The New Jersey/Pennsylvania Graduated Work Incentive Experiment Tax Rebate System

by

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I. Background

In order for the Graduated Work Incentive Experiment to obtain an effective measure of labor supply, there must be no sharp discontinuities of incentives or tax rates over the income range of interest. If no adjustment were made between the negative tax rates and those of the current positive tax system, families at the break-even point would shift from receiving progressively smaller positive payments to suddenly having to pay out significant amounts to the Internal Revenue Service. Since the structure of the Federal Personal Income Tax is fixed, it is necessary to adjust the structure of the negative income tax around the break-even point, so that the experimental objectives with regard to measurement of work disincentives are achieved. This has been done by a system of income tax rebates.

Figure I illustrates the current positive tax system. DY is disposable income after taxes. Y is total income of the family before exemptions and deductions. The line OBC on the graph indicates gross income before taxes, and the line OBD represents net income after taxes. Using a family of our as an example, gross income equals net income up to about \$3600 (point B), i.e., no taxes are paid. After \$3600, OBD takes on successively lower slopes as income increases and progressively higher tax rates apply. Total tax is the vertical distance between OBD and OBC.

The negative tax system is illustrated in Figure II for a family of four with a \$3848 guarantee and a 50 percent tax rate. Point E represents the guarantee level, i.e., \$3848 for a family with no income. Point F is the break-even point where negative tax payments are no longer received. The total negative tax payments for varying amounts of income is the vertical distance between OF and EF.

If the negative tax system were superimposed upon the positive tax system without modification, as illustrated in Figure III, significant measurement problems would occur. First, there would be the 'notch' effect mentioned above. By earning an additional dollar of income, families at the break-even point (F) move from receiving small negative tax payments to making sizable personal income tax payments, suffering a sudden loss in total disposable income. Or, if both the positive and negative income taxes were allowed to work together, total income would be subject to widely varying tax rates, producing disposable income following the line EGAD with no effective break-even point where no payments are received and no payments made.

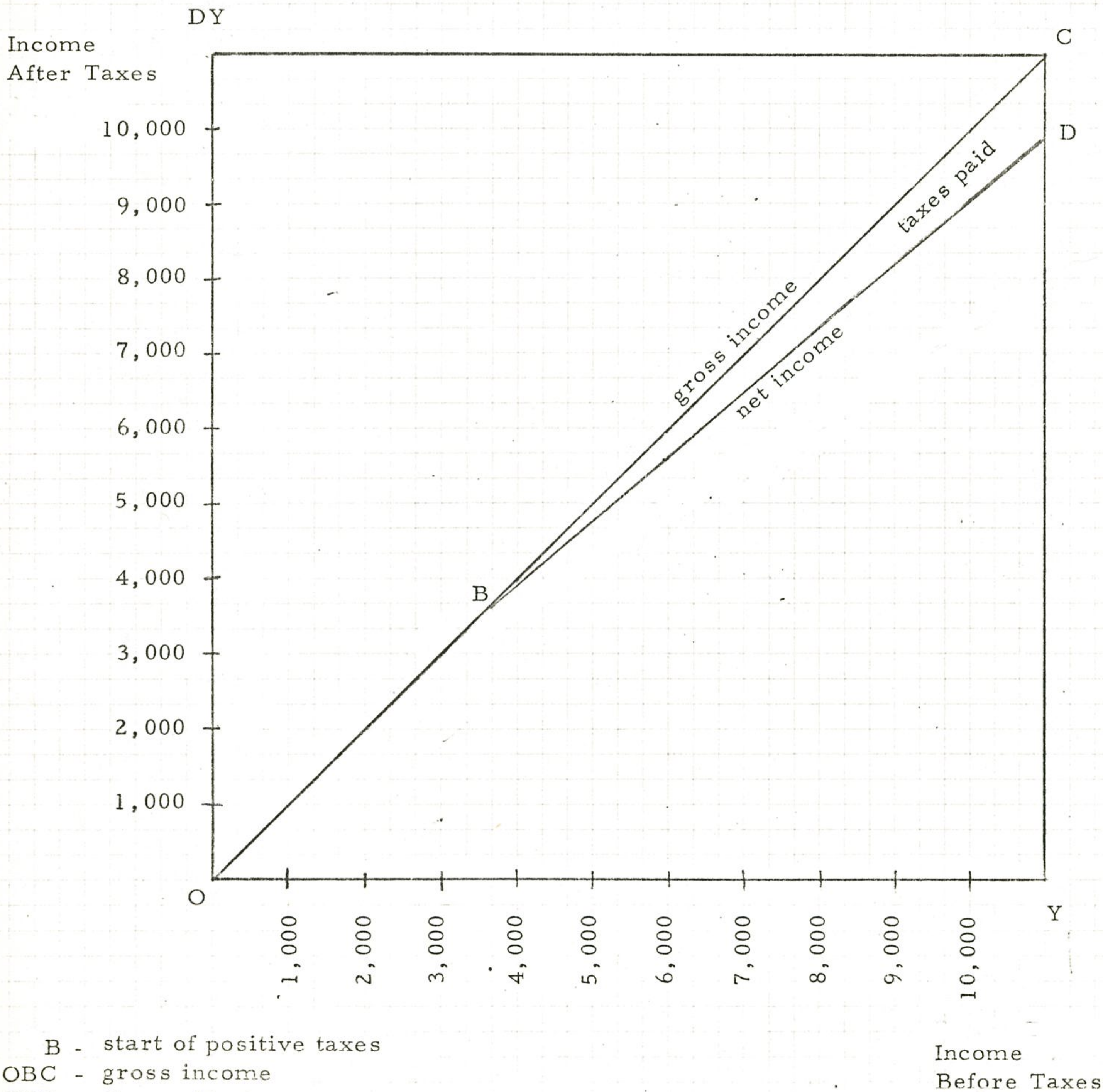
In order to produce constant marginal tax rates from zero income to the tax break-even point (as far as possible considering Social Security contributions, payroll taxes, etc. are ignored), it was decided to reimburse experimental families in full or in part for positive taxes paid. As seen in Figure IV, this has the effect of extending the negative tax line from the break-even point (F) to the tax break-even point (H). The tax break-even point is the point where income less Federal tax paid is exactly equal to the guarantee level. Total taxes reimbursed is the vertical distance between BH and BFH, and disposable income follows the line EFHD. Families who have incomes below the break-even point (F) have all taxes reimbursed, and families who have incomes over the break-even point but below the tax break-even point (H) have part of their taxes reimbursed. Families with incomes below point B pay no taxes in the positive tax system, and, therefore, are not due any reimbursement, and families with incomes above the tax break-even point (H) are not caught in the notch and are not reimbursed for any taxes paid.

The New Jersey/Pennsylvania experiment had originally planned to include reimbursements for taxes withheld in the regular bi-weekly payments. Families would be required to submit copies of all pay stubs along with their Income Report Forms. Income tax withheld would then be added to the next two bi-weekly payments if the families were below their break-even point. It was decided, however, that a year-end adjustment would be preferable to bi-weekly reimbursement

Figure I

POSITIVE TAX SYSTEM

(Family of Four)

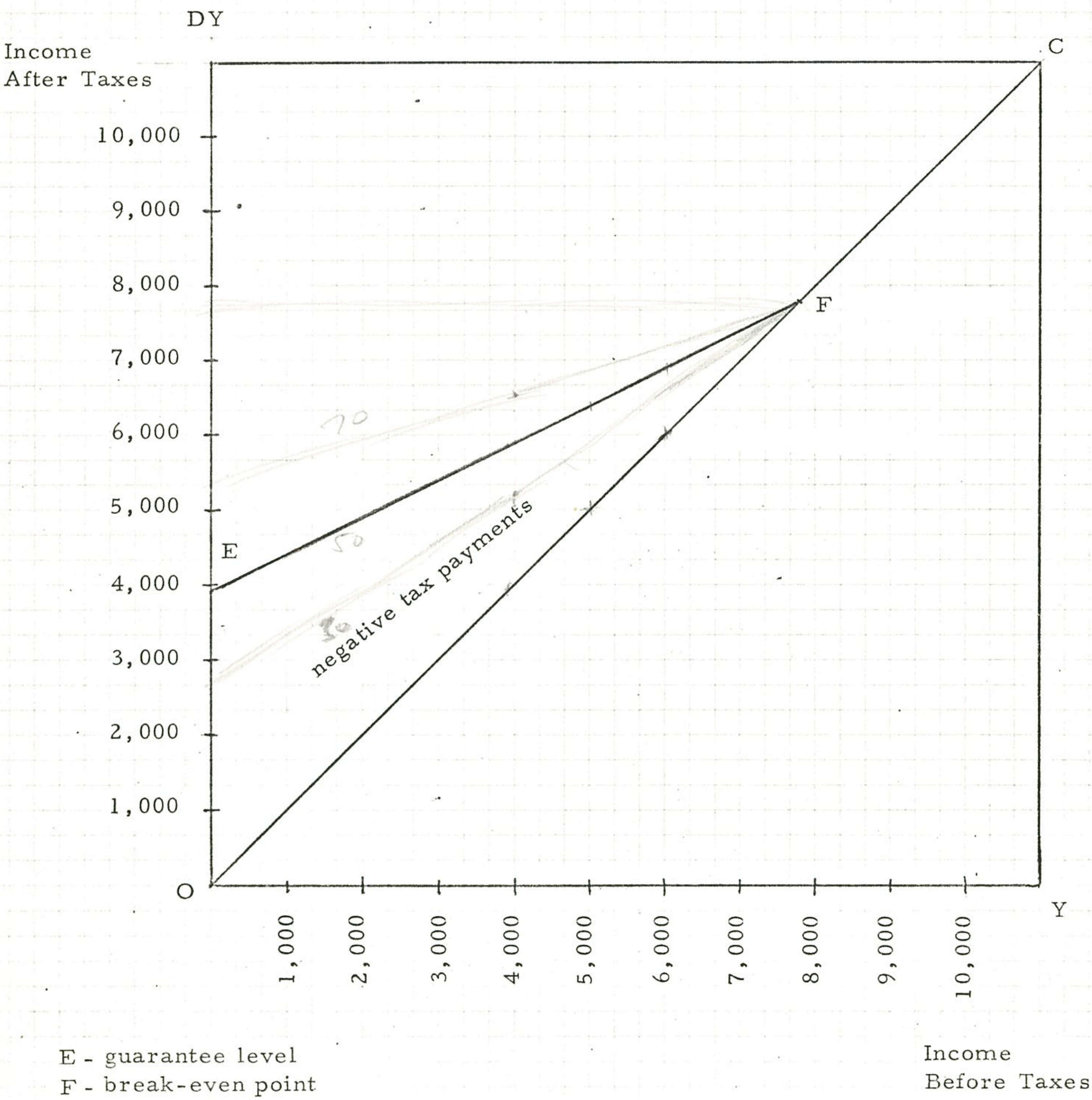


B - start of positive taxes
OBC - gross income
OBD - disposable income

Figure II

NEGATIVE INCOME TAX SYSTEM

(Family of Four)

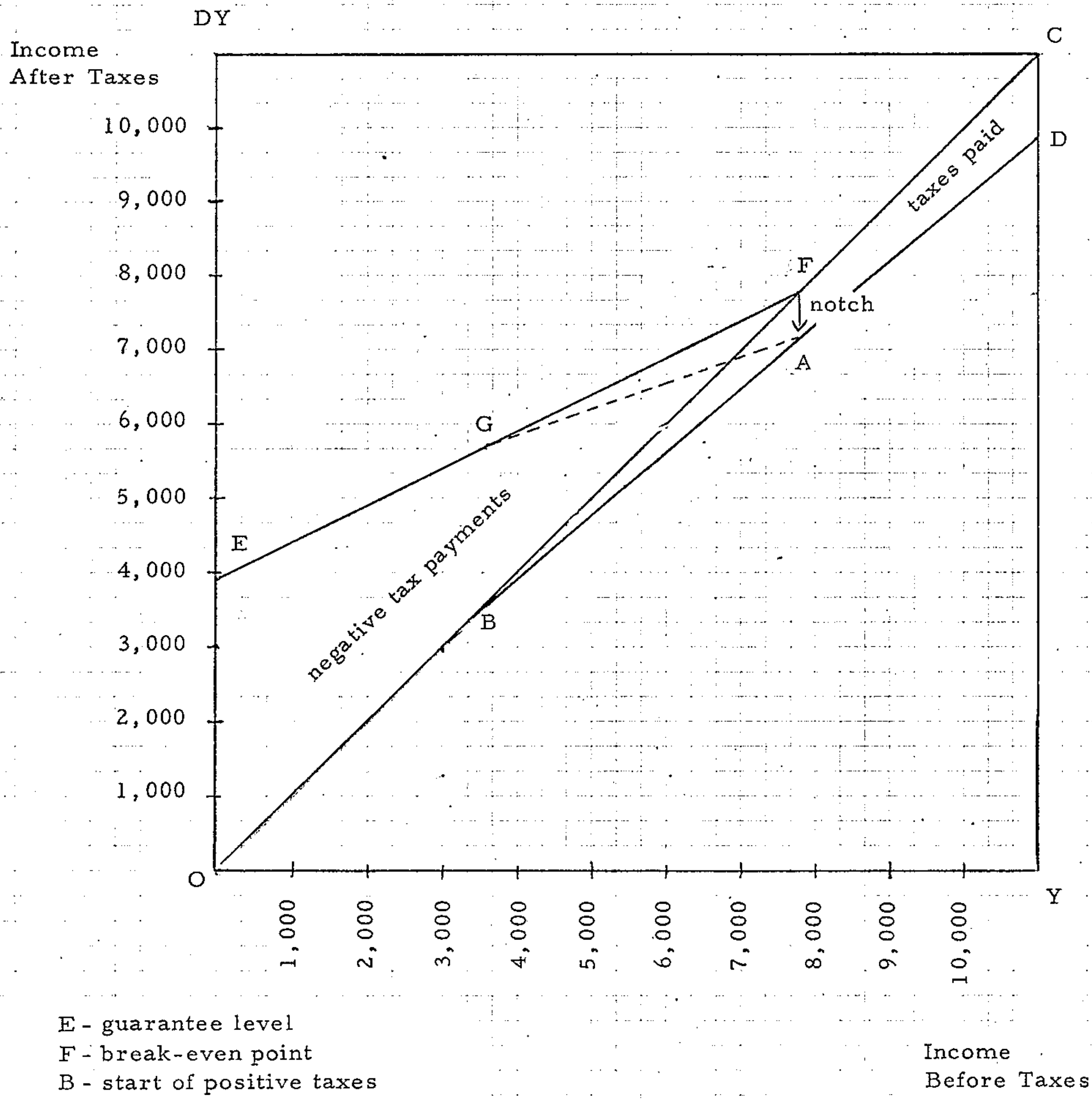


E - guarantee level
F - break-even point
OFC - earned income
EFC - disposable income

Figure III

COMBINED POSITIVE AND NEGATIVE TAX SYSTEMS, UNADJUSTED

(Family of Four)

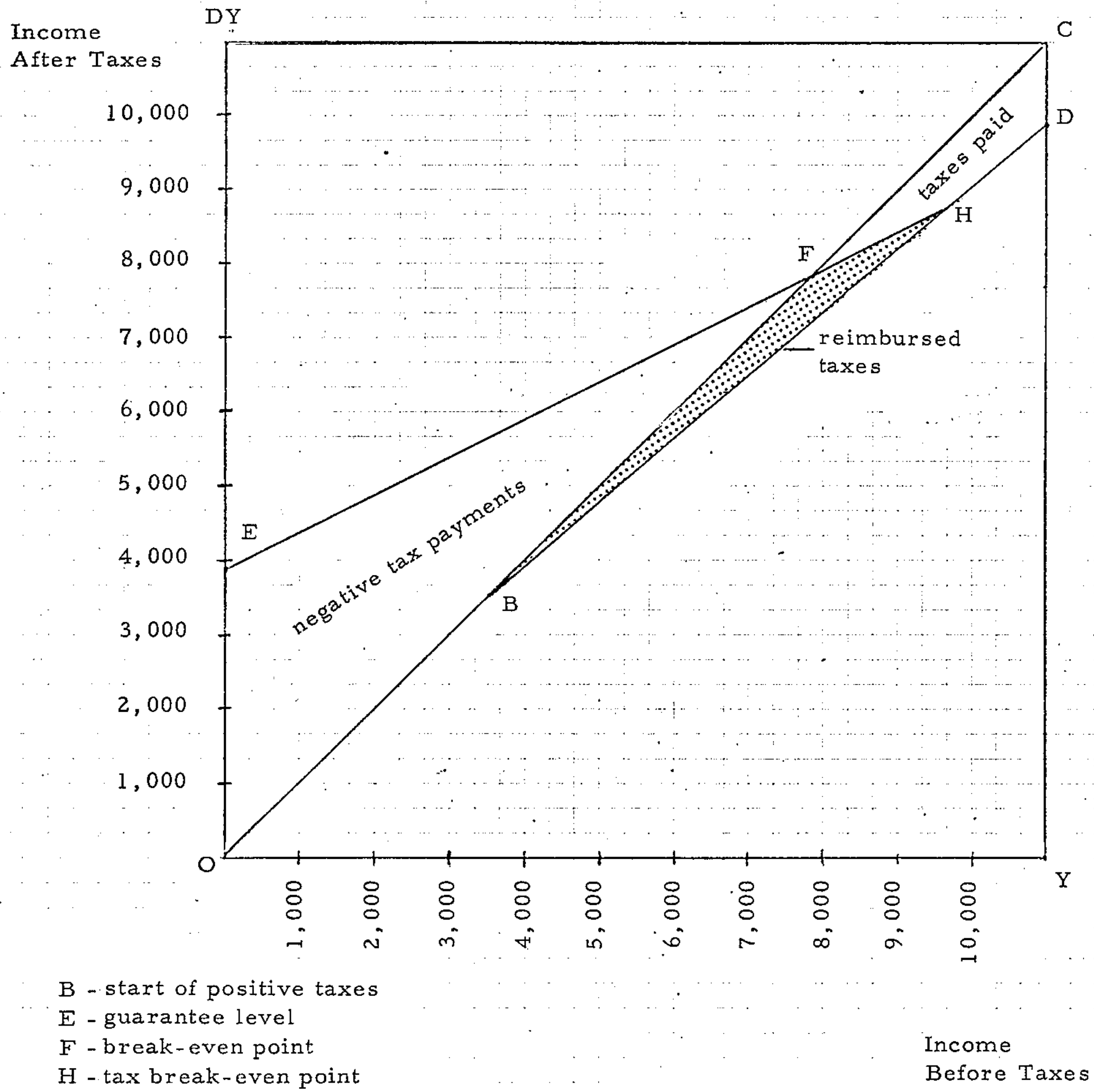


E - guarantee level
F - break-even point
B - start of positive taxes
EGFC - gross income
EGFAD - disposable income, 1
EGAD - disposable income, 2

Figure IV

COMBINED POSITIVE AND NEGATIVE TAX SYSTEMS
ADJUSTED BY TAX REBATE SYSTEM

(Family of Four)



B - start of positive taxes
E - guarantee level
F - break-even point
H - tax break-even point
EFC - gross income
EFHD - disposable income

for two reasons. By no means do all the families receive pay stubs for all their work, and even for the ones that do collection of all of them would be difficult. Second, because incomes fluctuate from month to month during a calendar year, it was likely that certain families would be overwithheld by their employers.[1] If reimbursement for withheld taxes were made concurrently with bi-weekly payments, any over-reimbursements would have to be recovered through reduced payments after the year-end Federal adjustments were made; or if the family were not receiving negative tax payments from the experiment at the time of the Federal refund (either because of high earnings or because of the termination of the experiment) the family would have to be regarded as having faced a lower experimental tax rate than the one assigned.

II. Administration of Tax Rebates in the Graduated Work Incentive Experiment

In early January a letter requesting copies of all W-2 forms is mailed to the experimental families. Later in the month a second letter is mailed requesting a copy of the 1040 form. Families are told that they may be eligible for a tax rebate and that they will receive \$6.00 upon the Council's receipt of the 1040 form.

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1. Mike Taussig, "The Timing of Personal Income Tax Reimbursements in the GWIE", Memorandum from Mathematica, September 11, 1968.

Response to the initial request for tax information has been spotty at best, and anywhere near complete information requires a great deal of footwork by the Office Manager. After April 15, the Office Manager personally contacts each family for whom there is incomplete data. (Families in which no member has worked during the past year and for whom no taxes have been withheld, however, are not contacted). If a family says they will try to obtain the information and fails to do so, an additional contact is made. If there is still no response, the family is considered ineligible for a rebate. If a family is unable to supply copies of the W-2 and 1040 forms, a verbal statement of taxes refunded by the Internal Revenue Service or taxes paid has been considered acceptable, (although a signed statement will probably be required in subsequent years).

The time required to obtain the 1970 tax information was seven months, January through July. It is conceivable, however, that by setting firmer deadlines for receipt of information, the time period could be shortened to five months, January through May, which would allow the families six weeks to send the forms to the Council after the April 15th IRS deadline.

After the reimbursements are calculated, families due a rebate are sent a check and a letter explaining the reimbursement. Families who are not owed a rebate are also contacted by letter and told why they are not receiving a rebate.

III. Policy Decisions

Several rulings have been made in connection with administration of the tax rebate system. These are discussed briefly below.

A. Income Base on which Refunds are Calculated

Family income as reported on the W-2 and 1040 forms serves as the basis on which all tax refunds are calculated.

B. Rebates to Families Receiving Public Assistance

Rebates for families receiving public assistance are calculated only on income earned during any period of the year the family was not on welfare. If the family is owed a rebate, they are not reimbursed until such time as they cease receiving public assistance payments, provided the experiment is still in operation. The families are notified that they are eligible for a specified amount upon presentation of a termination slip from their welfare department. If the family's welfare grant is not income tested, they may receive the reimbursement, provided that their caseworker signs a letter stating that the caseworker understands the the nature of the rebate and the Council payments.

C. Rebates to Families who do not File with IRS

Families who do not file a return with IRS but are due a refund are notified that they should file with IRS. If the Council calculates that a family should receive a full refund of their withholdings from the government, no rebate is made. If, however, a family is due only a partial refund, i.e., the income withheld amounts to less than the refund the Council has calculated for that family, its rebate is calculated by subtracting the refund of withholdings owed by IRS from the total rebate due.

D. Rebates to Split Units

If a split unit is owed a rebate but was together for the whole period to which the rebate applies, the rebate is prorated by the number of members in each unit regardless of the labor force status of the individual members. If the split occurred during the year of the rebate, the rebate is prorated by the number of members in each unit for the time the unit was intact and prorated by labor force participation for the time the unit was split. If one or more members of a split unit quit, their portion of the rebate is held in case the split unit should return. (In the 1969 rebate program, the entire rebate was given to the active members.)

E. Rebates to Families No Longer in the Program

Rebates are not made to families who are no longer filing with the Council. If they should return, however, they are eligible for reimbursement of taxes proportional to the period they were on the program, provided they can supply the relevant tax information.

F. Rebates to Families Who Have Received Public Assistance or Who Have Been Inactive for Part of the Year

Tax rebates for families on welfare for part of the year, who drop out of the experiment for part of the year, or, in the case of the phase-in and phase-out, are only enrolled in the program for part of the year are prorated by the amount of time the families were active in the experiment.

G. Rebates to Families with a Discrepancy Between Income Reported to the IRS and to the Council

No rebates are given to families who report more than 15 percent more income to IRS than to the Council. (It should be noted, however, that for families on the program for only part of the year, uneven employment histories for the year may distort the IRS/CGF comparison, especially if the family was unemployed during the period it was with the program and employed while it was off). Rebates are given to families who report more to the Council than to IRS.

IV. Results

A. Comparison of Council and IRS Earnings Information for 1968

IRS data for 1968 is available only for the Trenton sample (see Table I). All other cities in the experiment were enrolled in 1969. Consequently, the 1968 IRS/Council comparison is based on a relatively small sample for a short period of time (87 families, August through December).

Of the 87 originally enrolled Trenton families, 82 were still active in the program at the end of the year. Of the 82 families, 69 supplied the Council with tax information, a response rate of 84 percent. Twenty-four of the families were owed rebates averaging $63.58 per family.

Perhaps the most significant finding is the high degree of comparability between IRS and Council data. Adjusted for the time in the experiment (approximately five months), there was only $699 or 0.52 percent more reported to IRS than to the Council. This amounts to an average difference for the five-month period of $10.13 per family.

TABLE I

IRF/Council Earnings and Rebate Information, 1968
Trenton Only

Sample Size	82
Families Who Sent in Tax Information	69 (84%)
Families with Rebates	24 (29%)
Total Dollars in Rebates, 5 months	$1529
Total Dollars in Rebates, Adjusted to Yearly Basis	$3670

Average Rebate for Families with Rebates ($1526/24)	$ 63.71
Average Rebate for Families with Rebates, Adjusted to Yearly Basis ($3662/24)	$ 152.91
Dollars Reported to IRS, Yearly Basis	$324093.
Average per family	$ 4697.
Dollars Reported to the Council, Yearly Basis	$322299.
Average per family	$ 4671.
Dollar Difference between IRS and Council, Yearly Basis	$ 1794.
Percent Difference	0.55%
Average Dollar Difference per Family	$ 26.00
Dollars Reported to IRS, Adjusted*	$134936
Average per Family	$ 1956.
Dollars Reported to the Council, Adjusted*	$134237.
Average per Family	$ 1945
Dollar Difference between IRS and Council, Adjusted*	$ 699
Percent Difference	0.52%
Average Dollar Difference per Family	$ 10.13

* Adjusted by time on the program, approximately five months.

B. 1969 Tax Information

W-2 and 1040 data provide the Council with the information necessary to calculate tax rebates and compare family earnings as reported to IRS and the Council. Complete tax information for 1969 is available for 320 families. It should be noted, however, that due to a procedural error, records were not kept on some families who did not work or who were on welfare during the year. Therefore, both the average rebate and the average earnings figures derived from the tax forms are higher than they would have been had these families been included in the calculations.

1. Response Rate

Looking at Table II, it can be seen that 343 of 672 (51%) families responded to the requested for tax information (slightly higher if the data limitations mentioned above are considered). Of these, 323 provided complete data.

There is little difference between the response rates of Strata II and III (52% and 53%, respectively). Stratum I, however, had a response rate of only 35%. Again, the fact that records were not kept on some families who were unemployed or on welfare during the year may have brought

TABLE II

Response Rate

	Trenton	Paterson/ Passaic	Jersey City	Scranton	All Cities
Sample Size	76	241	191	164	672
Families with tax information	38 (50%)	77 (32%)	106 (55%)	122 (74%)	343 (51%)
Families with complete tax information	37 (49%)	72 (30%)	92 (48%)	119 (73%)	323 (48%)
Stratum I % of Stratum	12 (43%)	12 (17%)	13 (41%)	18 (64%)	55 (35%)
Stratum II % of Stratum	13 (50%)	23 (34%)	44 (46%)	56 (73%)	136 (52%)
Stratum III % of Stratum	13 (62%)	37 (35%)	35 (52%)	48 (84%)	132 (53%)
50% Guarantee	-	-	-	-	46 (43%)
75% Guarantee	-	-	-	-	131 (47%)
100% Guarantee	-	-	-	-	69 (47%)
125% Guarantee	-	-	-	-	77 (58%)
30% Tax	-	-	-	-	65 (45%)
50% Tax	-	-	-	-	188 (51%)
70% Tax	-	-	-	-	70 (46%)

the response rate of Stratum I down, since Stratum I families are the ones most likely to be on welfare or unemployed.

Although very little difference in response is discernible by tax rate, there is a noticeable difference in response rate by guarantee. The 50%, 75% and 100% guarantees had very comparable response rates (43%, 47%, and 47%, respectively), but the 125% guarantee had a noticeably higher response rate of 58%. This number may well be the result of a confounding of two facts: 38% of the families on the 125% guarantee live in Scranton, and Scranton's overall response rate was 73% compared to the all-city average of 48%.

2. Rebates

Of the 672 families active in the program at the time 1969 tax information was requested, 150 qualified to receive either full or partial rebates. Adjusted on a yearly basis, the average rebate for the 150 families was $261.09 (see Table III). As could be expected, Jersey City and Scranton families with the most generous experimental plans received the largest rebates ($270.70 and $295.88, respectively, on a yearly basis), and

Paterson/Passaic families with the least generous plan assignment received the smallest rebates ($184.05). Trenton families received average rebates of $236.20 compared to the 1968 rebate (adjusted to a yearly basis) of $152.58.

The remaining 522 families were ineligible for rebates for one or more of the following reasons: (1) there was no available tax information on the family, (2) the information was incomplete, (3) the family was over its break-even point, (4) all taxes were refunded by IRS, (5) the family received public assistance the entire year, (6) the family reported 15% more income to IRS than to the Council, (7) the family was owed an entire refund by the Federal government, and (8) the Council had no address for the family.

Although families may have been disqualified from receiving a rebate for one or more reasons (see Table IV), an ineligibility priority system was developed which placed each family not eligible for a rebate into a single disqualifying category (see Table V). By far the biggest reason why families did not receive rebates was lack of tax information. Three-hundred twenty-four families fell

TABLE III

Costs of 1969 Rebate

	Sample Size	Total Rebate	Average Rebate
Trenton	16	$ 3,779.22	$236.20
Paterson/ Passaic	29	$ 5,374.44	$184.05
Jersey City (236 days)	42	$ 7,351.18	$175.03
(Yearly Basis)		($11,369.41)	($270.70)
Scranton (152 days)	63	$ 7,762.59	$123.22
(Yearly Basis)		($18,640.43)	($295.88)
All Cities	150	$24,267.43	$161.78
(Yearly Basis)		($39,163.50)	($261.09)

TABLE IV

Families Ineligible for Tax Rebates by Multiple Reasons

	No tax information	Incomplete information	Over break-even point	All taxes refunded by IRS	On welfare entire year	15% more income reported to IRS than to the Council	Owed complete refund by IRS	No address
No tax information	329							
Incomplete information	x	21						
Over break-even point	x	13*	56					
All taxes refunded by IRS	x	1	6**	42				
On welfare entire year	x	2	0	7**	3			
15% more income reported to IRS than the Council	x	2	6	9	0	25		
Owed complete refund by IRS	x	0	0	0	0	1	3	
No address	x	0	0	0	0	0	0	2

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* Three families in this category also had 15% more income reported to IRS than to the Council.

** One family in each of these categories also had 15% more income reported to IRS than to the Council.

TABLE V

Families Ineligible for Tax Rebates by Reason and by City

	Trenton	Paterson/ Passaic	Jersey City	Scranton	Total
Sample Size	76	241	191	164	672
Eligible for Rebate	16 (21.1%)	29 (12.0%)	42 (22.0%)	63 (38.4%)	150 (22.3%)
Ineligible for Rebate	60 (78.9%)	212 (88.0%)	149 (78.0%)	101 (61.6%)	522 (77.7%)
No tax information	37 (48.7%)	163 (67.6%)	84 (44.0%)	40 (24.4%)	324 (48.2%)
Incomplete information	2 (2.6%)	6 (2.5%)	16 (8.4%)	3 (1.8%)	27 (4.0%)
Over break-even point	9 (11.8%)	25 (10.4%)	22 (11.5%)	18 (11.0%)	74 (11.0%)
All taxes refunded by IRS	8 (10.5%)	10 (4.1%)	15 (7.9%)	25 (15.2%)	58 (8.6%)
On welfare entire year	0 (0%)	1 (0.4%)	0 (0%)	4 (2.4%)	5 (.7%)
15% more income to IRS than Council	4 (5.3%)	4 (1.7%)	10 (5.2%)	11 (6.7%)	29 (4.3%)
Owed complete rebate by IRS	0 (0%)	2 (0.8%)	1 (.5%)	0 (0%)	3 (.4%)
No address	0 (0%)	1 (0.4%)	1 (.5%)	0 (0%)	2 (.3%)

into this category. With the increased effort being made to obtain 1970 tax data, however, this category should be reduced. Another 27 families supplied the Council with some information but not enough to calculate whether a tax rebate was due. Of the remaining 171 families for which there was complete tax information, 74 were over their break-even point and 58 had received all their taxes back from IRS. Twenty-nine families were disqualified from receiving rebates because they reported 15% more income to IRS than to the Council, although they would have qualified otherwise. The ten remaining families either were on welfare all year, were owed complete rebates from IRS for which they were told to file, or had no known address.

Table VI gives the average rebate by experimental plan and by family income. Family income figures were obtained from the Annual Income Questionnaire. Where data from this source were missing (five cases) yearly income figures were obtained from the W-2 forms. In the case of split units, the income of the split unit who received the rebate was used. Families included in the table are (1) those with positive rebates, (2) families over the break-even point, $0 rebate, (3) those who would have received a rebate had they not reported 15% more income to IRS, and (4) those with no address. Even though families in

TABLE VI

All Cities

1969 Tax Rebates by Plan and Yearly Income
(Total Adjusted to Yearly Basis for Scranton and Jersey City)

Annual Income 1969	50/30	50/50	75/30	75/50	75/70	100/50	100/70	125/50	Total
0 - $2000									
=	1	0	0	1	1	0	1	2	6
'otal rebate =	$0	NA	NA	$48.00	$65.00	NA	$78.12	$1077.00	$1268.12
.verage rebate =	$0	NA	NA	$48.00	$65.00	NA	$78.12	$ 538.50	$ 211.35
2001 - $4000									
=	0	3	2	5	4	1	2	3	20
'otal rebate =	NA	$128.48	$408.99	$506.02	$1163.00	$4.00	$74.01	$190.99	$2475.49
.verage rebate =	NA	$ 42.83	$204.49	$101.20	$ 290.75	$4.00	$37.00	$ 63.66	$ 123.77
4001 - 6000									
=	9	12	18	15	8	10	9	21	102
'otal rebate =	$1024.43	$0	$4034.44	$2613.94	$0	$1913.77	$1984.89	$4355.63	$15,927.1
.verage rebate =	$ 113.83	$0	$ 224.14	$ 174.26	$0	$ 191.38	$ 220.54	$ 207.41	$ 156.1
6001 and over									
=	7	5	15	13	10	10	11	31	102
'otal rebate =	$3881.09	$0	$7376.00	$760.51	$0	$2864.99	$268.99	$15,732.06	$30,883.6
.verage rebate =	$ 554.44	$0	$ 491.73	$ 58.50	$0	$ 286.50	$ 24.45	$ 507.49	$ 302.7
otals									
=	17	20	35	34	23	21	23	57	230
otal rebate =	$4905.52	$128.48	$11,819.43	$3928.47	$1228.00	$4782.76	$2406.01	$21,355.68	$50,554.3
.verage rebate =	$ 288.56	$ 6.42	$ 337.70	$ 115.54	$ 53.39	$ 227.75	$ 104.61	$ 374.66	$ 219.8

the last two categories did not receive actual rebates, the calculated amount was included in the total rebate figures in the table. Families not included were (1) those who received complete refunds from IRS, (2) those who were owed complete refunds by IRS, and (3) families who were on welfare for any part of the year.

Even though the table includes families over the break-even point ($0 rebate), the average caluclated rebate for the 230 families is up from the actual average rebate of $161.78, adjusted to a yearly basis, to $219.80, adjusted to a yearly basis. This is due to the exclusion from the table of families on welfare who could be expected to have low incomes and thus low rebates (average rebate $23.97, adjusted to a yearly basis) and the inclusion of families who reported 15 percent more income to IRS than to the council (average rebate, $281.09, adjusted to a yearly basis).

As can be seen from the table, the majority of the families have incomes of $4000 or more. These families, too, have the highest average rebates, $156.15 for families with incomes of $4001 to $6000 and $302.78 for families with incomes of $6001 and over.

Looking at the figures by plan, it is interesting to note that the size of the average rebate correlates very well with Watts' designation of generosity of plan.[1] Arranging the plans by Watts' designation shows the following symmetry in rank order of rebates.

Plan	Generosity of Plan	Average Rebate	N	Rank Order
125/50	high	374.66	57	1
75/30	medium	337.70	35	2
100/50	medium	227.75	21	4
50/30	low	288.56	17	3
75/50	low	115.54	34	5
100/70	low	104.61	23	6
75/70	very low	53.39	23	7
50/50	very low	6.42	20	8

1. By subtracting the tax rate from the guarantee, Harold Watts, Department of Economics, Yale University, derives a scale of experimental plans according to their generosity. The designations are (1) 0 difference, control group, (2) difference less than or equal to 10, very low, (3) difference less than or equal to 30,low, (4) difference less than or equal to 50, medium, (5) difference greater than 50, high.

3. Earnings

In addition to giving information on which tax rebates could be calculated, the W-2 and 1040 forms provided information on family earnings (see Table VII). For the 320 families who returned complete tax information, a total of $1,720,958, yearly adjusted, was reported to the Council and $1,781,078 to IRS, a difference of $60,120 or 3.5%. This amounted to an average of $187.88 per family. The biggest difference in reported earnings was among Trenton and Scranton families where the difference was 7.3% and 6.2%, respectively. Jersey City followed with 4.5% more income being reported to IRS than to the Council. Only Paterson/Passaic families reported more income to the Council than to IRS, 4.0% or $218.43 per family.

Of the 320 families with complete tax information, 48 reported 15% more income to IRS than to the Council. The largest proporation of families in this category, however, were in Jersey City and Scranton where the sample was only active for part of 1969. If those families tended to be unemployed during the period they were on the program and employed while off, some of the income difference might be attributed to the proration of income. There are, hcwever, no data to substantiate this proposition.

TABLE VII

Comparison of Wages and Salaries Reported to IRS and the Council on Complete 1969 Tax Information

	1 Number of Complete Returns	2 Total $ Reported to the Council	3 Total $ Reported to IRS	4 Difference (3 - 2)	5 % Difference (4/3)	6 Mean Income Reported to the Council (2/1)	7 Mean Income Reported to IRS (3/1)	8 Difference (7 - 6)	9 # of Families with More Income Repor to IRS than the Cou
Trenton	37	$ 189,144.23	$ 202,962.00	$13,817.77	7.3	$5,112.01	$5,485.46	$373.45	4 (10.8%)
Paterson/ Passaic	72	$ 390 402.24	$ 374,675.00	-$15,727.24	-4.0	$5,422.25	$5,203.82	-$218.43	8 (11.1%)
Jersey City (236 days)	92	$ 344,049.87	$ 359,669.12	$15,619.25	4.5	$3,739.67	$3,909.45	$169.78	18
Yearly Adjusted		$ 532,111.03	$ 556,267.92	$24,156.89	4.5	$5,783.81	$6,013.78	$229.97	(19.6%)
Scranton (152 days)	119	$ 253,736.02	$ 269,507.56	$15,771.54	6.2	$2,132.24	$2,264.77	$132.53	18
Yearly Adjusted		$ 609,300.31	$ 647,172.76	$37,872.45	6.2	$5,120.17	$5,438.43	$318.26	(15.1%)
All Cities	320	$1,177,332.36	$1,206,813.68	$29,481.32	2.5	$3,679.16	$3,771.29	$ 92.13	48
Yearly Adjusted		$1,720,957.81	$1,781,077.68	$60,119.87	3.5	$5,377.99	$5,565.87	$187.88	(15.0%)

Preliminary results of the research audit (to be discussed elsewhere) indicate that families tend to report the greatest amount of income on the Annual Income Questionnaire. Income reported on W-2 and 1040 forms is second, followed by income reported to the Council. The least amount of income is reported on the Quarterly Questionnaires. Research is underway to find out why income reported to the Council should be lower than that reported to IRS. Among the many possibilities are unreported earners, unreported jobs, or shaved earnings. Alternatively, the problem may be one of inadequate Council forms with which to report income (new Income Report Forms were put into effect in late 1970) or the above mentioned prorating problem. The 1970 earnings data, to become available in late 1971, should provide some insight into the prorating problem, and 1971 tax information will test the adequacy of the new Income Report Form.