families to live at a minimum standard of decency. In order to receive minimum welfare benefits, citizens are often subjected to the indignity of intrusions into their private lives, which burden welfare social workers with police functions and tend to destroy the relationship of trust which is necessary if social workers are to provide services which are genuinely needed by deprived families.

Welfare standards vary widely from State to State. The few States with relatively progressive welfare standards find themselves bearing the burden of migration from States which fail to provide for their own indigent families. Yet the most needy are often barred from receiving assistance because of impediments, such as residency requirements, based on considerations other than need.

Moreover, because welfare benefits are usually reduced by \$1 for every dollar of outside earnings, there is little financial incentive for the person on welfare to work; and welfare tends to become a way of life.

Last December Congress burdened this already oppressive system with new restrictions in the Social Security Act Amendments of 1967.

Deficiencies in our system of public assistance have been documented by the report to the Secretary of Health, Education, and Welfare by the Advisory Council on Public Welfare issued on June 29, 1966, which called for national standards of public assistance based solely on the criterion of need.

More recently, the report of the National Advisory Commission on Civil Disorders came to a similar conclusion about the failure of the welfare system and the indignities which it imposes. In the short run the National Advisory Commission on Civil Disorders recommended that benefits be raised and made uniform, that

residency requirements be eliminated, and that the compulsory work training and the AFDC freeze enacted last December be repealed.

As a long-range goal the National Advisory Commission on Civil Disorders recommended a national system of income supplementation based strictly on need with two broad and basic purposes:

To provide, for those who can work or who do work, any necessary supplements in such a way as to develop incentives for fuller employment; and

To provide, for those who cannot work and for mothers who decide to remain with their children, a minimum standard of decent living, for aid in saving children from the prison of poverty that has held their parents.

Recently the concept of income maintenance, referred to in some instances as a guaranteed annual wage or a negative income tax, has been proposed by economists as diverse as Milton Friedman, Robert Lekachman, Robert Theobald, and James Tobin. It has been endorsed by several nationally known business executives, by major trade unions, and at least one presidential candidate, and also by liberals and conservatives in both parties.

A panel of 12 national business leaders recently recommended to Governor Rockefeller, of New York, an income maintenance program.

This week in a conference with a number of Members of Congress the Reverend Ralph Abernathy endorsed the idea.

Clearly, with this kind of diverse and wide support, income maintenance is an idea whose time has come.

Let me briefly cite some of the advantages which it offers compared with our present system of welfare.

First. It would close the poverty gap in the most direct and efficient way—by providing more money.

Second. By establishing a single national criterion of assistance—need—it would end the indignities and violations of personal liberty which characterize the existing welfare system.

Third. It would end the confusion of diverse and inconsistent State public assistance standards.

Fourth. It would end irrelevant residence requirements for assistance.

Fifth. By providing a minimum standard as a matter of right, payable upon simple application, it would remove the social stigma now attached to public assistance.

Sixth. By establishing national standards, it would slow down the migration of the poor to the overburdened cities.

Seventh. By reducing the monthly benefit by 50 cents for every dollar earned, it would provide an incentive to work which is now absent from present welfare systems.

Eighth. It would force the most menial jobs to pay decent wages.

Ninth. It would limit the need for emergency food programs by giving everyone at least a subsistence standard for living.

Tenth. It would free social workers to provide needed and wanted services, and save money by eliminating the welfare bureaucracy's "police" functions.

Eleventh. It would save the States and cities money by freeing badly needed revenues.

Twelfth. It would stabilize the economy by establishing a minimum floor level of purchasing power for the poor.

I have listed a long and formidable list of advantages for this program. Now let us look at the specific legislation which I have introduced.

Any income maintenance system should serve three separate and somewhat inconsistent requirements.

First, it must provide a minimum benefit for the family with no outside earnings.

Second, it must minimize leakage through benefits to families who are not really in need.

Third, it must not tax outside earnings at 100 percent, or it will create the same disincentives to work that the present welfare system includes.

Therefore, my bill proposes a relatively modest standard which I would expect would gradually be increased as the system is perfected, hopefully to close the poverty gap entirely within 5 years.

The plan would work as follows: Persons with low incomes could apply for income maintenance benefits by submit-

ting monthly income statements at intervals which would be determined. They would simply receive from the Bureau of Income Maintenance in the Treasury Department monthly income maintenance checks similar to social security checks based on a formula.

Under the formula, at zero outside income, a family would receive an income maintenance payment equal on a yearly basis to two-thirds of the dollar amount of its personal income tax exemptions plus the minimum standard deduction. Translated into monthly benefits, this equals \$50 a month for the head of a family plus \$39 for each dependent, as provided for in H.R. 17331. The benefit would be reduced by 50 percent of outside income. In other words, the income maintenance benefit would be reduced by 50 cents for every dollar earned.

For example, a family of four with no outside income would receive \$50 per month for the head of the family plus \$39 per month for each of three dependents or \$2,004 a year. That benefit would decline as income increased. I include at this point in the Record a table which shows that progression for a family of four.

Outside income	Benefit	Total income
0	\$2,000	\$2,000
\$1,000	1,500	2,500
2,000	1,000	3,000
3,000	500	3,500
4,000	0	4,000

¹ Positive tax.

Under this formula there is an incentive to earn; benefits are not reduced at a rate that discourages beneficiaries from working.

Benefits are included in gross income for the purpose of positive taxation, so that, as total income goes beyond the \$3,000 level for a family of four, income maintenance benefits would be reduced at a rate slightly greater than 50 percent of earnings.

An amount of \$2,000 a year for a family of four is below the poverty line, but it is above the subsistence level and above the present average AFDC payments pertaining in 38 States—States which have the greatest concentration of poverty. In the case of States which now have more generous standards of public assistance, benefits over and above the minimum Federal income maintenance benefit would be paid by State or local governments. I would expect that, as the Federal standard is gradually increased to meet the poverty line, the already reduced burden on the States would be completely eliminated. The maximum income maintenance benefit, regardless of the size of a family would be \$284 a month or \$3,408 a year. The maximum break-even point for the largest family at which all income maintenance benefits would cease and at which payment of positive income taxes would begin, therefore, would be \$6,816 a year. I believe these are realistic limits.

I should also note that my bill provides for an enforcement system based not on a detailed investigation of every applicant as under the present welfare practice, but, rather, on a sampling or spot-checking basis similar to that of the Internal Revenue Service's enforcement

system with regard to income tax returns. It is demeaning to build into a new social program the assumption that most recipients are likely to cheat. If all applications are examined routinely for errors and inconsistencies but full-scale investigations are limited to 1 in 10 or 1 in 20—compared to 1 in 35 under the Internal Revenue Service—then the system will operate with less intrusion and greater personal dignity.

It has been estimated that my bill would cost about \$4 billion a year over and above present welfare costs. Those States which now have the most liberal welfare services would be saved hundreds of millions of dollars. Although the level of subsidy would not totally close the so-called poverty gap, it would be of major benefit to the majority of the estimated 22 million Americans who now live in poverty but who receive no public assistance whatsoever.

It would improve the income of approximately 60 percent of the approximately 8 million Americans who now are receiving some form of public assistance. It would certainly stimulate earnings from work.

Most importantly, I should point out the fact that this is not designed as a Utopian proposal, but one which is sound and reasonable and one which can and should be enacted into law this year.

This represents the first step toward replacing the present ineffective and burdensome welfare system with a comprehensive and uniform income maintenance program which would eliminate abject poverty in America at a cost which America can afford and should willingly assume.

I should also point out that this proposal is not intended to be, nor can it ever be, a substitute for full employment. If one responsibility is to provide decent incomes for those who cannot work or who cannot find work at a living wage, another responsibility is to assure that more and better jobs are available to all who are able to work.

This is a complicated bill, and I include with my remarks a section by section summary of its provisions. I hope other Members of the House will join in cosponsoring this bill and in the debate which it will arouse.

We must reorient our thinking toward the entire welfare system. And this legislative proposal should help stimulate that reorientation.

A section by section analysis of H.R. 17331 follows:

SECTION-BY-SECTION ANALYSIS OF H.R. 17331, THE RYAN INCOME MAINTENANCE ACT

Section 1: Short title: "The Income Maintenance Act."

Section 2: Amendments to Subtitle A of the Internal Revenue Code of 1964 as follows:

SUBCHAPTER A

Section 1601—Definition

An individual eligible to receive income maintenance assistance must be at least 18 years of age or married, a resident of the U.S. and not the spouse of an ineligible individual nor the eligible dependent of any other individual.

Section 1602—Income maintenance benefits

Eligible individuals making application are entitled to income maintenance benefits.

Section 1603—Maximum benefit

The maximum benefit shall be \$50 per month, plus \$39 for each eligible dependent,

in no case to exceed \$284 per month. For rural residents, this shall be reduced by 10 percent, unless the applicant certifies that he did not consume home-grown produce equal to that amount.

Section 1604—Reductions on account of income

The maximum benefit for a month shall be reduced by 50% of the income received by an individual and his eligible dependents during such month.

If an individual is receiving public assistance payments, his income maintenance benefits shall not be reduced until outside income is sufficient to reduce his public assistance payments to zero. At this point, his income maintenance benefits are reduced by two-thirds of such outside income until his position is identical to that of a non-public assistance recipient, at which point income maintenance benefits are reduced by 50%.

Income, for the purposes of this act, includes gross income plus death benefits, interest on Government obligations, workman's compensation and certain disability compensation, income from wage continuation plans, combat pay, Armed Forces mustering out pay, dividends, scholarships and grants, gifts, unemployment benefits, Social Security and retirement benefits.

Section 1605—Imposition of tax on excess annual income

In the case of persons who have received income maintenance benefits for some months of the year due to seasonally fluctuating income, if their annual income exceeds 150% of the sum of the minimum standard deduction and personal exemptions, income maintenance benefits are taxed at a 50% rate until they are repaid.

Section 1606—Ineligibility of individuals receiving public assistance on account of blindness or disability

Individuals eligible for public assistance due to blindness or disability may opt for income maintenance benefits or public assistance, but not both.

SUBCHAPTER B

Section 1611—Regulations

The Secretary may prescribe necessary regulations.

Section 1612—Application for benefits

An individual may apply for benefits by stating his income for a given month. The application may be submitted for a period covering more than one month, but specifying income on a monthly basis, to be determined by regulation. Two or more individuals may apply jointly.

Section 1613—Payment of benefits

The Secretary shall pay benefits not later than 180 days after the close of a month for which application for benefits is made.

Section 1614—Procedure and enforcement

Right to a hearing.

Judicial review.

Overpayments may not be collected except by withholding future payments.

Except for routine examination of applications, detailed investigations shall be conducted on a "spot check" basis on not more than—percent of applicants in any one year. Income maintenance benefits are considered as taxable income.

This Act shall become effective as of June 30, 1969.

Section 3: Changes in amounts of income to be disregarded under public assistance needs tests.

All Federally aided public assistance programs shall disregard the first thirty dollars a month of earned income and one third of the remaining income in making deductions in public assistance payments. Effective after June 30, 1969.

Section 4: Establishment of a Bureau of Income Maintenance in the Department of the Treasury.