

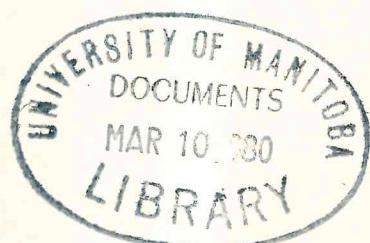
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# Mincome Manitoba

## Manitoba Basic Annual Income Experiment

### The Design of the Payments System of Mincome Manitoba

Derek Hum  
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THE DESIGN OF THE PAYMENTS SYSTEM

OF MINCOME MANITOBA

by

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MINCOME MANITOBA

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## FOREWORD

The Manitoba Basic Annual Income Experiment is designed to evaluate the economic and social consequences of a guaranteed annual income program based on the concept of negative income tax. Of particular research interest is the labour supply response of individuals and families containing non-aged, able-bodied members. The Experiment is a jointly-funded project of the governments of Canada and Manitoba and was collectively designed by researchers and officials of Mincome Manitoba, the Department of Health and Social Development, Manitoba, and the Policy Research and Long Range Planning Branch of the Department of National Health and Welfare, Ottawa. Mincome Manitoba is the agency established to administer the project and is solely responsible for all experimental operations. Seventy-five percent of the cost of the Experiment is funded by the Government of Canada; twenty-five percent is funded by the Province of Manitoba.

#### ACKNOWLEDGEMENT

The design of the payments system of Mincome Manitoba reflects the cumulative contributions of a great many individuals. Original contributors to the initial design include B. J. Powell, M. E. Laub, S. Miller, A. Quarry and others. During the course of the experiment many design modifications were suggested and subsequently implemented. A very real contribution was made by the entire payments staff of Mincome Manitoba throughout the implementation and operational stages of the experiment. As well, many valuable suggestions were made by individual members of the Experimental Research Unit, Department of Health and Welfare, Ottawa and members of the research and administrative staff of Mincome Manitoba.

The opinions expressed herein are those of the authors and should not be construed as representing the opinions or policies of the Province of Manitoba, Canada, or any agency of either government. This report was written by Derek Hum, who bears sole responsibility for any misleading interpretations and errors of fact. For a complete understanding of the payments system of Mincome Manitoba, the present report should be read in conjunction with "The Administration of the Payments System of Mincome Manitoba" by D. Crest et al. as well as the Rules of Operation, a compendium of the detailed procedures followed by the payments staff in dealing with specific situations.

THE DESIGN OF THE PAYMENTS SYSTEM  
OF MINCOME MANITOBA

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THE DESIGN OF THE PAYMENTS SYSTEM  
OF MINCOME MANITOBA

I. Introduction

The Manitoba Basic Annual Income Experiment was a large scale project jointly funded by Canada and Manitoba. Its objective was the evaluation of the social and economic consequences of a guaranteed annual income program based upon the negative income tax (NIT) concept. Of primary concern was the labour supply response of individuals and families containing non-aged, able-bodied members to a guaranteed annual income. The design and conduct of the experiment involved selecting participants from a number of sites and assigning them to alternative negative income tax programs having different support levels and tax rates. The participants assigned to one of the several treatment programs were eligible to receive income-conditioned payments for a three year period. In addition certain control groups were selected which were not entitled to a guaranteed annual income but provided valuable comparative information.

Although the experiment was principally designed to investigate the work responses of recipients of income-conditioned payments, it generated evidence bearing on a much wider range of behavioural responses relevant for a broad spectrum of income maintenance programs having basic support levels and offset tax rates. In particular, the experimental design was developed to allow for the monitoring of administrative methods and the assessment of procedures for actually making payments. The effectiveness of proposed procedures in delivering the intended benefits to the target population may well determine the

ultimate success and overall costs of any income assistance program chosen.

A negative income tax program may be characterized as a universal, objective, income-conditioned transfer mechanism aimed at minimizing the work disincentives of the able-bodied poor. The program is universal in that it is not limited to specific recipient groups; it is objective since the benefit entitlement is not subject to discretionary adjustment; it is income-conditioned since the major eligibility criterion is the income of the recipient, and finally, it seeks to encourage labour force participation by reducing the benefit entitlement by less than the full amount of any earned wages. Hence the individual is always left with a higher net income from working than not working. More specifically, a NIT system provides for a basic support level ( $G$ ), which represents the payment (guaranteed income) the family or individual would receive if it had no other source of income. As the family's or individual's income increases, the payment for which it is eligible declines at a rate determined by the offset tax rate ( $t$ ). Families will receive some payments up to a certain breakeven level of income ( $B$ ). The breakeven level, the basic support level and the offset tax rate are related so that specifying any two of these parameters will determine the value of the third.

As indicated previously, the Manitoba Basic Annual Income Experiment was primarily designed to measure the effect of receiving a guaranteed level of income on labour force attachment, and other work-related behaviour. Traditionally, labour supply theory argues that the labour market response of individuals will largely depend upon the support level

(G) and tax rate ( $t$ ) faced by the recipients of NIT payments. As well, the total costs of any income maintenance program will depend in large part on the magnitude of these same two parameters. Accordingly, the program features of most interest and importance for the study of labour supply responses, as well as program costs, are the basic support level and the offset tax rate.

Three distinct support levels and three distinct constant offset tax rates were employed in the experiment to yield different combinations of financial treatment plans for research purposes. Other parameters, such as the definition of the recipient unit, were maintained constant over all financial treatment plans. To ensure that participants in the experiment were in fact facing the support levels and offset tax rates designated by their assigned financial treatment, special provisions were adopted to integrate the NIT programs with the various existing tax transfer mechanisms.

The Manitoba Basic Annual Income Experiment incorporated a general guaranteed annual income payments program based upon the negative income tax approach. Among the many considerations influencing the design of the delivery mechanism was the issue of program realism; that is, the degree to which the experimental payments system should approximate the system of some future "real-world". Consequently, in some instances the payments system paralleled the manner in which a permanent national program might be operated; in other instances procedures were adopted to facilitate basic labour supply research.

The purpose and scope of this report is to outline the design of the payments system of Mincome Manitoba, the agency established to

administer the project and to make NIT payments to eligible experimental participants. Although the description and discussion that follows refers specifically to the mechanisms adopted by the Manitoba Basic Annual Income Experiment, the operational details extend to generally any system designed to provide income support or supplementation where the amounts of the payments are based upon some combination of the current income and need of the recipients. However, the arrangements discussed are less applicable to payment systems designed to meet specific needs (such as housing subsidies) or directed at special population groups (such as demigrant programs).

Most generally, NIT payments systems will include a method of measuring the income or need of the recipients on a periodic basis, a system of calculating the payments, and a method of delivering the cash transfers to the recipients. An overview of the payments system design is given in Section II. A more detailed description of specific components of the actual system employed by Mincome Manitoba is provided in Section III, together with an explanation of the reasons underlying the choice. Finally, Section IV provides an algebraic representation of the method of calculating payments. This paper is therefore limited to a description and discussion of the design of the payments system of Mincome Manitoba.<sup>1</sup>

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<sup>1</sup> The administrative procedures followed by the Mincome Manitoba Payments System is set forth in a separate report, Crest *et al.* "The Administration of the Payments System of Mincome Manitoba". Issues such as the enrollment process, reporting requirements, processing, auditing, etc., are discussed there. The most detailed statement of the procedures actually followed in various cases are specified in Mincome Manitoba's "Rules of Operation". For a discussion of the experimental context, see Hum *et al.* "The Objectives and Design of the Manitoba Basic Annual Income Experiment".

## II. Overview of the Design of the Payments System

An overview of the Payments System of Mincome Manitoba is provided in this section before various specific components are discussed in more detail. This will enable the analytic structure of a negative income tax program to be portrayed more readily, together with an indication of the design integration dictated by experimental and institutional considerations.

The negative income tax (NIT) payments system of Mincome Manitoba may be described in terms of two basic parameters -- an annual basic support level and an offset tax rate. The annual support level ( $G$ ) depends upon both family size and composition and represents the payment (guaranteed annual income) the family receives if it has no other source of income or wealth. As the family's income and/or net worth increases, the payment for which they are eligible declines. The rate at which increments in earned income are offset against payments is determined by a constant offset tax rate ( $t$ ). The rate at which increments in net worth or wealth are offset against payments is referred to as the net worth tax rate ( $r$ ). In addition, in order to achieve integration with other tax and transfer programs, competing transfers and taxes are neutralized. The basic payment for a typical family unit may be algebraically represented by:

$$(II.1) \quad P = G - T - t \cdot Y - r \cdot W$$

where

$P$  = the payment under the NIT program

$G$  = the support level for a representative family

$t$  = the offset tax rate  
 $Y$  = family income  
 $r$  = the net worth tax rate  
 $W$  = family net worth (assets minus liabilities)  
 $T$  = competing taxes and transfers

The relationship of income and benefits of the NIT program for a representative family is illustrated in Figure II.1. In the upper panel of Figure II.1 the vertical and horizontal axes represent amounts of income including and excluding, respectively, the NIT payments (See Figure II.1). The intercept  $G$  on the vertical axis represents the amount of payments received by a family with no income, no other transfers, and zero net worth. The amount of the NIT payment ( $P$ ) at any level of income measured on the horizontal axis is indicated by the vertical distance between  $GA$  and the  $45^\circ$  line.<sup>1</sup> Under a NIT system with a constant offset tax rate, families will continue to receive positive payment amounts up to the point at which their income exclusive of the NIT is equal to the breakeven level ( $B$ ). The breakeven level, the support level, and the offset tax rate are algebraically related:  $B = G/t$ , so that specifying any two of these parameters determines the value of the third.<sup>2</sup>

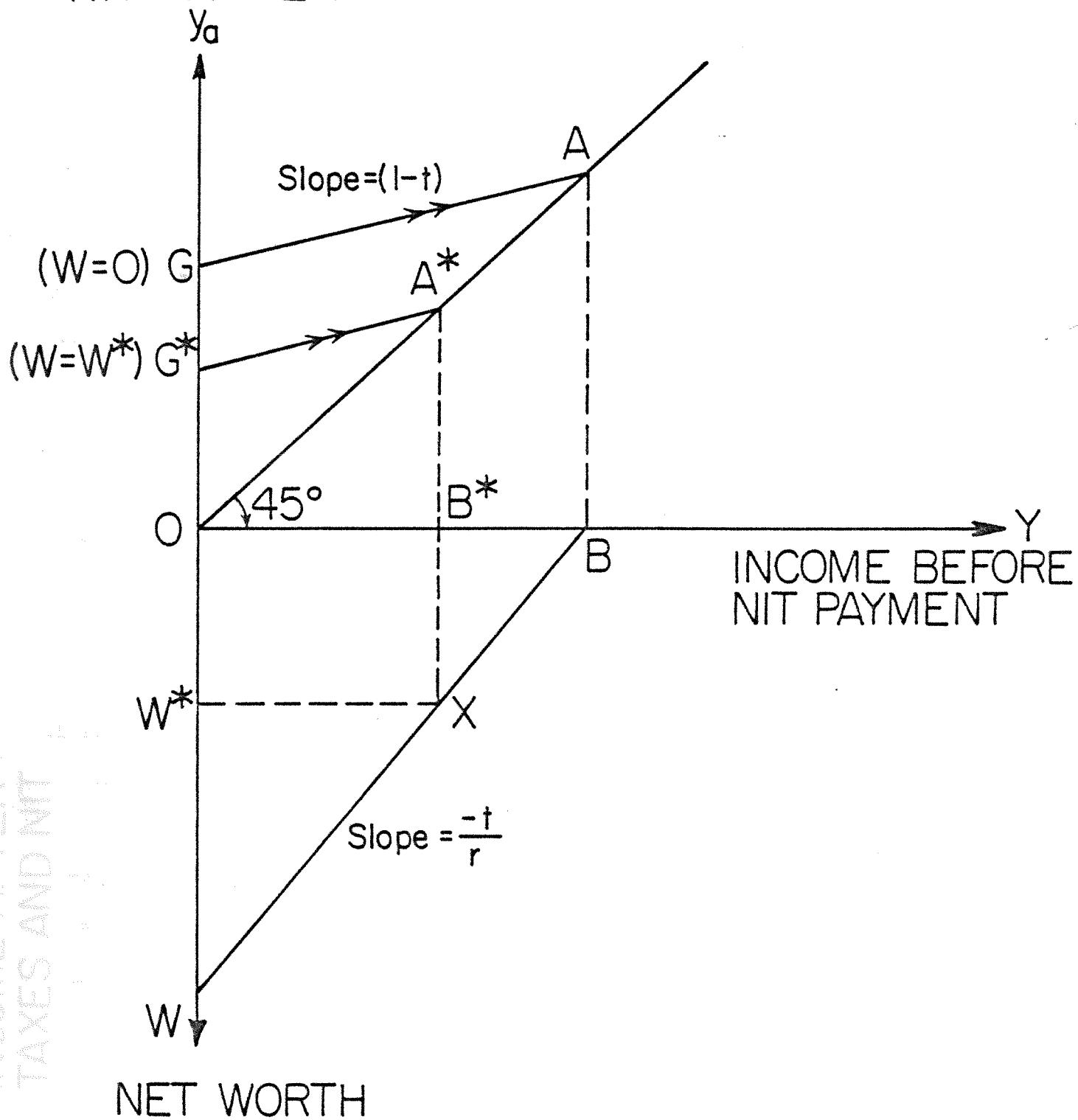
The lower panel of Figure II.1 depicts the combination of net

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<sup>1</sup> This is for the case where either  $r=0$  or  $W=0$ . As the level of net worth rises, the line segment  $GA$  will shift downwards retaining the same slope. Hence  $G^*A^*$  represents the post-NIT income locus under the same program for a family having a higher level of net worth ( $W=W^*$ ). We assume also that  $T=0$ .

<sup>2</sup> Again, this assumes that either  $r$  or net worth equals zero, as well as  $T=0$ . When net worth is a factor, then  $B=(G-r\cdot W)/t$ . It should be noted that we confine our attention to the case of a fixed offset tax rate. A variable tax rate is also possible in which case the breakeven level is that income at which the support is exhausted.

# INCOME AFTER NIT PAYMENT



PAYMENTS AND ELIGIBILITY UNDER A SIMPLE  
NIT SCHEME WITH NET WORTH ASSESSMENT

Figure II.1

worth and income levels that set the boundaries for eligibility under the NIT program. Net worth is measured on the vertical axis. Any family having an income level equal to or greater than  $B$ , or a combination of net worth and income equal to or greater than amounts represented by  $WB$ , is ineligible for NIT payments. Thus, for a family having net worth of  $W^*$ , their breakeven level of income would be  $B^*$ . The amount of the NIT payment they would receive at any level of income below  $B^*$  is represented by the vertical distance between  $G^*A^*$  and the  $45^\circ$  line in the upper panel. The slope of  $WB$  indicates the rate at which income can be substituted for net worth while holding payments constant (in this case at  $P=0$ ).<sup>1</sup>

A guaranteed annual income program implemented through a negative income tax scheme cannot be viewed in isolation from the positive income tax structure. The problem of integrating the negative income tax (NIT) and positive income tax (PIT) programs will arise whenever the breakeven level of income in the NIT exceeds the level of exemptions built into the positive income tax system. This situation is depicted in Figure II.2. The horizontal axis measures gross income before taxes or NIT payments. The vertical axis represents income after positive tax liabilities and negative income tax payments. The point  $E$  represents the level of exemptions granted by the PIT system to a representative family; the positive income tax structure has a constant marginal income tax rate,  $p$ .<sup>2</sup> As

<sup>1</sup> Totally differentiating the payments function:  $P = G - t \cdot Y - r \cdot W$  we have  $dP = \frac{\partial P}{\partial G} \cdot dG - \frac{\partial P}{\partial Y} \cdot dY - \frac{\partial P}{\partial W} \cdot dW$ .

Along  $WB$  both  $dP = 0$  and  $dG = 0$ , and since  $\frac{\partial P}{\partial Y} = t$  and  $\frac{\partial P}{\partial W} = r$ , the slope of  $WB = -\frac{t}{r}$ . Also  $T$  is assumed to be zero.

<sup>2</sup> For simplicity, the progressive nature of the positive income tax structure is ignored since the results of the analysis are not affected.

## TAXES AND NIT

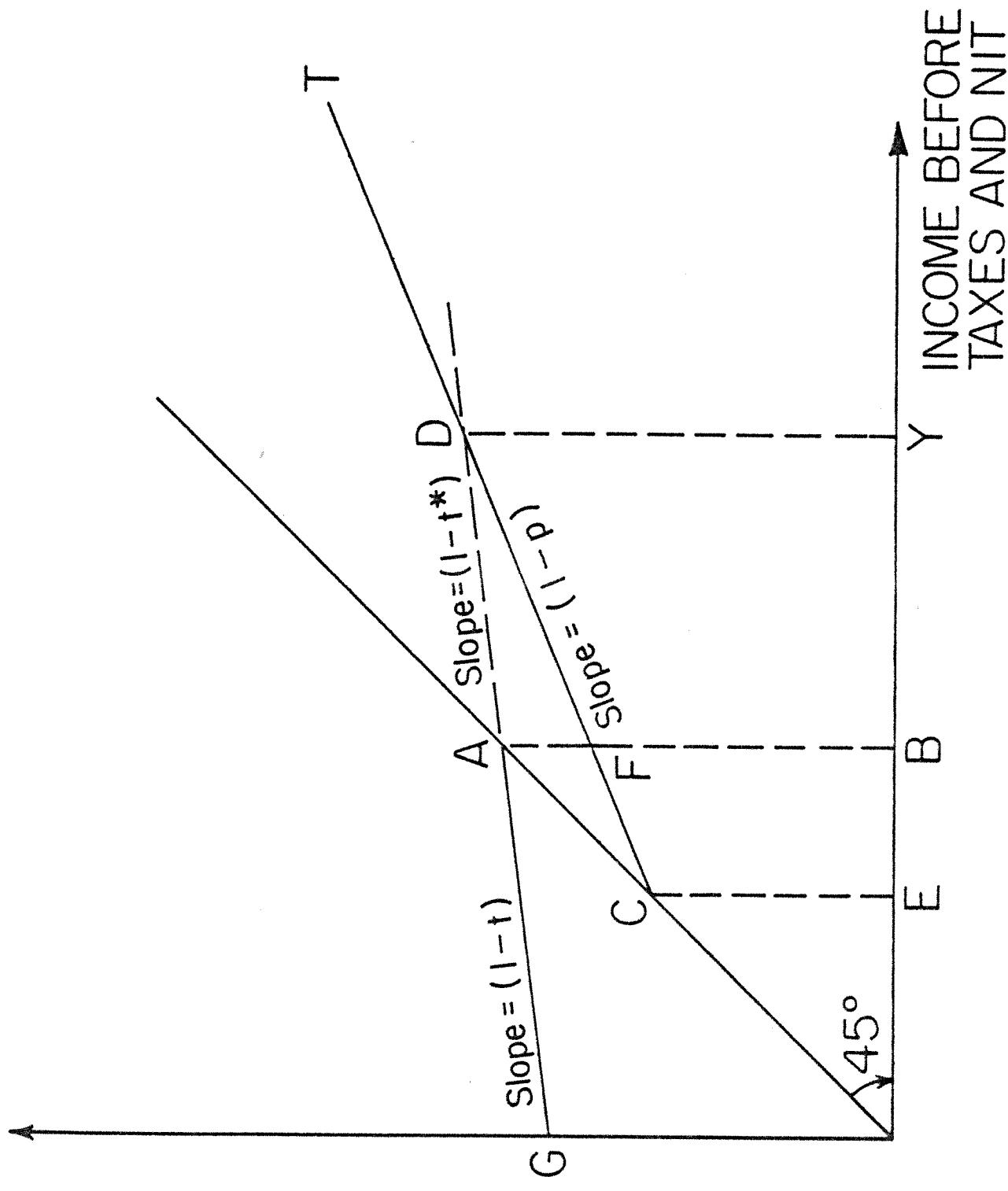


Figure II.2

INTEGRATION OF NIT AND POSITIVE INCOME TAX SYSTEM

before,  $G$  is the annual support level,  $B$  is the breakeven level of income, and  $t$  is the offset tax rate. The after-tax locus of the PIT structure is OCFDT, and the income tax payable at any given level of income is represented by the vertical distance between the  $45^\circ$  line and the after-tax locus at that point. If no special integration mechanisms were implemented, the two systems would simply be added together with the result that families with incomes between  $E$  and  $B$  simultaneously receive NIT payments and pay positive income taxes, assuming that  $E$  and  $B$  do not coincide.

The method of integration of the PIT and NIT systems adopted by Mincome Manitoba involves rebating all other income-conditioned tax payments and treating all other government transfers as equivalent to the basic support level in order to maintain experimental control over the tax rate faced by participants in the NIT program.<sup>1</sup>

To avoid the "notch effect"<sup>2</sup> that would result when the family's income rose above  $B$  (and hence suddenly faced positive income taxes again), the tax rebate is gradually phased out at levels of income in excess of  $B$ . For any level of income between  $B$  and  $Y$  the rebate is represented by the vertical distance between AD and FD. Thus, the amount of the rebate falls from 100% at  $B$  (=AF) to zero at  $Y$  (the point of tax equivalence). The new post-tax income locus is GADT. The size of the income range over which partial rebates are paid is determined by the difference between the

<sup>1</sup> Alternatively, one may view Mincome Manitoba as taxing all competing transfers received at a 100% rate.

<sup>2</sup> If the rebate were given only to families receiving NIT payments, the post-NIT, post-tax income locus would be GAFDT. In such a case, as the family's income rose past  $B$  they would lose not only their NIT payments but also their income tax rebates, resulting in a drop in their net income of AF at  $B$ . This sudden drop is referred to as the "notch effect".

positive tax rate ( $p$ ) and the NIT integration tax rate ( $t^*$ ) applied to income above  $B$ . As  $t^*$  rises relative to  $p$ , the distance between  $Y$  and  $B$  decreases.

### III. Elements of the Payments System

#### III.1 Description of the System

The payments system of Mincome Manitoba made income-conditioned payments to families designated as reporting units. Payment amounts were based upon an annual accounting period, the calendar year, and a monthly payment and reporting period. The system also included such features as a carryover provision, the reimbursement of positive income tax withholdings on a monthly basis, a system of annual reconciliation to close out each calendar year accounting period, and self-reporting of income. In addition there were formal provisions for payment adjustments to correct any over or underpayments that occurred. As well, procedures also existed to re-set carryover and outstanding payment amounts whenever changes in family composition made such adjustments necessary.

The support level also varied according to the size of the participating family in order to provide similar minimum standards of living to all family sizes and hence offer a "neutral" support structure which would not systematically discriminate against any family size. The adjustment was effected through a pre-determined family size index which attempted to balance the economies of scale involved in family consumption against any incentive inherent in the index to encourage a family to split into smaller units. The support levels were adjusted periodically to

maintain approximately constant real value over the duration of the program.

The NIT system of Mincome Manitoba was designed to deliver only regular income maintenance payments and not to provide additional payments or services such as in-kind transfers, special needs, or emergency assistance to the participant families. It is possible, however, to either add or integrate these types of services into a NIT program.

### III.2 Eligibility

To be eligible to participate in the experiment in either Winnipeg or the Rural Dispersed sites, a person must have been selected by Mincome Manitoba as part of the final experimental panel, or have resided with a person so selected and become a mandatory member of the reporting unit. To be eligible in the saturation site (Dauphin), a person must have been a resident in Dauphin as at July 1, 1974 and must also have been resident at the time of application for enrollment in the payments program. In all sites, eligibility was restricted to persons who were Canadian citizens or landed immigrants.

Members present when the reporting unit was initially selected for enrollment in payments were eligible, should they subsequently leave the original unit, to form their own unit, provided they were an adult member or the spouse of an adult member. Members who joined a reporting unit as a mandatory member after enrollment, and remained with the enrolled unit for six months, also became eligible to subsequently form a new unit under the same conditions as those applied to members of the initially enrolled unit.

### III.3 The Reporting Unit

The basis of the payments system of Mincome Manitoba was the reporting unit. The definition of reporting unit used by Mincome Manitoba centered upon an adult member and the family related to and living with that adult member. (An adult member must exceed eighteen years of age, or exceed sixteen years of age and be married, or exceed sixteen years of age and live with one or more of his/her own children.) Reporting units could contain more than one adult member. However, one adult member, designated by the members of the reporting unit as the "filer", was responsible for submitting all required reports to Mincome Manitoba and for receiving the payment on behalf of the unit.

Certain members of the household of the adult member were mandatory members. Mandatory members included the spouse and children of the adult member (or spouse), unless the children were either married or had children of their own. Unmarried adult members were to include as mandatory members parents living in the same household, and any other unmarried, non-parent children of the parents in the household.

Mincome Manitoba chose to make payments to family units, as opposed to individuals, because the family was regarded as the relevant economic unit whereby total income and expenses are pooled. Although the Canadian personal income tax system is based principally on the individual, the social welfare system is a family-based system. Additionally, it is the income of the family unit rather than the individual that is of policy concern in discussions of income maintenance. The family unit, as defined by Mincome Manitoba, included non-head adult earners even though

there may not have been complete pooling of their income and expenses with the income and expenses of the rest of the family. Treating these individuals as separate units would require elaborate, rigid, and in particular cases, unrealistic algorithms to define income transfers between separate units sharing a household. A reporting unit definition that tried to reflect actual month-to-month changes in income pooling would probably have been both costly and administratively burdensome.

#### III.4 Definition of Income

In defining income to be included for the purpose of the payments calculation, Mincome Manitoba divided receipts into two main categories; income subject to the normal reduction (offset) rate (NRR - either 35%, 50% or 75%) and income subject to a one hundred percent reduction rate (100% income). There was also a category of totally exempt income. There were three types of income subject to the normal reduction rate -- self-employment income, earned income, and other normal reduction rate income.

Mincome Manitoba adopted the definition of self-employed income used by Revenue Canada for income tax purposes with the following changes: capital cost allowance on real estate property was not allowed, and after the 1975 calendar year, net business income was not allowed to be less than zero. The amount of self-employment income reported on income tax returns for the previous calendar year was the amount to be counted for the current year. Self-employment income could, however, be reported monthly if only simple income and expense flows were experienced, such as cases in which no inventories were involved and in which no capital cost allowance was claimed.

The definition of earned income included all forms of income from employment, except self-employment, such as wages and salaries, tips and gratuities, disbursements from profit sharing plans, vacation and severance pay and any other monetary remuneration resulting from employment with a separate employer. For individuals under sixteen years of age the first fifty dollars of such income received each month was exempt for reporting periods after June 1975.

Other normal reduction rate income included almost all other income received from private sources as well as certain types of income from government sources. Also included was income-in-kind received from an employer where such receipts were not designed to cover employment expenses incurred by the employee. Some of the items from private sources included the market value of income-in-kind received from rent-free or subsidized housing provided by a non-government source; payments from pension plans, annuities and retirement benefits; alimony and child support received; strike pay or unemployment benefits from a non-government source; half of the income received from boarders and one-third of the income received from roomers. Two types of income excluded from other normal reduction rate income were inheritances and lump-sum life insurance benefits. These were not counted as income but were treated as an increase in the net worth of the reporting unit. The main types of income from government sources included among other normal reduction rate income were training allowances, fellowships, scholarships and bursaries; workers compensation designed to cover the loss of income; and war veterans pension.

Income subject to the one hundred percent reduction rate included

a number of government transfer payments, such as unemployment insurance benefits, Canada Pension Plan benefits, Old Age Security benefits, War Veterans Allowances and Civilian War Allowances, and the market value of the income-in-kind of rent-free or subsidized housing provided by a government source.

Income totally exempt from any reduction rate included special needs and medical needs received from a means tested welfare program by a Mincome Manitoba participant previously on that particular program. Normal maintenance payments received from a welfare agency before the initial Mincome Manitoba payments were also exempt, but thereafter were subject to the one hundred percent reduction rate. Also exempt from any reduction rate application were payments received for the maintenance of a foster child and day-care subsidies.

### III.5 Income Distinctions and Tax Reimbursements

The payment, P, for a typical reporting unit with zero net worth may be represented as follows:

$$(III.1) \quad P = G - t \cdot Y - l \cdot T$$

where G is the support level, t is the offset tax rate, Y is family income and T represents net competing government transfers and taxes. As previously mentioned, all income received by a reporting unit was divided into two main types determining payments; namely (i) normal reduction rate income (Y), which included earned income from all sources and transfer income received from private sources, and (ii) one hundred percent income (T), which comprised government transfer income. The nomenclature

derived from the particular tax rate applied to the income category. Accordingly, the normal reduction rate income was multiplied by the NIT program offset tax rate ( $t$ ) and this amount ( $t \cdot Y$ ) was subtracted from the guaranteed support level,  $G$ . One hundred percent income ( $T$ ) was offset dollar for dollar against the guarantee,  $G$ . Hence all competing government transfer receipts were taxed at the rate of one hundred percent ( $-1 \cdot T$ ), and any positive tax liabilities were completely reimbursed ( $+1 \cdot T$ ) since, in this context, taxes were viewed as negative transfers. Consequently, net competing taxes and transfers ( $1 \cdot T$ ) may have been either positive or negative.<sup>1</sup>

### III.6 The Carryover Provision

The support level,  $G$ , is the amount guaranteed to a family unit over the twelve month accounting period. For reasons of responsiveness, however, payment amounts are issued monthly, and are based upon the total reported income received in the previous month. In an ideal payment system, a family with a total annual income in excess of the annual break-even level is not entitled to, and would not receive, any NIT payments. But since the payment calculation was based upon only the income received in the previous month, NIT payments were made during months in which the

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<sup>1</sup> Detailed definitions of normal reduction rate income, one hundred percent income, positive tax reimbursement components, etc., are given in the Rules of Operation. As the guarantee minus income becomes large and negative, the amount of taxes rebated is reduced to zero. In order to reduce the income level at which the tax reimbursement reaches zero when normal reduction rate income exceeds the breakeven level, an additional reduction rate is imposed on the tax rebate. This latter modification was adopted for experimental research reasons and is not directly relevant to the discussion here. For further details on the integration of the NIT with the PIT system see Hum, et al. "The Objectives and Design of the Manitoba Basic Annual Income Experiment".

family experienced unusually low income. If no further adjustments were made in the payments calculation, families with above-breakeven total annual but fluctuating monthly incomes would receive overpayments. Such overpayments would then have to be recovered to maintain equity.

A carryover provision was included in the calculation of the monthly payment by Mincome Manitoba in order to reduce the size of the overpayments that result from fluctuating income. Specifically, reported income above the breakeven level in any month was carried forward and counted as income in later periods, whenever income fell below breakeven. Periods of high income were used to offset future periods of low income.

Whenever a change in family composition occurred, the outstanding carryover amount from the original unit was assigned to the resulting units in proportion to the total income received to date by the members of each of the new units. In the case of units joining together the carryover amounts were combined. Resetting of carryover amounts occasioned by a change in composition of a reporting unit was necessary in order to avoid undesirable dowry effects for individuals. Such an effect might have occurred if an income earner or recipient left the unit, taking all the income with him/her, and leaving the remaining members with little income but a massive carryover.

### III.7 The Accounting Period

The accounting period is defined as the time period over which the income entitlement is determined. The choice of accounting period is critical in any accounting system.

The accounting period adopted by Mincome Manitoba was an annual or twelve month accounting period -- the calendar year. The annual calendar year accounting period, combined with an annual reconciliation process (described below), was chosen for a number of reasons. An annual or twelve month accounting period was useful because of equity and feasibility considerations, as well as the desire to integrate the NIT accounting system with the positive income tax annual accounting procedures.

Equity, in this context, is taken to mean that families of identical composition, net worth, and total income for an accounting period should receive the same total payments for the accounting period regardless of the time pattern of the income receipts. Consider two families of identical composition, and both with annual incomes equal to their respective breakeven levels (i.e., the level above which no NIT payments are made). Suppose the monthly income of one family fluctuates above and below its monthly breakeven level. With monthly, rather than annual, accounting this family would be eligible for payments for those months they received below-breakeven income. Now if the other family's monthly income exactly equals its monthly breakeven level for each month of the year, it receives no NIT payments. Since families with fluctuating incomes may tend to budget on longer time periods than one month, it should not be necessary for a NIT payments system to reduce all monthly fluctuations. It would appear then to be more equitable and fair to have families with the same annual income receive identical payments than to have them receive different amounts. The precise choice of time period, nonetheless, cannot be decided upon by any absolute criteria. An annual accounting period seems long enough to cover seasonal variations in

income and employment while a shorter time period would not do.

Year to year fluctuations in income also undoubtedly occur, and an annual accounting system will not take these into account. There is, however, some limit to the time period over which families should be expected to budget for periods of low income. Also, annual fluctuations in income result in changes in the marginal positive tax rate, adding further complications for systems integration (and research design). Finally, Mincome Manitoba adopted the calendar year accounting period rather than some form of rolling twelve month accounting period because the positive income tax system employs a calendar year period. A calendar year system is also one of interest indicated by Canadian policy makers.

In order to enable all reporting units to be on the same calendar year accounting period while permitting enrollment in the NIT program at any time during that calendar year, it was necessary to adopt procedures for calculating initial payments at any time during the accounting period. Mincome accomplished this by ignoring the elapsed first part of the accounting period to avoid requiring new enrollments to file back income reports for various time spans of up to eleven months. To maintain equity over the accounting period, the annual reconciliation process (see below) was also modified to allow for partial year enrollments.

### III.8 Reporting and Payment Periods

The need for administrative responsiveness to changes in circumstances of program participants partly dictates a relatively short reporting and payment period. Payments to reporting units must therefore

be frequent as well as responsive to recent and current income status. Mincome Manitoba adopted the calendar month as both the payment adjustment and disbursement period as well as the recipient reporting period.

For most types of income Mincome Manitoba employed a monthly reporting period. The enrolled units were required to report their total monthly income from all sources received by all members retrospectively after the end of each month.<sup>1</sup> Changes in family composition were also reported monthly. Income from self-employment and farming was normally reported annually but could be reported monthly if there were no inventories involved in the business and if there were no capital cost allowances to be claimed as an expense. Net worth of the family was reported annually at the beginning of the year, but if total net worth changed by more than \$5000 from the last reported value a new net worth statement was to be filed. The income and family composition was reported on an income report form (IRF) sent to participants by Mincome Manitoba each month.

Mincome Manitoba also adopted a monthly period for the calculation and delivery of payments to the program participants. Reports were expected in at the beginning of the following month. The reports were processed and payments were calculated and paid to recipients towards the end of the month by mailed cheque or direct bank deposit as requested. If income reports were not filed on time, payment to the recipient could be delayed. Late filing penalties of five and ten dollars were imposed

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<sup>1</sup> The method by which payments are calculated may be sensitive to whether payments are based upon reported past income for some period (retrospective reporting), or expected future income receipts estimated by the recipient (prospective reporting). A comparison of retrospective and prospective reporting methods is the subject of a separate study.

to encourage compliance with filing deadlines but there was no loss of transfer payment for late filing. The payment for any month was composed of: a monthly entitlement based upon one-twelfth of the annual guarantee applicable to the unit and the income received by the unit in that month, a reimbursement portion for the positive income tax withheld that month (including DPP contributions and UIC premiums), a carryover amount (see IV.3) based on the income of previous months, and any payment adjustments specifically applied to the unit.<sup>1</sup>

Mincome Manitoba adopted a common monthly reporting and payments period after considering both a shorter and a longer period, as well as a four week reporting period. A shorter period (say, bi-weekly) would have led to a much larger total paper flow for both the payments office as well as the recipients. It was unlikely that such a short period would allow sufficient time to process forms, perform payment calculations, and mail out cheques. The benefits of bi-weekly receipts rather than monthly payments also seemed to be marginal. On the other hand, a longer period (say, bi-monthly or quarterly) meant greater recall problems for recipients and could possibly have caused considerable underreporting of income. A four week period, while corresponding more closely than a monthly period to a weekly or bi-weekly pay schedule would have covered irregular dates which are difficult to remember. A four week period would mean artificial fluctuations in reported government transfer payments, such as family allowances and various pensions, as these payments are made monthly. With a four week period, NIT payments would also have come

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<sup>1</sup> Complete details of the payments calculation and of the income definitions used are specified in Mincome Manitoba Rules of Operation. However, a simplified algebraic representation of a payment calculation is given in a separate section of this paper.

at irregular dates, possibly causing problems for recipients in paying monthly bills.

The payments period was made to correspond to the reporting period, partly in order to avoid the additional complexity of combining several income reports in calculating payments. After reviewing both monthly and twice monthly payment periods, Mincome Manitoba eventually decided that the latter was more frequent than necessary and unlikely to be used in any permanent program.

Finally, reimbursement of the positive income tax withheld was rebated every month in order to permit better control over the perceived effective tax rate than that obtainable with a tax rebate made only once a year. If positive income tax withheld was rebated only at the end of the year, participants might perceive each month that their "after tax" income was lower than it actually should be since tax withholdings would not be included in the monthly payment. At the same time, a large tax rebate at the end of the year would also introduce a sharp fluctuation in the normal income flow. Both of these effects were considered undesirable from a research perspective.

### III.9 Definition of Net Worth

The net worth of a reporting unit was considered in the payment calculation, and equalled the difference between the market value of the assets and the amount owing on the assets. All assets of the unit except for exemptions specifically allowed in the Rules of Operation were included. The definition of assets included the following three types

-- personal property, financial and real estate property, and business property. In calculating the net worth amount, unsecured liabilities were subtracted from the value of the assets. However, the final net worth amount was not allowed to be less than zero. In calculating the net worth associated with personal property, any item or collection must have been worth \$1000 before being included. The \$1000 exemption did not apply to financial and real estate property, or to business property. However, a \$1000 exemption was applied to the cash surrender value of life insurance policies. A dwelling occupied as a principal residence by a reporting unit was excluded from net worth after 1975, although it was included for the 1975 calendar year. Property held in trust for an individual was excluded from the net worth calculation unless the individual would, or could by his choice, receive the property within that calendar year. If an individual owned a business the net worth of the business was equal to assets minus liabilities, and where an individual owned shares in a business the value counted was the market value of the shares.

### III.10 Treatment of Net Worth

The economic strength of a family at any point in time is not measured solely by its money income flow. Its net worth or wealth is also an important factor affecting the family's ability either to generate income-in-kind from its wealth or to directly consume its wealth. Therefore, within the purely static framework of a single accounting period, considerations of horizontal equity would dictate that NIT payments be adjusted to reflect both income flows and the stock of wealth.

However, within a dynamic longer-run context, the situation is less clear. Any wealth-conditioned reduction in NIT payments implies a direct tax on wealth, and this could affect both the savings/consumption and work force decisions not only of current recipients but also of families who expect they may become NIT recipients in the future.<sup>1</sup>

In specifying the net worth tax rate ( $r$ ) for the payment calculation for a typical family

$$(II.1) \quad P = G - T - t \cdot Y - r \cdot W$$

Mincome Manitoba adopted the following treatment of personal net worth. For NIT recipients with relatively limited levels of net worth, \$10,000 or less, the amount in excess of a basic exemption of \$3000 was taxed at 4% per annum. When combined with the offset tax liability, this is equivalent to imputing a rate of return on wealth and taxing this imputed income from wealth at 100%. The implicit assumption was that NIT recipients are neither expected to consume their wealth nor to save or add to their wealth while on the NIT program. The exemption was a basic \$3000 per family to avoid the administrative costs of dealing with small amounts of wealth. Net worth of more than \$10,000 but less than \$30,000 in excess of the basic exemption was taxed at a rate of 8% per annum. Net worth in excess of \$30,000 was taxed at 16%. These rates of net worth taxation were progressive and implied that relatively wealthy NIT recipients should

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<sup>1</sup> The probable time frame within which most savings decisions are made suggests that it would not have been possible to research this important question without greatly extending both the duration of the experiment as well as the budget. Therefore, net worth was not an experimental parameter in the design, but was specified on the basis of both equity as well as an a priori judgment of their policy relevance for a payments system.

consume their personal net worth in excess of \$10,000 to help maintain themselves during periods of low income.<sup>1</sup>

### III.11 Annual Reconciliation

The accounting period was the calendar year, but the payment and reporting period was one month. Accordingly, the actual monthly payments over the calendar year had to be reconciled with the annual entitlement based upon the total income received within the accounting period. "Closing off the books" for a specified fiscal period required a year end reconciliation, and operationally feasible methods by which the payments system could do this for a negative income tax program had to be established.

Mincome Manitoba's decision to have an annual calendar year accounting period necessitated some form of annual reconciliation to both close out each accounting period as well as to allow the payment carryover to be reset to zero. Fluctuating incomes in the earlier portion of the accounting period could have led to inappropriate payment amounts. Without reconciliation, large amounts of income received towards the end of the year would have had the effect of building up the carryover amount, which should have been used to offset payments received earlier in the same accounting period before being reset to zero.

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<sup>1</sup> Self-employed farmers potentially deriving more than half of their non-transfer income from farming were allowed an additional net worth exemption of \$20,000 so that the net worth tax would not impose a requirement that farmers consume part of their business assets.

An annual reconciliation process was also required for the correction of the positive tax reimbursement. The decision to rebate positive income tax on a monthly basis, combined with the fact that amounts withheld during the year rarely equal the final amount payable at year end, meant that either over or underpayments usually resulted. As well, since individuals could control, to some extent, the amount of taxes withheld, absence of a reconciliation process might have encouraged participants to have more than the correct amount withheld in order to increase the rate of payments received from Mincome Manitoba.

Mincome Manitoba conducted an annual reconciliation for all participating reporting units by calculating an annual entitlement and comparing this amount to the sum of the actual monthly payments and adjustments received for the year. Any difference between the annual entitlement and actual payments received resulted in a reconciliation amount. Payment adjustments were then made to units who had been underpaid. Action was also taken if the unit had been overpaid.<sup>1</sup> Mincome Manitoba requested copies of individual Revenue Canada income tax returns for all members of a reporting unit. In addition to using these returns to audit the income information reported during the year, the final positive tax liability assessment was used to correct any over or under reimbursement of positive income taxes.

For participants who were enrolled for only part of the accounting

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<sup>1</sup> Small amounts of overpayments were disregarded. In addition, in order to avoid excessive attrition for research purposes, as well as to study the determinants of overpayments themselves, recapture of overpayments by the experiment was less aggressive than would otherwise be the case for an actual program.

period, the reconciliation process applied a prorating formula, employing only the tax liability applicable to income received during the period of participation, defining an appropriate guarantee only for the period of participation, and so on.<sup>1</sup>

### III.12 Administration of Control Units

Payments were made only to those units assigned to a specific financial treatment. Income conditioned payments were not made to those families designated as control units for research purposes. Nonetheless, in addition to receiving reports from and making payments to those enrolled in the experiment as treatment units, the payments office also maintained contact with the control units. One group of control units was selected to file income reports each month in return for a small filing fee in order to control for any effect that filing itself might have on participant behaviour. Each month these units were required to complete the same income report form as that of the treatment units. These forms were processed by the payments office exactly as those of the treatment families in order to ensure completeness and accuracy. The remaining control units were not required to file income report forms. But in order to maintain some contact with these families, Mincome Manitoba sent them a form listing their address and family composition each month and asked them to confirm the information or indicate any changes. Upon returning the form these "postcard" control units were also paid a filing fee.

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<sup>1</sup> Details of the reconciliation process are set out fully in the Rules of Operation as well as discussed in Crest et al. "The Administration of the Payments System of Mincome Manitoba". Mincome Manitoba's experience with its reconciliation process is also the subject of a separate report.

#### IV. The Algebra of Payment Calculations

Very detailed procedures for calculating Mincome Manitoba payments under a variety of circumstances, including their algebraic specifications, are set forth in the Rules of Operation. A simplified and stylized version is presented below to illustrate some of the detailed mechanics of the calculation. We consider in turn, the calculation of the monthly entitlement, the calculation of the monthly payment, the procedure for resetting the carryover amount occasioned by a change in reporting unit composition, and the calculation of the annual reconciliation amount.

##### IV.1 Calculation of the Monthly Entitlement

The monthly payments calculation for any month originated by defining a monthly entitlement, M, calculated as follows:

$$(IV.1) \quad M = G - r \cdot Y - T + U^*$$

where

G = monthly support level

r = normal reduction rate

Y = income subject to the normal reduction rate in the month t

T = income subject to the 100% reduction rate in the month t

U\* = allowance for statutory deductions in the month t

Further, the following are defined:

$$(IV.2) \quad Y = Y^P - D$$

$$(IV.3) \quad T = H + E$$

where

- $Y^P$  = normal reduction rate income excluding income from the sale of assets in the month t
- D = overall allowed deductions in the month t
- H = net government receipts subject to the 100% reduction rate in the month t
- E = net worth assessment in the month t

The allowance for statutory monthly deductions was slightly more complicated. It was calculated as follows:

$$(IV.4) \quad U^* = U - [(1-r)(Y-1.2B)]$$

where

- U = actual statutory deductions in month t
- B = the breakeven point; that is,  $B = G/r$

Further, if either  $(Y - 1.2B)$  or  $U^*$  was negative, the allowance for statutory deductions,  $U^*$ , was set to zero.

Net worth, it is recalled, was reported on an annual basis. Calculation of a net worth assessment amount was based upon the reported annual net worth minus a \$3000 exemption. The first \$10,000 of taxable net worth was subject to an annual tax rate of 4%, the next \$20,000 of taxable net worth was subject to an annual tax rate of 8%, and any additional taxable net worth was subject to an annual tax rate of 16%. The monthly net worth assessment, E, was simply one-twelfth of the annual assessed amount determined by the net worth tax schedule above.

#### IV.2 Calculation of the Monthly Payment

The payment for the month (before adjustments) was calculated as the sum of the monthly entitlement and the carryover amount:

$$(IV.5) \quad P^* = M + C \quad \text{for } P^* \text{ in } [0, G]$$

where  $C$  was the carryover amount "entering" the current month.  $P^*$  was limited to a minimum of zero and to a maximum of the monthly support level. If the calculated value of  $P^*$  fell outside the allowable limits, it was set equal to the appropriate limit.

A carryover amount "leaving" a month (and "entering" the next month) arose whenever the calculated value for  $P^*$  fell outside the allowable limits of  $[0, G]$ . If the value was negative, the carryover amount equalled the calculated value and was negative. If the value was greater than  $G$ , the carryover amount was positive and calculated as:

$$(IV.6) \quad C_t = C_{t-1} + M - G .$$

In other words, the carryover amount was a cumulating calculation.

Finally, the actual monthly Mincome Manitoba payment was simply

$$(IV.7) \quad P = P^* + A$$

where  $A$  was any necessary payments adjustment arising from past or special circumstances applicable to the unit, late filing penalties or the like.

If  $P$  was less than \$10, it was set equal to \$10, the minimum monthly payment amount.

#### IV.3 Resetting the Carryover Amount

It was necessary to reset a non-zero carryover amount whenever the composition of a reporting unit changed. When a reporting unit broke up, the outstanding carryover amount was reassigned and distributed among the leaving member(s) and the remaining unit. The prorating procedure was based upon the income received by the leaving member(s), YL, and the income received by the remaining unit, YU, from the start of the current calendar year until the date of the unit's dissolution. In detail,

$$(IV.8) \quad YU = \Sigma(Y^P - D + T + E + \text{unassigned income})$$

and

$$(IV.9) \quad YL = \Sigma[Y^P - D + T + \emptyset(E + \text{unassigned income})]$$

where the summation was understood to be over the relevant months, unassigned income was income assigned to the unit and not individual members (certain government transfers, for example) and  $\emptyset$  represented a percentage of the net worth and unassigned income attributed to the leaving member.

It was calculated as:

$$(IV.10) \quad \emptyset = \frac{G_L}{G_L - G_U - L}$$

where

$G_L$  = support level of leaving member

$G_{U-L}$  = support level for unit excluding the leaving member

The payment carryover amount was now calculated for the leaving member as

$$(IV.11) \quad LC = C^T \times \frac{YL}{YU}$$

where LC was the reset carryover amount for the leaving member and  $C^T$  was the total payment carryover existing at the time of resetting. The residual was allocated to the remaining unit. The procedure was easily applied to more than one member leaving. Similarly, the leaving member's carryover, LC, was added to the outstanding total carryover for any unit joined.

A similar procedure of prorating was applied to allocating outstanding payment adjustment amounts for departing, joining and remaining members when reporting unit composition changed.

#### IV.4 Annual Reconciliation

An annual reconciliation was performed once a year for all participants. It was based upon a comparison of an annual entitlement amount and the total of monthly payments paid to the unit for the calendar year.

For participants enrolled for the full year with no changes in reporting unit composition, the calculation of the annual entitlement was similar to the monthly payment entitlement calculation. There were three differences: annual and not monthly values were used, there was no carryover, and capital gains and losses were included.

The annual entitlement,  $M^*$ , was calculated as:

$$(IV.12) \quad M^* = \Sigma S - (r \Sigma Y + T + A)$$

where the summation was understood to be over the entire calendar year, G, r, Y, and T were as defined previously, and A was income from the sale of assets attributed as net capital gains made during the year. A was subject to a lower bound of zero. Similarly,  $M^*$  was set equal to zero if negative, and set equal to  $\Sigma S$  if  $M^*$  is greater than  $\Sigma S$ .

The reconciliation amount, R, was simply calculated as:

$$(IV.13) \quad R = \Sigma P - M^*$$

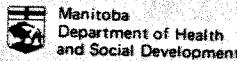
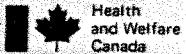
where  $\Sigma P$  was the sum of the monthly payments made over the course of the year. Finally, if the calculated amount, R, was positive,

$$(IV.14) \quad Q = R - 20(ME) \times FSI$$

was also calculated where ME was the number of months the unit was enrolled in the program and FSI was the family size index. Q was subject to a lower bound of zero. The amount  $20(ME) \times FSI$  represented an exemption amount not recoverable for administrative and experimental reasons. For single individuals the FSI value of .5 was employed instead of the actual value of .38 so that the exemption amount would not represent less than the minimum payments of \$10.00 per month.

If the calculated reconciliation amount was negative, Mincome Manitoba paid the unit the absolute value of the calculated amount. In cases where the calculated reconciliation amount after the exemption was positive, the reporting unit owed Mincome Manitoba the excess over the exemption.

The reconciliation process was more complex for units enrolled for only part of the calendar year, or where family composition changes occur throughout the year. Complete specifications of the reconciliation process are set out in the Rules of Operation and procedures for recovering reconciliation amounts are discussed in Crest et al. "The Administration of the Payments System of Mincome Manitoba".

**Mincome Manitoba**A JOINT RESEARCH PROJECT OF THE  
GOVERNMENTS OF CANADA AND MANITOBA**INCOME REPORT FORM  
FOR THE MONTH OF:**

1. START AT SECTION 1 BELOW.
2. COMPLETE ALL SECTIONS BY USING THE STEP BY STEP GUIDE WHEN NECESSARY.
3. WRITE IN THE UNSHADED AREAS ONLY.

MAILING ADDRESS

RESIDENCE ADDRESS (if other than mailing address)

RESIDENCE TELEPHONE NUMBER

OTHER TELEPHONE NUMBER

NAMES OF PERSONS IN THE REPORTING UNIT	DATE OF BIRTH		RELATIONSHIP TO FILER	DATE JOINED OR LEFT (if applicable)		
	MONTH	YEAR		DAY	MONTH	YEAR

## 1. CHANGE OF FILER (see Guide item 1)

YES 

Is there a change of FILER for the Reporting Unit?

NO 

Write FILER beside the new filer's name and make sure that the correct "Relationship to Filer" appears beside each member's name.

## DO NOT COMPLETE UNLESS FILER IS CHANGED

I certify that I have turned my responsibilities as filer over to the new filer whose name appears above.

PREVIOUS FILER'S SIGNATURE

DATE

## 2. OTHER CHANGES TO THE REPORTING UNIT (see Guide item 2)

a) Has anyone joined the Reporting Unit during the month? (include births) YES  If yes, add new member to list above and complete details. NO b) Has anyone left the Reporting Unit during the month? (include deaths) YES  If yes, cross out departed member from list above, show date left, and complete the following. NO 

NAME OF DEPARTED MEMBER	REASON FOR CHANGE	NEW ADDRESS OF DEPARTED MEMBER

SHOW ANY OTHER CORRECTIONS IN THE UNSHADED AREAS ABOVE

Fill in the names of the members of the Reporting Unit, who have income for the month, at the top of the columns.  
Read down the pages filling in all the income received by each member under his/her name. Be sure that you record  
all types of income listed below that was received during the month.

NAMES OF MEMBERS  
WHO HAVE INCOME

NAME

NAME

NAME

NAME

NAME

3. SALARIES, WAGES,  
FEES, COMMISSIONS  
AND DEDUCTIONS  
(see Guide item 3)

FIRST PAY OF THE MONTH

DATE PAY RECEIVED

GROSS PAY  
BEFORE DEDUCTIONS

DEDUCTION FOR  
INCOME TAX

DEDUCTION FOR  
CANADA PENSION  
PLAN (C.P.P. or Q.P.P.)

DEDUCTION FOR  
UNEMPLOYMENT  
INSURANCE

SECOND PAY OF THE MONTH

DATE PAY RECEIVED

GROSS PAY  
BEFORE DEDUCTIONS

DEDUCTION FOR  
INCOME TAX

DEDUCTION FOR  
CANADA PENSION  
PLAN (C.P.P. or Q.P.P.)

DEDUCTION FOR  
UNEMPLOYMENT  
INSURANCE

THIRD PAY OF THE MONTH

DATE PAY RECEIVED

GROSS PAY  
BEFORE DEDUCTIONS

DEDUCTION FOR  
INCOME TAX

DEDUCTION FOR  
CANADA PENSION  
PLAN (C.P.P. or Q.P.P.)

DEDUCTION FOR  
UNEMPLOYMENT  
INSURANCE

FOURTH PAY OF THE MONTH

DATE PAY RECEIVED

GROSS PAY  
BEFORE DEDUCTIONS

DEDUCTION FOR  
INCOME TAX

DEDUCTION FOR  
CANADA PENSION  
PLAN (C.P.P. or Q.P.P.)

DEDUCTION FOR  
UNEMPLOYMENT  
INSURANCE

NAME OF MEMBERS  
WHO HAVE INCOME

NAME

NAME

NAME

NAME

NAME

FIFTH PAY OF THE MONTH

DATE PAY RECEIVED

GROSS PAY  
BEFORE DEDUCTIONS

DEDUCTION FOR  
INCOME TAX

DEDUCTION FOR  
CANADA PENSION  
PLAN (C.P.P. or Q.P.P.)

DEDUCTION FOR  
UNEMPLOYMENT  
INSURANCE

4. GOVERNMENT  
PAYMENTS

(see Guide item 4)

UNEMPLOYMENT  
INSURANCE BENEFIT  
RECEIVED

CANADA PENSION  
PLAN (C.P.P. or Q.P.P.)  
DESCRIBE:

OLD AGE SECURITY  
and GUARANTEED  
INCOME SUPPLEMENT

MANITOBA SUPPLEMENT  
FOR THE ELDERLY

WAR VETERAN'S  
ALLOWANCE

WORKER'S  
COMPENSATION (for  
loss of income only)

55555

SOCIAL ASSISTANCE  
DESCRIBE:

OTHER GOVERNMENT  
PAYMENT-DESCRIBE:

5. OTHER  
INCOME  
(see Guide item 5)

PENSION or ANNUITY  
other than C.P.P./Q.P.P.

ALIMONY or SUPPORT  
RECEIVED

INTEREST INCOME  
(or income from financial  
assets)

TRAINING ALLOWANCE,  
BURSARY, GRANT  
or SCHOLARSHIP

OTHER INCOME (see Guide item 5)  
(excluding Business Income)

DESCRIBE:

**6. BUSINESS INCOME** (see Guide item 6)

1. Did anyone in your Reporting Unit have business income or expenses for the month?

YES  If yes, complete question 2.NO YES  If yes, complete the Monthly Business Income Schedule.NO 

2. Have you received permission to report business income and expenses monthly?

If you wish to receive permission to report business income and expenses monthly, please telephone the Payments Office.

**7. RENTAL INCOME** (see Guide item 7)

Have you or any member of the Reporting Unit received any rental income?

Do not include Business Rental Income.

YES  If yes, complete this section.NO 

MEMBER'S NAME

CHECK TYPE OF RENTAL INCOME			
ROOMER IN HOME	BOARDER IN HOME	ADDITIONAL DWELLING	PERSONAL PROPERTY
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

FULL AMOUNT RECEIVED

MEMBER'S NAME

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------	--------------------------

FULL AMOUNT RECEIVED

**8. LOW RENTAL OR ASSISTED HOUSING** (see Guide item 8)

Has your Reporting Unit received:

a) low rental housing, public housing?

YES  If yes, report number of bedrooms  and amount of monthly rent

AMOUNT

NO 

b) Assisted Home Ownership Program?

YES  If yes, state Total Assistance Annually.

AMOUNT

NO 

c) any other housing subsidy ?

YES  If yes, state monthly subsidy.

AMOUNT

NO 

NAME OF AGENCY

NAME OF AGENCY
----------------

**9. EXPENSES: ALIMONY OR SUPPORT PAID OUT** (see Guide item 9)

Have you or any member of the Reporting Unit paid out alimony to another person?

YES  If yes, complete this sectionNO 

AMOUNT

MEMBER'S NAME

PAID TO

AMOUNT

MEMBER'S NAME

PAID TO

AMOUNT

IF THE AMOUNT IS OVER \$75.00, PROOF OF A COURT ORDER OR A LEGAL OBLIGATION WILL BE REQUIRED.

**10. COMPLETE THE FOLLOWING ONLY WHEN APPLYING FOR DIRECT DEPOSIT OPTION OR CHANGING ARRANGEMENTS**  
(see Guide item 10)

How do you wish to receive payment?

BY CHEQUE BY DIRECT DEPOSIT 

If by Direct Deposit, give details.

When requesting Direct Deposit, please enclose a cheque on which you have written "VOID", for the account to be used.

NAME OF BANK, TRUST Co. or CREDIT UNION

BRANCH

ACCOUNT NUMBER

NAME OF BANK, TRUST Co. or CREDIT UNION
---

BRANCH
--------

ACCOUNT NUMBER
----------------

ADDRESS

ADDRESS
---------

Can you write cheques on this account?

YES  NO **11. PLEASE SIGN AND DATE THIS FORM BEFORE RETURNING** (see Guide item 11)

I certify that all information in this Income Report Form and in all documents attached or forming part of this Report is, to the best of my knowledge, complete and accurate for all members of the Reporting Unit.

FILER'S SIGNATURE

DATE

DATE
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