QUANTIFYING THE WELFARE MESS

by

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This working paper updates and expands an earlier working paper *The Welfare Mess* written with Anne Heynes. It incorporates modelling, undertaken by Keith Rankin, of the effective marginal tax rates faced by different family types. The material is intended to inform public debate and is not a manual on DSW rules, nor is it to be taken as a guide to the exact entitlement of any individual applicant. The authors gratefully acknowledge financial assistance provided by Te Puni Kõkori.

1. Introduction

The Welfare Mess (St John and Heynes 1993, updated 1994), and *The Welfare Mess Revisited* (St John 1996) outlined the thinking that underpinned the transformation of New Zealand's welfare state in the early 1990s. At this time, there was a radical shift from a balanced mix of targeted and universal social assistance to a tightly targeted welfare state, best described as residual or 'only for the poor'.

These changes reflected the belief that welfare benefits were both unaffordable and undesirable. The possibility that greater targeting might be a means of both 'promoting equity and saving cost' lay behind the advice in both the 1984 and the 1987 Treasury briefing papers to the incoming Governments (Prebble and Rebstock 1992, p.iii). However, 'promoting equity' was largely seen as restricting the calls on tax-funded support to those who can demonstrate 'genuine need'. 'Saving cost' was narrowly interpreted to mean immediate savings in the government's welfare budget while ignoring other costs that may be shifted elsewhere.

In theory, eliminating state payments to the better-off should mean that redistribution to the poor can become more generous and effective. Such an expectation was held by at least some social liberals in the 1980s. In the 1990s, it has become clear that the targeting process simply marginalises the welfare state while facilitating tax cuts. The reason for the observed result of diminished, rather than enhanced social provision for the poorest is clear. The more social assistance that is means-tested, the longer the income range over which abatement must occur, and/or the higher the rate of abatement must be.

The combined loss from tax and abatement when an extra dollar is earned is known as the '***effective marginal tax rate***' (EMTR). High EMTRs are responsible for the 'poverty trap' many low income people face. But they are necessary to confine the poverty trap problem to as few people as possible. The conservative reformist may see the distortions and disincentives of high EMTRs, but faces the dilemma that lower rates of abatement are expensive and result in far more people caught in abatement procedures. Is in turn counters the intention of making as many people as possible 'independent' from the state.

Targeting of large areas of social assistance leads inevitably then, to both low levels of assistance and high EMTRs. Moreover, where there are many non-coordinated abatement provisions, high and arbitrary effective marginal tax rates over long income ranges can be the result. Technical solutions to prevent the cumulative impact of overlaps in income tests for different benefits have generally failed.

This paper briefly summarises the history of targeting since 1990 (as outlined in the original *The Welfare Mess).* In 1996 some significant changes to abatement of benefits were announced, along with changes to the personal income tax scale and family tax credits, all to be fully phased in by 1 July 1997. At this time, new principles were introduced which in turn have produced some new complexities. These themes have been intensified with introduction of workfare ideas under the new community wage scheme in October 1998. Rankin (1998) argues the community wage can be transformed into a form of "participation income", as has been advocated by a number of social liberals in Britain and Australia (Atkinson 1996, Cass 1998). Its implementation in New Zealand, however, may only serve to aggravate the targeting process that has created the welfare mess.

The reduction in the statutory tax rates from July 1996 and July 1998 only slightly modifies high EMTRs for beneficiaries and low income earners. The second round of tax cuts, promised for 1997, was deferred following the signing of the coalition agreement between the National and New Zealand First parties on the 11th of December 1996. These tax cuts were implemented on 1 July 1998, along with some social welfare changes announced in the May 1998 budget.

This paper sets out the overlaps in the various targeting measures and provides an up-to-date compendium of the current targeted measures, their different conditions, criteria, and their different methods of administration as at 1 July 1998. Where changes have been announced for future implementation, these are also documented. Users of this information are cautioned that targeting rules may change at short notice, and that much of the complexity surrounding conditions of entitlement can only be fully experienced by the direct user. Each individual faces a different set of entitlement and targeting measures, depending on work history, family type, income, and assets. This caveat is especially important in light of the complexity of the just announced community wage requirements and the amendment of the Social Security Act 1996, the Social Security (Work test) Amendment Bill 1998.

2. Background to the redesign of the welfare state

In several papers throughout the 1980s Treasury economists expressed concern about fragmentation and inefficiency in the delivery and administration of welfare payments. They also stressed the problems of overlapping income tests and the work disincentives of the high effective marginal tax rates that are implicit in such tests. In some ranges of income, EMTRs could approach 100%. In the 1990 briefing papers they wrote:

> As a general rule, the more people facing higher effective marginal tax rates over longer ranges of potential income, the greater the costs to society and the greater the probable loss of output.
>
> An indication of the effect of such scales is the fact that very few people are in jobs with an income at the level where the maximum rate of benefit abatement applies; instead they tend to have no job at all, rather than work for little gain. This is worrying since it discourages part-time work, which may be the most appropriate employment for some beneficiaries. (p 110)

Treasury identified high levels of benefits as a major factor preventing a more gradual abatement system. Late in December 1990, it was announced that benefits would be cut significantly and the Change Team on Targeting Social Assistance was established to design a new system of targeted social assistance. The policy document that emerged was the background paper for the wide ranging reforms foreshadowed in the 1991 Budget.

The 1991 Budget document *Welfare that Works* claimed to present an 'integrated approach to social security and social assistance'. The problem of high effective marginal tax rates that compound as social assistance becomes increasingly targeted was to be solved:

> Although any targeting system involves a reduction of total support as family income rises, the system will be designed in such a way that people are better off earning additional income and moving from dependence to independence.
>
> The reduction in assistance will not be in sudden steps because that would mean some people might be discouraged from earning more if the final result is a drop in the total of earnings and income assistance. (This is sometimes

> known as a "poverty trap".) Instead, assistance will be phased out over a range of income so the effects of the drop in assistance on total earnings will be less severe. Support for different services will be phased out service by service. (p.18)

Welfare that Works put forward a vision of a seamless, global system of abatement of all social assistance. The mechanisms were described in detail with the aid of 3-dimensional diagrams that showed that a single family income test and a single phase-out rate were to apply across all forms of social assistance. (p.43)

An integrated approach was necessary and would be facilitated by the development of 'family accounts':

> It would be difficult to institute a system that is sensitive to family needs by merely looking at each service individually. For example, the ability to pay for health care depends on what the family must pay for other social services. It is impossible to gauge the impact each service has on a family's total circumstances without taking an integrated approach. (p 44)

Full integration was to proceed slowly as it was recognised that all existing provisions could not be placed on this new basis overnight. Nevertheless, with respect to Family Support and Student Allowances, the Budget indicated that the decision had already been taken to proceed:

> ...those two schemes now operate in isolation to one another. They cut in and out and abate at different rates. As a result, the impact of one or both schemes on the resources of some families may be contrary to what was intended in assisting those families with access to social services.
>
> The Government has decided the administrative rules of the global arrangement will apply to Family Support and tertiary allowances.
> (p 46)

Later, child subsidies and health subsidies were to be included. The phase-out was to be in a well-defined order:

> An important issue is the order in which state support for targeted social services is phased out, or abated. The order is intended to be benefits first, followed by Family Support, assistance with the health premium, any other services to be included at a later date (such as early childhood education if targeting is introduced there) and, finally, the (tertiary) student allowance scheme. (p 47)

The intent of this global plan was expressed as follows:

> The phasing out of assistance with access to social services as individual circumstances improve encourages people to move quickly from state dependence to independence, and so contribute to building opportunities for people. (p 52)

There was little emphasis on the fact that the more that is included for abatement, the longer the income range over which abatement applies, and the more people are affected. It seems likely that the rate of abatement would have needed to be as high as 50%. Lower rates were considered but these would prolong the abatement range unrealistically. Unfortunately, a rate of abatement of 50% coupled with marginal tax rates of 21% or 33% gives rise to effective marginal tax rates of 71% or 83%. And, even with a 50% abatement rate, the range of income over which a couple or an individual might be affected is long.

Although many aspects of *Welfare that Works* proved unworkable[1], the move towards an ever more tightly targeted welfare state proceeded. Box 1 sets out the major reforms of the 1990-1993 period. In sharp contrast to the highly integrative view taken in *Welfare that Works*, many of these reforms took place in isolation, one from another, so that the overall impact has been obscured.

After *Welfare that Works*, work on family accounts proceeded with minimal consultation, first in the Department of Social Welfare, and later in the Department of Health. During this process, when questioned about the crudeness and inequities of the Community Services Card (see Box 1), the response was that it was 'only an interim measure'.

[1] Family accounts were abandoned, part user charges for hospitals were abolished, superannuation changes were abandoned

Box 1 Welfare Changes 1990-1993

• Most benefits, such as the sickness, DPB and unemployment benefit were cut by between 5% and 27% from April 1991. The age for youth rates for the unemployment benefit was extended to the age of 25. Stand down periods were lengthened and generally the eligibility rules, especially for the unemployment benefit, were tightened. The rates of abatement of benefits for other income were not changed, and the level of exempt income was held at levels last adjusted in 1986. This meant a significant decline in living standards for beneficiaries earning small amounts of extra income. Low income families were also affected by the lack of adjustment for inflation to Family Support.

• The universal family benefit, a non-taxable per child universal benefit of $6 a week, was amalgamated from 1991 with Family Support and from that time all family assistance became targeted using the test of combined parental income. There is now no universal benefit for families such as still applies in the UK.

• Allowances for tertiary students under 25 became fully conditional on parental income even in cases when parents are divorced and whether or not both parents actually contribute to their son or daughter's support.

• Students who borrow from the state for fees and living costs must repay this assistance plus interest, at the rate of 10 cents in each extra dollar earned above a low minimum.

• Certain health subsidies, formerly universal, were restricted to those in low income families through the introduction of the Community Services Card.

• Housing reforms that took effect from 1 July 1993 brought about a rationalisation of all former assistance into an income and assets-tested accommodation supplement.

• National Superannuation was to become a tightly targeted social welfare benefit to be applied for only by the poor. However the legislation, which was passed on Budget night 1991, was subsequently overturned in response to public pressure. It was announced in late 1991 that the income testing provisions provided by the surcharge on superannuitants' other income would remain. Nevertheless superannuitants were given only a partial reprieve, as it remained frozen for three years. It was also announced that the rate of surcharge would increase to 25% and the level of income exempt from the surcharge would sharply reduce from 1 April 1992.

• The age of eligibility for NZ Superannuation was raised from 60 to 65, to be fully phased in by the year 2001. Those caught by the higher age of eligibility who can not find work may qualify for the new 55+ benefit which is a tightly income-tested unemployment benefit at subsistence level only. Later, in 1993 a transitional retirement benefit at the level of the invalids benefit was introduced but this can be received only for a maximum of three years prior to eligibility for the state pension. It is due to phase out completely by 2004.

Global abatement' could not be made to work. Reports of the Prime Ministerial Review Committee on the Reform of Social Assistance (1991) obtained under the Official Information Act show how impractical the idea of family accounts really was Eventually, in a brief, barely-reported announcement the family accounts project was abandoned in 1993.

The changes to tax rates and abatement rates announced in *The Tax Reduction and Social Policy Programme* (Birch 1996) were expected to ease the inherent disincentives in the welfare system. The three critical policy changes concerned were: lower statutory rates of tax, the introduction of the Independent Family Tax Credit (IFTC), and increased earning allowances for some beneficiaries. The new tax rates and the IFTC were to be fully phased in by 1 July 1997. Some of these changes further muddied the welfare waters by lacking a consistent basis of agreed principle. Thus, in contrast to previous policy that treated all children of low-income families the same for weekly income support, the IFTC discriminates against the children of parents regarded as dependent on the state. And, while the intent was to 'strengthen families', the new abatement procedures for those on benefits discriminates against intact marriages with children.

Some of the other anomalies of the welfare state were exposed in the courts. For example, a Domestic Purposes Beneficiary recipient in a relationship with a man successfully appealed against a conviction for fraud, arguing that hers was not a financial relationship (*Sunday Star-Times*, 24th November 1996). As was noted by the Human Rights Commission this case is a small first step on the way to an individually based welfare system. Since then the government has indicated that it does not intend that welfare provisions will be subject to the requirements of the 1993 Human Rights Act.

3. Targeting provisions in 1998

Appendix A summarises the range of targeted provisions in place by 1 July 1998 and those proposed for later in 1998. Different groups are affected differently by these provisions in ways that can produce high and arbitrary EMTRs. To illustrate the case for one family type, Box 1 shows the range of measures that may affect a couple with two children.

It is not just beneficiaries who are affected. A one-earner couple on the average wage or higher with two children (or students) from July 1998 faces a marginal tax rate (MTR) of 21%, or 33% if income exceeds $38,000 plus ACC levies of 1.2%. There are further possible additions to the EMTR: from the repayment of a student loan (10%), abatement of Family Support (at the rate of 18% or 30%), abatement of the accommodation supplement (25%), child support payments (up to 30%), abatement of student allowances (25-50%). The cumulative effects could be well over 70%.

Once income exceeds a certain level, child care subsidies, which were enhanced in the 1998 budget, cut out as does eligibility for the Community Services Card. The loss of so many different types of social provision as extra income is earned adversely affects work and savings incentives, and creates an incentive to disguise taxable income. An IRD study (1997) reported a large and growing hidden economy.

Far from the integration of benefits conceived in *Welfare that Works*, there is today little consistency among the different targeting measures. Different definitions of income apply for different targeting measures. Some rely on the income from the previous financial year while others take current income and require a square up at the end of the year. Some require an estimate of expected income. Others adjust past income for inflation. Some, such as child support and student allowances allow for adjustment in cases where current income is well below past income.

Some utilise a broader definition of income than taxable income; eg Family Support includes academic scholarships. Often the inclusion of additional 'so called income' items seems to lack rationale. For example, the living costs component of student loans is counted as income for the Community Services Card, as is the value of any family tax credit. An increase in the accommodation supplement is counted as income for the income test for a special benefit, and the accommodation supplement formula takes into account any increase in the Family Support payment for the first child.

Some targeting measures are based on joint incomes, but ignore the income of other family members such as teenage or adult children, while others use the income of the individual. Who is counted as married for purposes of income aggregation varies. Income ranges for abatement also vary, and a range of different departments administers targeting (see Appendix B). Low income working people, low income families, superannuitants, students, beneficiaries, divorced and separated people are all likely to be affected differently.

4. The model to quantify the welfare mess

We have constructed an automated spreadsheet model that will take the financial circumstances of any given individual or family, and calculate their benefit entitlements, taxes, additional levies, and benefit abatements. The model can be accessed on the Internet at:

http://www.geocities.com/CapitolHill/Senate/7665/Susan/Model9.xls

Benefits covered are Unemployment Benefit, Sickness Benefit, Domestic Purposes / Widows Benefit, Invalids Benefit, New Zealand Superannuation, Family Support, Independent Family Tax Credit, Guaranteed Minimum Family Income and Accommodation Supplement. Levies covered are ACC employee contributions, Student Loan repayments, Child Support liable parent payments, and compulsory savings. Further development of this model might include student allowances and childcare subsides.

The model can be used in three ways. The first way is simply to calculate a person's or couple's net income, allowing for any or all of the above entitlements, taxes, levies and abatements. The second way is to vary the income of a 'person' or a 'partner'. The model builds a table, showing how household disposable income varies in size and structure, and how benefits abate, given incremental additions to that person's income. A table can be constructed and copied in less than a minute, once the necessary family data has been entered.

The third use of the model - "what-if?" modelling - is to vary any component of the tax scale or the benefit scales, to find out the impact of that change on any particular household.

As an example of this third way, the provision within the model for a compulsory savings deduction can be used to model any new levies that might be proposed by government, or that some political grouping thinks might be a good idea. An example is the separate social security insurance that some countries run in parallel with normal income tax.

Another example of "what if?" modelling is to replace actual tax-benefit schedules with those of the political parties' manifestos.

We will present four examples of tables from the model. One is a single person, just out of polytech or university, and with a student loan. The second is a sole-custody parent whose former partner pays child support liable parent contributions by formula assessment. The third is a standard nuclear family, with the partner's income being varied. The fourth example is an extreme case; that of a single income reconstituted family that will have to confront the full range of taxes, abatements and levies. In this extreme example, the breadwinner is repaying a student loan, is a liable parent, and is putting money into a savings scheme equivalent to the one which was rejected in the September 1997 referendum.

The four tables produced by the tax-benefit model are presented here in Appendix C. The following is a commentary on the findings of each of the four cases.

Case 1: 25 year-old professional worker, no cash assets, sharing a flat with friends and repaying her student loan. She pays rent of $100 per week.

We have assumed that she earns $12.50 per hour when working part-time, and receives an Unemployment Benefit (UB) when not working. If she works less than 30 hours per week (ie earns less than $375 per week gross), then she may be eligible for an abated UB.

Appendix Table C1 shows that she receives an Unemployment Benefit of $147.34, which abates to $8.64 when her earnings reach $280 per week. She receives an Accommodation Supplement (AS) of $44.10, which abates to $24.10, and then stays constant while her benefit abates. Her AS is recalculated when she ceases to qualify for UB, and ceases altogether before her income reaches $400 per week.

Given her rent of $100 per week, her AS is the same, wherever she lives in New Zealand. $100 per week will of course gain her a better quality of accommodation if she lives outside of Auckland or Wellington. The higher AS entitlement for Auckland or Wellington only takes effect for rent in excess of $100 per week.

She pays ACC levies at a flat rate of 1.2% in addition to income tax. She started to repay her student loan just as her AS was phased out.

The overall effect is that she is $119 better off when working fulltime (32 hours for $400) than when she was not working at all. As a part-time worker, there was minimal incentive for her to raise her gross income from $80 to $280, because she faced an EMTR of 87.3%, meaning a net increase of just $25.

From $400 to $720 per week, she faced an EMTR of 32.2% on additional income, owing to income tax, ACC payments and her loan repayment. That equates to an average tax rate varying from 22.4% to nearly 27% of gross income. For weekly earnings in excess of $730, she faces an EMTR of 44.2% until she finishes paying off her student loan. High earning employees without a student loan face an EMTR of 34.2%.

Case 2: 35 year-old sole-custody parent, $6,000 cash assets, caring for two children aged 13 and 10. She receives Child Support payments from her former partner, and pays a mortgage of $200 per week.

Again, we have assumed that she earns $12.50 per hour when working part-time. She receives a Domestic Purposes Benefit (DPB) unless her earnings are so great that it is fully abated.

Appendix Table C2 shows that she receives a benefit of $230.24, plus Family Support (FS) plus Accommodation Supplement (AS). She receives an Accommodation Supplement of $72.12, which would be a little higher if she lived in Auckland or Wellington, or she had fewer cash assets, if she was paying rent instead of a mortgage. The AS drops by $20 when she earns $80 or more to supplement her DPB. It is recalculated when she ceases to qualify for the benefit, and ceases altogether when her income reaches just over $600 per week.

She receives FS entitlements of $79 per week. These payments would be higher if the oldest child is over 16. FS payments start to abate when her annual gross income exceeds $20,000, whether or not she is in receipt of a DPB. However, if she doesn't qualify for the DPB, or chooses to be "independent" of the DPB, then she qualifies for the Independent Family Tax Credit (IFTC), an add-on to FS. If not in receipt of the DPB, she also qualifies to receive liable parent payments from father or fathers of her children. In addition, if she had chosen to not receive the DPB, so long as she was working over 20 hours per week and netting less than $287 per week, she would have qualified for some Guaranteed Minimum Family Income (GMFI) payments.

Appendix Table C2 shows that her benefit phases out at around $460 per week gross earnings. Her Family Support is higher when she receives $495 per week than when she receives $450 per week, on account of the IFTC supplement. The figure of $138.96 in Appendix Table C2 also includes the $50 Child Support payment.

Until she grosses over $180 per week, she faces an EMTR of less than 50%, lower than that faced by, for example, Unemployment Beneficiaries. However there is little incentive for her to earn income in the $180 to $460 range. Her net income increases by only $20, representing EMTRs around 90%.

The EMTR "falls" to 87.3% because of the lower nominal level of gross benefit that applies once the DPB falls into the <$9,500 tax bracket. But it then rises to over 100% (105.3%) when the FS payments become subject to an 18% abatement rate.

The EMTR remains over 70% while the AS is still payable, and over 50% while FS and IFTC payments are abated. The FS abatement rate rises to 30% and her marginal tax rate rises to 33% when her gross income reaches $730. Child Support (CS) receipts are counted as income for FS abatement purposes, so she faces the 30% FS abatement rate sooner than she would have had she not been receiving CS liable parent payments.

By the time she earns $850 per week, she gains the benefit of the low 34.4% marginal tax rate. It is only then that all forms of targeted assistance have bled out. The many (often small) variations in her EMTR show just how complex is the welfare mess that she faces. In fact her situation is potentially more complex than our model shows, because we have not yet incorporated the effect, on her net income and EMTR, of targeted childcare subsidies.

At $900 per week, her net income is almost double what it was when she had zero private earnings. She faces lower EMTRs, however, (especially at levels of earnings up to $180 per week) than many two parent families. Indeed, at around $180 gross per week of private income, a single-parent beneficiary family receives a higher net income than does a two-parent family with the same number of children.

Case 3: Auckland family with three children aged 10-16. Mother in regular fulltime job, earning $250 per week at $8 per hour for 31¼ hours. Her partner - the father - is a contract worker. They have few cash assets, and pay a mortgage at $300 per week.

This family is wholly "independent", in the sense of the language of the 1990s' welfare state, and therefore qualifies for Guaranteed Minimum Family Income (GMFI) and Independent Family Tax Credits (IFTCs). It represents the stereotypical New Zealand nuclear family; the "kiwi battlers".

As this family's annual gross earnings increase from $250 to $1,000, their disposable income (ie after mortgage payments) increases by $207, from $299 to $506. That equates to an average EMTR of 72.4%. For most of that income range the EMTR is 77.2%. Once the family income reaches $1,100, the EMTR comes down to the standard MTR of 34.2%.

When the father is out of work, the family qualifies for the GMFI top-up. Theoretically, a family's EMTR is 100% through the income range for which a GMFI is payable, but increased tax splitting as the partner's income rises leads to some small tax reductions to offset the large cuts in GMFI. When gross family income rises from $350 to $400, the EMTR falls to 25%, on account of GMFI having phased out and Family Support (FS) remaining unabated.

In practice, this family may not actually qualify for GMFI, because it is calculated on the basis of annual income. Thus GMFI payments are repayable if a non-employed partner finds work later in the tax year. Or, if the partner is without work at the end of the tax year, income earned in the first part of the year may disqualify the family from receiving any GMFI payments. In that case, the family would be living on a weekly disposable income of less than $200 per week.

With Family Support (FS) and IFTC payments at $177 per week, GMFI at $99, and Accommodation Supplement (AS) at $136 per week, it is somewhat stretching credibility to call this family "independent". When the only market income is the mother's fulltime wage, only $190 out of $600 is derived from the labour market.

FS/IFTC payments abate (at 18% and 30%) through the family income range from $400 to $1000. AS payments abate through essentially the same range, from $400 per week to $900.

The family's net income starts to fall below its gross income at $730 per week, meaning that the family's "effective average tax rate" is zero when the partner grosses $480.

Case 4: Reconstituted single-income family with three children aged 3-16. Father earning $8 per hour when working part time. He is repaying a student loan, incurred as a mature student. Father's ex-wife has four children. The family has no cash assets, and pay rent at $300 per week. They are subject to a compulsory savings regime (RSS) or social security tax which deducts 8% from income in excess of $5,000 per annum.

This is an extreme case, but it is not the most extreme case. The most extreme case would involve a family where one partner being on the Invalids benefit and the other partner seeking employment.

The Unemployment Benefit abates at 70 cents in the dollar once income reaches $80 per week. It ceases abruptly once an unemployment beneficiary in part-time employment reaches 30 hours, which is classed as fulltime. Such a beneficiary, on becoming a fulltime worker at or just above the minimum wage moves onto the GMFI and gains the IFTC in addition to normal Family Support.

Because the UB exceeds $5,000 per annum, all earnings are subject to RSS payments, ACC payments, and income tax of 15% or 21%. In addition, the AS is abated from the first dollar, until weekly earnings reach $80. That equates to an EMTR of 53% on the first $80 of weekly earnings.

For the next $1,200 of weekly earnings, the EMTR never falls below 70%. In fact net income at $1,280 is $530, just $2 more than net income at zero earnings. The average EMTR for earnings in the range from $80 to $1,280 is 103%. Removing the hypothetical RSS contribution, that EMTR would come down from 103% to 95%.

For incomes in the $800 to $1,000 range, EMTRs exceed 120% and get close to 130%.

For this family AS assistance cuts out at $1,000 per week, and FS/IFTC assistance cuts out at $1,200 per week. No additional Child Support payments are required once the breadwinner's income reaches $1,250 per week.

In this example, the family's EMTR tapers off at 52.2% of additional gross earnings. However, a more realistic assessment is that, for high income recipients, student loan repayments and RSS payments only constitute a liability for a few years. Thus, in reality, EMTRs faced by high income families would normally taper off at 34.2%.

APPENDIX A

Table 1
Rates of Income tax

Income	To 30.6.98	From 1.7.98	1998/99 (composite)
$0-$9,500	15 %	15%	15%
$9,501-$34,200	24%	21%	21.75%
$34,201-$38,000	33%	21%	24%
Resident withholding tax rate	21.5%	19.5%	n/a
Secondary tax rate	24%	21%	n/a
*Incorporates the Low Income Rebate			

Table 2
Minimum wages from 1 July 1998*

Age	Per Week (40 hours) Gross**	Net*
Youth (16-19)	$168	$145.19
Adult (20+)	$280	$228.81 (G)

*Net figures are taken from PAYE Deduction Tables for paydays after the 1 July 1998. They use the tax rates from 1.7.98, plus ACC levy of 1.2 cents per dollar (from 1.4.98). People with total gross income of less than $190 per week and who are employed for more than 20 hours per week have tax deducted at the lower (T) rate.
**(Gross) Minimum Wages were last increased from 1 March 1997.

Social security benefits

Table 3 lists the net benefits as at 1 July 1998. These social security benefits are administered by the New Zealand Income Support Service; a division of the Department of Social Welfare. Prior to 1991, benefits were adjusted in line with the Consumer Price Index with any adjustments being made in April of the relevant year. However since that time a change in legislation replaces indexing with discretionary adjustments by government. This allowed the April 1991 benefit cuts and the March 1993 announcement that an adjustment in line with the Consumer Price Index would be made on 1 April 1994 to income tested benefits. Adjustment since then has been made regularly on an annual basis.

In October 1995 the Government announced that it would replace the existing single benefit abatement system with a dual abatement system in order to encourage certain groups of beneficiaries to move into part-time work (See Table 4)

Unemployment and sickness benefits are reviewed/assessed on the basis of weekly income whereas the domestic purposes benefit is reviewed on the basis of annual income. Benefits paid at the married couple rate are paid half to each partner. The unemployment benefit is calculated according to joint income so if one partner earns extra income the total married couple rate is reduced by the relevant amount as in the above table and the remaining benefit divided equally between the two partners.

To be eligible for the married rate only one of the couple (married or de facto) must be registered with the New Zealand Employment Service and available for work. Some new work-related requirements were announced in the tax benefit package (Birch 1996) and imposed progressively from April 1997. These are specifically aimed at DPB, spouses of the unemployed, and widows beneficiaries who are expected to take moves towards self support as their children grow older. Full-time work search is required if there are no children or, for spouses of the unemployed, if the youngest child is 14 years and over. A mandatory annual interview is required when the youngest is aged 7-13 years. For sole parents with children the requirements are slightly less onerous as part-time work search, education or training may substitute for full-time work search.

The National government also set out some new initial stand down measures in the Tax reduction and Social Policy Programme (Birch 1996) to take effect from April 1997. These recognise that the previous arrangements were often too harsh especially in light of the uncertainty facing many beneficiaries as to the suitability of prospective jobs. The initial standdown can vary from 1-10 weeks depending of the number of dependents in a family and income over the previous six months. In addition there were changes to the sanctions for voluntary unemployment. It is proposed that there be a 13 week stand down (or 20% reduction in the DPB), reducible to 4 weeks through 'clean state provisions'. These include participation in Community Task Force projects, or training.

The coalition agreement (11th December 1996) proposed that the unemployed would need to participate in "community work" or training to get the community wage, which will be the new name for a combined Unemployment and Sickness Benefit. The community wage will be set at the same level as the present UB, with the same abatement regime. The Social Security Work Test Amendment Act 1998 is expected to be implemented on 1 October 1998. Benefit amounts payable from 1 July 1998 are listed in Table 3 below some of which will change on 1 October 1998:

Table 3
Benefit Schedules 1998

Unemployment Benefit			
Single 18-19 years - at home (granted pre 1.7.98)		$122.78	$144.45
■ at home (granted pre 1.7.98)		$98.22	$115.55
■ away from home		$122.78	$144.45
Single 20-24 years (and half married rate of UB)		$122.78	$144.45
Single 25 years and over		$147.34	$173.34
Married Person (no children)	(each partner)	$122.78	$144.45
Married Couple (no children)	(total)	$245.56	$288.90
Single (1 child)		$211.04	$253.26
Single (2 or more children)		$230.24	$277.57
Married Couple (child/ren)	(each partner)	$130.47	$153.49
Married Couple (child/ren)	(total)	$260.94	$306.98
Independent Youth Benefit			
Single or married person			$144.45
Sickness Benefit granted before 1 July 1998			
Single 16-17 years (only those on SB before 1.1.98		$121.77	$143.26
Single 18-24 years		$147.34	$173.34
Single 25 years and over		$153.47	$180.55
Married Person (no children)	(each partner)	$139.54	$164.16
Married Couple (no children)	(total)	$279.08	$328.32
Single (1 child)		$211.04	$253.26
Single (2 or more children)		$230.24	$277.57
Married Couple (child/ren)	(each partner)	$139.54	$164.16
Married Couple (child/ren)	(total)	$279.08	$328.32
Invalids and Transitional Retirement Benefits			
Single 16-17 years		$149.04	$175.34
Single 18 years and over		$184.17	$219.25
Married person (no children)	(each partner)	$153.47	$180.55
Married Couple (no children)	(total)	$306.04	$361.10
Single (1 child)		$241.93	$292.37
Single (2 or more children)		$259.80	$314.99
Married Couple (child/ren)	(each partner)	$153.47	$180.55
Married Couple (child/ren)	(total)	$306.94	$361.10
Widows and Domestic Purposes Benefits			
Woman Alone Single Adult		$153.47	$180.55
Single (1 child)		$211.04+	$253.26
Single (2 or more children)		$230.24	$277.57
Domiciliary Care Domestic Purposes Benefits			
Single 16-17 years		$149.04	$175.34
Single 18 years and over		$184.17	$219.25
Single (1 child)		$241.93	$292.37
Single (2 or more children)		$259.80	$314.99
Half married rate		$153.47	
Orphans and Unsupported Child Benefits			
under 5 years		$71.60	n/a
5-9 years		$88.95	n/a
10-13 years		$94.63	n/a
14 years and over		$102.30	n/a

Table 4
Benefit abatement due to other income from 1 July 1996, (no change)
(For all benefits except accommodation benefit and New Zealand Superannuation):

Benefit Type	Earnings per week	Old Rate of abatement	From 1 July 1996
Domestic Purposes, Invalids', Widow's	$0 - $50/$60 $50/60 - $80 $80 - $180 > $180	0% 30% 70% 70%	0% 0% 30% 70%
Unemployment, Sickness, Training and all other benefits not included in the above	$0 - $50/$60 $59/$60 - $80 >$80	0% 30% 70%	0% 0% 70%

* Those deemed to be work ready for full time employment are to become ineligible for the modified abatement rates and will find all income above $80 is abated at 70%.

New Zealand Superannuation

The Accord (a multiparty agreement on superannuation signed by four political parties in 1993) allows for adjustments each April in line with the CPI, with provisions to keep the married couple rate within a band of 65-72.5% of the net average wage. It is expected that adjustments to New Zealand Superannuation by wages rather than prices will occur in 1999 (Periodic Report Group 1997).

Table 5
New Zealand Superannuation &
Veteran's pension weekly rates from 1 July 1998

pension type	Net Rate (tax at SEC)	Net Rate (tax at SEC)	Gross Rate
NZ Superannuation/Veteran's pension (standard rates) Single Living Alone Single Sharing	 $212.09 $195.84	 $201.72 $184.87	 $255.27 $233.80
Married Person	$162.19	$151.22	$191.33
Married Couple (both Qualify) (total)	 $324.38	 $302.44	 $382.66
Married Couple (NQS* included) (total)	$309.28	$287.56	$363.58
Married Person (NQS*) (each partner)	$154.64	$143.78	$181.70
NZ Superannuation/Veterans Pension (Non Standard Rates) Married Couple (NQS* included pre 1/10/91 (total) (each partner) Partner in Rest Home (NQS*)	 $324.38 $163.10 $184.17	 $302.44 $151.33 $173.20	 $382.6 $181.00 $219.19
Hospital Rate	$26.98	$25.12	$31.63

*NQS = Non-Qualified Spouse

Net (G) rates are derived by deducting income tax as set out in Appendix A to Schedule 19 of the Income Tax Act. They do not include ACC levy, Secondary rate derived by taking 21% of whole dollars as tax and deducting it from full weekly gross amount (dollars plus cents).

The age of eligibility for New Zealand Superannuation is increasing on a sliding scale and will be 65 years by April 2001. If one partner of a couple does not qualify for New Zealand Superannuation, (for example where the partner is under the qualifying age), the eligible partner chooses between receiving half the married couple rate of New Zealand Superannuation, or the spouse-included couple rate which is subject to standard benefit income test. Those receiving New Zealand Superannuation who have dependent children can receive Family Support.

The surcharge
Where both husband and wife qualify, New Zealand Superannuation is paid to each without regard to the income of the other spouse. A tax of 25% is payable by New Zealand Superannuitants in receipt of other income above an exempt amount. In the case of married couples, each person has an exemption with the opportunity for any unused portion to be amalgamated and used by the principal earner. Other income is any taxable income received besides New Zealand Superannuation plus one half of any pension (now tax-free) received from a registered superannuation scheme, or foreign private pension.

After much political discussion a new surcharge exemption was announced in August 1996 (see Table 4) and was to take the place of the proposed change for 1997/98 as set out in Birch(1996). Then in December 1996, the new coalition government agreed to abolish the surcharge in the 1997 budget. This took affect from 1 April 1998.

Table 6
Surcharge: Proposed Annual Thresholds of Other Income
(superseded by Coalition agreement)

	1996/97	**1997/98 OLD**	**1997/98 NEW**
Single Superannuitant	$4,550	$5,070	$10,296
Couple (combined)	$6,825	$7,605	$15,444

Income and Asset Testing for Long Stay Care for the Elderly
From 1 July 1993 a new targeting regime for older people in residential care was implemented. The test in place prior to this time assessed those needing long-term residential care according to the type of care facility entered, rather than the level of support needed. The test for those entering long term residential care in private hospitals was therefore different from that for people entering rest homes. That those with the same support needs were making different contributions to the cost of their care was perceived as unfair and became the rationale for the introduction of the 1993 changes.

The new regime subjected all *new* residents in long-term residential or hospital care to the same income and asset test. The model was that previously used for the Rest Home Subsidy Scheme with some relaxation of the asset threshold levels. Those in geriatric hospitals (private or public) however faced an asset test for the first time. Previously only those receiving a rest home subsidy were income and asset tested. Those in private geriatric hospitals were expected to pay whatever they could towards their fees while those in public geriatric hospitals did not have any form of income or asset test, but did have their New Zealand Superannuation or benefit reduced to a token ‘pocket money’ amount after 13 weeks ($29.09 net pw from 1 April 1996). Those already in rest homes or private or public geriatric hospitals were exempted from these tests until 1 July 1996.

Regional Health Authorities (RHAs) fund all long-term residential disability support services. From 3 March 1994 a maximum personal contribution of $636 per week applied for care in all long stay institutions including private and public hospitals as long as that care is appropriate to the needs of the person concerned. “Appropriateness” is determined according to a Support Needs Assessment Protocol (SNAP) conducted by the local Crown Health Enterprise (CHE) to whom the person is referred by a General Practitioner. Any shortfall in the cost of treatment as purchased by the RHA, is the responsibility of the RHA. Administration of income and asset tests is by NZISS while funding has come from the RHAs.

Asset test
Those eligible for a rest home/hospital care subsidy contribute their New Zealand superannuation less a weekly allowance. Eligibility for the subsidy is determined first by an asset test. The threshold for married couples with one spouse in long stay care was increased from $20,000 to $40,000 in 1994 with house, car, personal effects and prepaid funerals (up to $10,000) remaining exempt. A single person without dependents may retain only $6,500 with no exemption for the family home. A married couple, both in care are effectively treated as two single people with a joint exemption of only $13,000.

In response to concerns about people caring for or living with an elderly person, but who were neither a relative nor a dependent child two changes were made in 1995.

- Older people who have entered care on or after 1 October 1995 may recognise past caregiving by gifting up to $5,000 per year for up to five years retrospectively.
- Interest free loans are able to be made to non-core family members so they can stay in the home after the older person has died. There will be no income or asset test for that person receiving the loan, however in order to qualify the person must have lived in the home or jointly owned the home with the elder person for at least five years.

The income test
The amount of subsidy for those who pass the asset test, is based on the difference between the fee-for-service rate and the resident’s total income from all sources. The government provides up to $29 per week for those who pay full fees but who do not have enough income left for a personal allowance. The income of the spouse is counted on a dollar for dollar basis in the income test. When the spouse is working, the exempt amount for this test is $28,927 of spouse's earnings where there are either no dependent children or only one child. For three or more children, the exemption is $36,553. (Minister of Health 1996). These thresholds have not been changed in 1998. Also exempt is income from any benefit, and income from assets below the threshold levels. It appears that there is no allowance for older children at tertiary institutions who may also be dependent.

Coalition changes
Under the coalition agreement (December 11th 1996) the four RHAs were abolished and a central funding agency CHA was established. The income and asset testing for those in public hospitals, and asset testing for long-stay geriatric private hospital care was to be abandoned

and the asset test limits for rest home care extended. At the time of writing the legislation supporting the changes for hospital care is under question and it is doubtful whether it will proceed.

Table 7
Disability Allowance Income Limits from 1 April 1998
(no change on 1 July)

Family Circumstances	Gross Weekly Income	Gross Annual Income
Single 16-17 years	$351	$18,204
Single 18+ years	$401	$20,813
Single (1 child)	$400	$25,104
Single (2+ children)	$509	$26,432
Married Couple	$576	$29,933
Married Couple (children)	$576	$29,933

Table 8
War Disablement Pensions: Weekly Rates from 1 April 1998
(no change on the 1 July)

(a) Ordinary Rates

Disablement (%)	Weekly Rate
5	$7.28
10	$14.56
15	$21.84
20	$29.12
25	$36.40
30	$43.68
35	$50.96
40	$58.24
45	$65.52
50	$72.81
55	$80.09
60	$87.37
65	$94.65
70	$101.93
75	$109.21
80	$116.49
85	$123.77
90	$131.05
95	$138.33
100	$145.61

(b) Rates for those with Severe Disablement

Disablement %	Weekly Rate
105	$152.89
110	$160.17
115	$167.45
120	$174.73
125	$182.01
130	$189.29
135	$196.57
140	$203.85
145	$211.13
150	$218.42
155	$225.70
160	$232.98

*Rates for those with severe disablement aged over 60 years.

- Those with severe disablement aged over 60 receive and additional 10%
- of their pension.

55-Plus Benefit

Until 1October 1998 those on the unemployment benefit are automatically transferred to this benefit on reaching 55 years, or if over 55 and becoming eligible for the unemployment benefit for the first time. The rates paid are the same as for the unemployment benefit and continues until the beneficiary is eligible for National Superannuation. The 55-Plus benefit differs from the unemployment benefit in the lack of a requirement to be registered with the New Zealand Employment Service or to be actively seeking work. Those made redundant in the over 55 age group are subject to a stand-down periods in the same way as those under 55. From 1 October 1998 those on the 55+ benefit will receive the community wage instead.

Transitional Retirement Benefit

Effective from 1 April 1994, this benefit recognises the circumstances of those who were approaching the age of 60 at the time of the announcement of the more rapid increase in the age of eligibility to New Zealand Superannuation to 65. It is paid at the rate of the invalid's benefit and will be available to those who are aged 60 or more for a maximum period of three years prior to their reaching the age of eligibility for New Zealand Superannuation. It will not be payable to anyone whose spouse is eligible for New Zealand Superannuation or a Veteran's Pension. It is subject to the usual social security income test.

The age of eligibility for New Zealand Superannuation is age 62 and 6 months as at 1 April 1996 but rising to age 65 by 2001. The age of qualification for the Transitional Retirement Benefit will remain at age 60 until the age of eligibility for New Zealand Super reaches 63. Thereafter the age of eligibility for the Transitional Benefit will rise at the same rate as the age of qualification for New Zealand Superannuation until the age of eligibility for New Zealand Super reaches 65 in 2001. The Transitional Retirement Benefit will then phase out completely in 2004. Someone reaching age 55 in 1994 will remain on the 55+ Benefit for ten years before finally becoming eligible for the (more generous) Transitional Retirement Benefit three months before its final phase-out in 2004.

Benefits and overseas travel
For those who receive Domestic Purposes Benefit, widow's benefit, orphan's benefit, invalid's benefit, Family Support, and veteran's pension the benefit will continue to be paid as usual for absences from New Zealand of less than 28 days duration. For absences of longer than 28 days, entitlement ceases the day after departure.

For those receiving the unemployment benefit, entitlement stops on the day of departure. The rationale for this is that those on the unemployment benefit should be actively seeking and available for full-time work, requirements that cannot be fulfilled if the beneficiary is overseas. Those travelling overseas in pursuit of full-time work can continue to receive the unemployment benefit during their absence on showing proof to that effect. Those whose primary benefit is the unemployment benefit and who also receive a supplementary benefit such as family support lose entitlement to the supplementary benefit at the same time as the primary benefit.

For those receiving New Zealand Superannuation if the absence is for less than 26 weeks full entitlement continues. For those intending to return within 26 weeks but delayed up to a total of 30 weeks absence by unforeseen/unavoidable circumstances (such as sickness) full entitlement continues. Where the absence was for greater than 26 weeks entitlement ceases on the day after departure (with the exception of the special circumstances case above) and payments received after that date are considered an overpayment and must be repaid.

Those receiving the 55-Plus benefit may travel overseas for up to 4 weeks without interruption to their benefit, however this period may be extended according to circumstances and at the discretion of the New Zealand Income Support Service.

Families and children

Family Support
For social welfare beneficiaries Family Support is paid by the New Zealand Income Support Service as part of the benefit. For those on low incomes but not receiving a benefit Family Support is administered by the Department of Inland Revenue and since 1990 the Department of Social Welfare have made the payment into the principal care giver's bank account.

From 1 April 1995 Family Support rates increased for second or subsequent children. Where the second or subsequent child is aged under 13 years Family Support increased by $3 per week to $27 and for those aged 13 years and over by $13 per week to $35. New rates were announced in 1996 as set out in Table 5. From July 1996, the per child Family Support rate was increased by $2.50 rising to $5 by July 1997, with bigger increases for dependent children over 16.

Table 9
Weekly rates of Family Support
(unchanged since 1997)

	Current Rates	From 1 July 1996	From 1 Jan 1997	From 1 July 1997
For the eldest child:				
Aged 0 to 15 years	$42.00	$44.50	$44.50	$47.00
Aged 16 years or over	$42.00	$44.50	$57.50	$60.00
For each additional child:				
Aged 0 to 12 years	$27.00	$29.50	$29.50	$32.00
Aged 13 to 15 years	$35.00	$37.50	$37.50	$40.00
Aged 16 years and over	$35.00	$37.50	$57.50	$60.00

Family Support abates for gross joint family income above $20,000 (up from $17,500 in 1994) by 18 cents in the dollar up to $27,000 (not changed) and by 30 cents in the dollar for incomes above $27,000. The current year’s income is used. If, at the end of the financial year when the family's tax returns are completed, the actual joint income level is higher than had been estimated, some of the Family Support will be claimed back. The income of a parent who does not live with the care giver and child(ren) is not taken into consideration. The income calculation for Family Support includes any maintenance received, but allows any maintenance paid or child support contributions to be deducted.

Guaranteed Minimum Family Income (GMFI)
The GMFI is administered by the Department of Inland Revenue along with Family Support. It is an extra payment made to families whose income is less than $18,363 gross per year ($278 net per week excluding Family Support) where at least one parent is working for salary or wages. In a single parent family the parent must be working at least 20 hours per week or where both partners are working their combined working hours must total at least 30 per week. The GMFI is divided equally between both parents in a two parent family and is paid fortnightly to each parent's bank account. The amount of GMFI paid does not vary with the number of children however Family Support is received in addition. In 1995/6 about 4,000 families received GMFI.

Increase in Guaranteed Minimum Family Income
The guaranteed weekly net income amount is to be increased from $278 to $284 from 1 July 1996, and to $290 from 1 July 1997. These amounts will be converted to a composite amount for the tax year, as table 6 shows.

Table 10
Amounts of GMFI
(excluding Family Support and the new Independent Family Tax Credit)

1995/96	(composite)	$278.00 per week, or $14,456 net annual income
1996/97		$282.50 per week, or $14,690 net annual income
1997/98	(composite)	$288.50 per week, or $15,002 net annual income
1998/89		$290.00 per week, or $15,080 net annual income

Note: Years are from 1 April to 31 March

Independent Family Tax Credit
From July 1996 a new income tested family tax credit is paid along with Family Support to families who qualify.
The purpose is to reduce the tax burden on working families who are independent of the state.
A family is ineligible if the primary caregiver or his/her spouse is receiving any of:
- Income tested benefits
- NZ superannuation or veteran's pension
- student allowance
- weekly ACC compensation for longer than 3 months.

From 1 July 1996, the IFTC is $7.50 per child rising to $15 per child on 1 July 1997. This tax credit introduces a differential treatment of children in low income families based on the origin of that low income. As families move in and out of eligibility its administration will be complex as will the end of year income reconciliation. (See St John 1996).

Childcare Subsidy
This is administered by the New Zealand Income Support Service and is available to parents on low incomes whose child or children is under five and attends a licensed Early Childhood Service (ECS), a chartered Te Kohanga Reo or a chartered home based service including family day care, for at least six hours a week. Once granted, the subsidy is paid directly to the ECS (represented by the child care centre attended by the child) and individual child care fees at that centre are reduced by the amount of the subsidy.

Eligibility is determined according to the combined gross weekly income of both partners or appropriate whanau. A certificate of both partners' current earnings (to be completed by respective employers) is required at the time of application to the New Zealand Income Support Service. Confirmation of the amount of time the child spends at the ECS is to be obtained by the parent from the ECS and provided with the application. If the child attends childcare for at least 30 hours per week (full time) the full rate of subsidy is available as shown in Table 11a.

If the child or children attend childcare for less than 30 hours a week (part-time attendance) the rate of subsidy is determined from the full time table above and the weekly entitlement arrived at by applying this rate to Table 11b.

- For a single parent family where the parent is not in paid employment or receiving education or training, the maximum weekly hours of childcare subsidised is 9, subsidised at the rate in the table below for 9 hours.

- For a two parent family where one parent works full time and the other is at home full time the maximum weekly hours of childcare subsidised is 9, subsidised at the rate in the table.
- For a two parent family where one parent works full time and the other part time, child care eligibility is assessed on the income rate of the lower paid parent. The number of hours worked by this parent is added to 9 and that total becomes the number of hours subsidised according to the table.
- Under a revision from January 1994 the parents of children with disabilities are not required to satisfy the full 30 hours training/work requirement.
- The July 1993 reduction in eligibility however meant unresolved hardship for some families.
- The workfare provisions from 1 October include an enhanced child care subsidy for after school care. The details are yet to be announced.

Table 11a
Child Care Subsidies and Income thresholds (July 1998)

Subsidy amount ($ per week)	1 child	2 children	3 children
	Gross weekly income ($)		
69.60	< 520	<640	<750
48.30	521 to 570	641 to 690	751 to 800
26.70	571 to 620	691 to 740	801 to 850
nil	>= 621	>=741	>=851

Table 11b
Child Care Subsidies and hours attended July 1997 - needs to be changed

Hours attended per week	Number of sessions	High rate $2.32/hr	Middle rate $1.61/hr	Low rate 0.89/hr
3 - 5	1	6.96	4.83	2.67
6 - 8	2	13.92	9.66	5.34
9 - 11	3	20.88	14.49	8.01
12 - 14	4	27.84	19.32	10.68
15 - 17	5	34.80	24.15	13.35
18 - 20	6	41.76	28.98	16.02
21 - 23	7	48.72	33.81	18.69
24 - 26	8	55.68	38.64	21.36
27 - 29	9	62.64	43.47	24.03
30 +	10	69.60	48.30	26.70

Child Support

Established by the Child Support Act 1991, Child Support is administered by the Child Support Agency of the Department of Inland Revenue. Child Support affects any person who

- is living apart from their children
- is a sole parent
- is a caregiver bringing up others' children
- shares custody of their children with the other parent
- has a spousal maintenance order or maintenance agreement registered in the Family Court, or has a child maintenance Court order or Court registered agreement

A beneficiary in the above categories must apply for Child Support.

Child support must be paid until the child turns 19 unless the child marries, is in full employment, is receiving student or an independent circumstances grant or is receiving a welfare or training benefit. The level of liability is calculated as shown in Table 8.

The Child Support Agency of the Department of Inland Revenue collects the Child Support from the liable person and uses it to help offset the cost of the child's custodian's benefit if the custodian is a beneficiary. If the amount collected is more than the custodian's benefit the excess is paid to the custodian. If the custodian is not a beneficiary the full amount collected is paid to the custodian.

Under split custody (where a parent has two or more qualifying children and has ongoing daily care for at least one of them with the other parent caring for the other(s)) liability is assessed for both parents with the smaller liability being subtracted from the larger and the difference being payable by the parent with the larger liability. However if one or both parents is a beneficiary the liabilities are not offset in this way.

Under shared custody (where each parent has day to day care of one or more of their children for at least 40% of the time consistently during the year) both parents are treated as both a custodian and a liable person and the child support percentage in the formula (Table 12) is reduced. Each child for whom custody is shared is counted as 0.5 of a child for the purposes of the percentage.

Table 12
Child Support

Amount of child support to be paid: (a - b) x c

(Note that the formula does not apply if the liable person has
- a court order
- a voluntary agreement
- estimated their income

where:

a= the liable person's taxable income for the tax year ending 31 March 1999. The maximum taxable income that can be used here is $64,478

b= the liable person's living allowance which is calculated based on Social Welfare invalid benefit and unemployment benefit amounts and on the liable person's living situation:

(for the child support year 1 April 1998 to 31 March 1999)

single with no dependent children	$11,372
married* with no dependent children	$15,538
single or married with:	
one child living with the liable person	$22,115
two children	$24,527
three children	$26,938
four or more children	$29,350

**'married' also means living with a partner in the nature of marriage*

c= child support percentage:

0.5 child	12%
1 child	18%
1.5 children	21%
2 children	24%
2.5 children	25.5%
3 children	27%
3.5 children	28.5%
4 + children	30%

A liable person can apply for an exemption from their liability only if they are in prison or in hospital (including medical and psychiatric hospitals and drug and alcohol rehabilitation centres). To be exempted the liable person's only income must be from investments and be less than $520 per year.

A liable person and a custodian can at any time make a voluntary agreement about their children and how much the liable person will pay the custodian. If the custodian is a beneficiary the amount of support in this voluntary agreement must be at least as much as the liable person would have been liable for under assessment using the formula. In this case payments are collected by the Child Support Agency who passes on to the custodian the difference between what would have been due under the formula and the actual amount collected. The balance is used by the government to offset the cost of the benefit. The agreement can be changed or withdrawn altogether at any time and either party can apply for a formula-based assessment at any time. If a beneficiary custodian withdraws from a voluntary agreement, Child Support will be automatically reassessed using the formula. A voluntary agreement may also be drawn up for the support of a former partner where there are no children involved. If the liable person is a beneficiary the Child Support payment will be deducted from their benefit. The minimum child support liability is $520 per year.

A Task Force was established to review the provisions of the Child Support Act and was expected to report in late 1994. Mid 1996 the government appears no closer to fixing anomalies in the Child Support Act, after more than two years work.

Students and Young People

Job search allowance
Available to 16 and 17 year olds who have been in the paid work force or post-school training for at least 26 weeks and lost their job or stopped training. It is paid at the same rate as the training benefit for a maximum of 13 weeks. It is available only to those who cannot live at home or obtain financial support from parents/guardians.

Training benefit and the training opportunities programme
Administered by Auckland Education and Training Support, Agency of the Ministry of Education. The Agency conducts the Training Opportunities Programme (TOPS) which
• replaces the ACCESS scheme
• is fully funded by the government
• offers a diversity of training and courses which lead to nationally recognised qualifications
• is targeted towards the most disadvantaged in the labour market
• enables trainees to receive a training benefit and possibly assistance with travel costs

Eligibility is determined according to an individual's circumstances:
• those who have been unemployed for longer than 6 months and who have fewer than three school certificate passes
• those who are under 18 years and have fewer than 3 school certificate passes. There is no stand-down period for school leavers
• those who have more than two school certificate passes, who have been unemployed for more than 6 months and have some disability

1996 announcements
It was announced (Birch 1996) that all 16-20 year olds who are registered unemployed for 13 weeks or more would receive individualised assistance through Youth Action. Then in the Coalition agreement it was made clear that the unemployment benefit would be replaced by a community wage, obligating young people to 'work for the dole'.

Student allowances

This support as outlined in Table 13 is administered (to change in 1999) by the tertiary education institutions on behalf of the Ministry of Education, with the exception of private training establishments where allowances are administered by the Auckland College of Education.

Table 13
Student allowances- 1998

Rates from 1 April 1996	**maximum $ Per Week (net)**
18-24 years living at home (1)	up to 98.21
18-24 years living away from home (2)	up to 122.78
independent circumstances allowance	122.78
>= 25 years living at home	117.87
>= 25 years living away from home	147.34
married, living with earning spouse	53.22
married, living away from earning spouse while studying	79.30
<u>couples (3):</u>	
one student, one dependent spouse	245.56
both eligible students (each)	122.78
both students, one eligible	147.34
<u>with dependents :</u>	
single student, one child	211.04
single student, more than one child	230.24
both students, one eligible, one child	211.04
both students, one eligible, >1 child	230.24
both students, both eligible (each)	130.46
one student, one dependent spouse	260.93
regional accommodation benefit (for those living away fror home or receiving couple and with dependents allowances)	up to 40.00

<u>Notes for Table 13</u>

(1) abates with combined parental income

(2) An accommodation allowance is available to any eligible student who receives a student allowance regardless of the size of the allowance. The rate varies regionally. The Auckland rate for 1998 is $38 per week – some regions the rate is 0. Full-time students are not eligible for the DSW Accommodation Supplement.

(3) De facto relationships are not recognised for allowances purposes for students where either partner is under 25 years unless there is a dependent child.

Income test

If parents are supporting more than one full-time secondary/tertiary student aged 18 to 24 years they may apply for a parental income adjustment which nominally reduces the amount of parental income taken into account for a targeted allowance. The threshold for abatement of the allowance is raised by $2 200 per year for each additional 18 to 24 year old studying. Nevertheless if more than one child aged 18 to 24 years in a family receives a targeted allowance, cumulative abatement according to parental income levels applies. Thus for two students, allowances are both reduced by 25% for each extra dollar of parental income contributing 50% to the effective marginal tax rate.

Student allowances abate for 1998/9 tax year for parental incomes above $28,020 (unless it can be shown that one or both parents have had a reduction in income since that tax year). The leaflet *Clarification of policy with regard to the application to establish independence from a parent for targeting purposes* explains that:

> It is important to remember that the issue with regard to targeted allowances is not whether parents actually *are* supporting their son or daughter in education but that there is an *expectation* that parents will provide financial support and therefore two parents' incomes must be tested (unless extraordinary circumstances exist) whether or not they are actually providing financial support to their son or daughter. For this reason, the fact that one parent may refuse to provide financial support for their son or daughter is not considered as sufficient grounds to waive the requirement that parent's income be tested as they are *expected* to contribute to their son's or daughter's financial support and therefore their income must be tested... In only very exceptional circumstances... the requirement that both parents' incomes be tested [can] be waived. In this situation, one parent's income alone can be tested to determine a student's eligibility to receive a targeted allowance. In such cases the 'supporting/custodial parent' must apply... to 'establish independence from the other parent for targeting purposes'.

Very few students are eligible for the independent circumstances allowance. The student must be:

- aged 18-24 years and have been living away from home for 2 years and have been self supporting
- through paid employment for 96 weeks or more
- able to prove that you cannot live with your parents and are not expecting to get financial support from them because of extraordinary family circumstances.

The Coalition agreement suggested that over time a universal system of student allowances would be introduced. The 1998 budget however used the notion of a new universal subsidy paid to the universities to avoid the need to fulfil this promise.

Student loans

The Student Loan Scheme was established in 1992 and is administered by the tertiary education institutions on behalf of the Ministry of Education, with the exception of private training establishments where loans are administered by the Auckland College of Education. The loan itself is currently administered by BNZ Finance, Wellington. Loans may be taken out to cover compulsory course fees, course-related costs, a living allowance of up to $4,500. A $50 administration fee is payable. A typical maximum entitlement is around $6,500 with higher entitlements for medical and dentistry students. In 1999, fees will rise and all universities will charge differentiated fees.

The loan and the fee attract daily interest of 8.0% (1998 rate). The interest rate has a real (base) component 6.4% and a component that allows for inflation of 1.2%. Loan repayments are due when income exceeds $14,716 and is at a rate of 10 cents for every dollar earned above that amount. Once earnings reach the repayment threshold appropriate deductions are made by the employer. Any loan remaining at death is written off. All or part of the base interest charged in a year may be written off if the student loan assessment (the total amount to be repaid that year) is less than the base interest charged for the same year. The principal is effectively adjusted for inflation.

A person who has a student loan and declares bankruptcy still has full obligation to pay the loan once he or she starts earning over the minimum threshold. People who choose to live overseas are also obligated to repay the loan. The IRD has double taxation arrangements with most major countries including the US, UK, Ireland and Canada. Overseas repayments are required quarterly and failure to fulfil this requirement can result in a 10% penalty fee added to the principal outstanding on the loan.

Housing

Accommodation Supplement
This supplementary benefit replaced the accommodation benefit from 1 July 1993. It is available to beneficiaries or Superannuitants who pay more than 25% of the their adult net rate of their parent benefit or New Zealand Superannuation in rent or board. Where there are dependent children, the maximum Family Support payment for the first child is added to the net benefit rate before determining the entry threshold. For homeowners, the entry threshold is 30% of the adult net rate plus Family Support for the first child.

The benefit is also available to non beneficiaries who spend more than 30% of the after-tax rate of Invalids Benefit on accommodation costs such mortgage repayments and other costs on their own home. If renting or boarding, they must be paying more than 25% of the net Invalid's Benefit.

Each additional dollar spent on housing gives $0.70 of Accommodation Benefit entitlement until the ceiling of assistance entitlement is reached. The ceiling varies with rent, income, location and family size. The influence of family size and location on weekly entitlements is shown in Table 14.

Income and asset tests
For the purposes of the income and cash assets tests, *income* is gross earnings plus any business income, and *cash assets* are cash in hand or in the bank, shares or loans made to others and land or buildings owned but not lived in. The tests are administered by the New Zealand Income Support Service and operate so that each $100 in excess of the asset limits shown in the table below gives rise in effect to another $1 per week for the income test.

Cash assets include cash in hand, bank and savings accounts, shares, debentures, bonds, loans made by beneficiary, mortgages owed to beneficiary or partner, land and buildings owned but not lived in by beneficiary (net equity in holiday homes). Cash assets do not include: beneficiary’s home, personal effects, car, caravan used for accommodation and/or less than $2000. Cash assets from the sale of a matrimonial home are exempt for one year.

Table 15 gives a case study for a family of different sizes and on different benefits paying $250 in weekly rent in Auckland. The formula for the Accommodation supplement does not give them the maximum amount of supplement. If the rent for an unemployed couple was $291 they would receive the maximum supplement of $150. Oddly, the increase in the number of people for a given rent means a reduction in the supplement.

Table 14
Maximum Accommodation Supplement as at 1 April 1998

Location	Household Size: Unemployment benefit		
	Single person ($ per week)	Couple ($ per week)	3+ people ($ per week)
Auckland	100	115	150
Wellington	65	75	100
Rest of NZ	45	55	75

Table 15
Accommodation Supplement 1 July 1998
Rent $250 Auckland

	Benefit Rate (Before FS)	**Add Max Family Support $47**	**Multiply by 25 cents in $1** (A/S Entry Threshold)	**Rent or Board** (Accomm-odation Costs)	**Accommodation Costs less threshold x 0.70** ***Supplement received***	**Max A/S Supplement**
Unemployed Couple						
2 or more children	260.94	307.94	77	250.00	121.10	150.00
Sickness Beneficiary						
Single 1 child	211.04	258.04	65	250.00	129.50	115.00
Single 2 or more	230.24	277.24	69	250.00	126.70	150.00
Couple children	279.08	326.08	82	250.00	117.60	115.00
Invalid						
Single 1 child	241.93	288.93	72	250.00	124.60	115.00
Single 2 or more	259.80	306.80	77	250.00	121.10	150.00
Couple	306.94	353.94	88	250.00	113.40	115.00
DPB						
Single 1 child	211.04	258.04	65	250.00	129.50	115.00
Single 2 or more	230.24	277.24	69	250.00	126.70	150.00

Table 16
Accommodation Supplement (AS): Income and asset tests

AS will decrease if income and assets are over the amounts below:
CASH ASSETS *(1):*
<u>single people:</u>

cash assets	<=$2 700	Full entitlement
	>$2 700	AS reduces by 25c for every $100 above $2,700

<u>sole parent/married couple</u>:

cash assets	<$5 400	Full entitlement
	>$5 400	AS reduces by 25c for every $100 above $5,400
	>$16 200	no entitlement

OTHER INCOME *(2)*:for low income earners abatement at 25 cents in the dollar commences when income is at the level of the Gross Invalids Benefit. For a couple with children this is $400.15 pw.
<u>Beneficiaries, including NS and veteran's pension:</u>

if no other weekly income:	full entitlement
$0-$80 per week other income:	AS reduces by 25c for every $1 of income
>$80 per week other income:	no further reduction

Tenure protection allowance
This is in effect a supplementary benefit available only to tenants of Housing New Zealand. It applies only where the tenants are aged over 65 or have a significant medical condition, and also are paying greater than the 'regional rent' levels specified below in $ per week, which are current as at 1 April 1994. In addition they must have been in their accommodation since prior to October 1992. The benefit aims to enable those people to meet their high rental levels and so to stay in their present accommodation.

Table 17
Regional rents for tenure protection

	Auckland ($ per wk)	Wellington ($ per wk)	Rest of NZ ($per wk)
one bedroom	108	106	86
two bedrooms	152	137	116

Special circumstances

Disability allowance:
The allowance (maximum $43.23 April 1998) is paid to those who have regular expenses because of a mental or physical disability. Examples include special travel costs, medicines or foods, and the costs of regular visits to the doctor or hospital.
Eligibility:

- those on the Domestic Purposes Benefit, Widow's Benefit, Invalid's Benefit, Unemployment Benefit, Training Benefit, Sickness Benefit or related Emergency Benefit.

- those on an income low enough to qualify. If income is above the level at which the Invalid’s Benefit is fully abated, he/she is no longer entitled to the DA.
- those paying board fees if living in a home for people with disabilities or similar accommodation.

Special Benefit
Available on a discretionary basis to those receiving an income tested social security benefit, National Superannuation or a Veteran’s Pension who have exceptionally high on-going special or unusual expenses which they cannot meet on their present income. It may also be paid to those who are working but earn a low income and have exceptionally high expenses. The amount paid varies with individual circumstances and may be paid as a lump sum or regularly over a period of time. In practice the most common use of the special benefit is for high rental costs. For those already receiving a benefit, the weekly shortfall of outgoings over income must exceed $20. Cash assets are strictly limited. The New Zealand Income Support Service requires information about income, savings, everyday living expenses and fixed expenses when making a decision about special benefit eligibility. The Special Benefit is not recoverable from the beneficiary.

For the purposes of the special benefit, income includes:
- the applicant’s and their partner’s gross earnings
- any business income
- payments received from boarders
- interest on savings
- dividends from investments
- social security benefits, Family Support and any other income.

Savings includes:
- cash in hand
- bank and savings accounts
- shares, stocks, debentures and bonds
- loans made by applicant
- mortgages owed to applicant or partner.

Everyday living expenses can include:
- food, electricity, gas, clothing and other normal living expenses.

Fixed Expenses:
- accommodation costs
- hire purchase or other types of regular payments - for a washing machine, refrigerator, television and essential household furniture, such as beds and dining room suites
- disability related expenses
- car repayments and running costs only if the agreement existed before applying for a benefit, or if chronic illness or disability exists in the family or if no public transport is available
- for non-beneficiaries - public transport to work, compulsory union fees, childcare.

The Coalition agreement suggested that there would be some changes to these conditions but as yet at the time of writing there has been no announcement.

Special needs grant
This is a one-off emergency grant which may be granted to a beneficiary or a non-beneficiary. It is granted to cover such expenses as abortion, child safety helmets, emergency furniture, bonds for tenancy agreements, emergency food, dental or medical care, school uniforms, to tide over those transferring between benefits, to provide for families of striking workers and so on. The grant may be recoverable (in the case of non-beneficiaries) but there is an element of discretion applied to whether the grant will be recovered.

Benefit Advances
Advance payments of benefit are sometimes made to meet immediate and essential needs. Repayment is from subsequent instalments of the benefit.

Health

The Community Services Card
Issued by the New Zealand Income Support Service to those on low incomes giving entitlement to assistance towards the costs of health services. Income for purposes of application for the card is expected income over the next 12 months and includes IFTC plus Family Support.

Those receiving an income-tested benefit (NZ Super, full time students) automatically qualify for a card. The income levels were raised in 1996 and will be further raised in 1997 as Table 14 shows.

Table 18
Community Service Card Income thresholds (not changed)

Family size	From 1 July 96 $	From 1 July 97 $
Single person		
sharing	17,134	17,769
alone	18,173	18846
2 person family	27,000	28,000
3 person family	31,673	32,846
4 person family	36,346	39200
5 person family	42,019	42,538
6 person family	45,692	47,385

The card gives a subsidy per GP visit as follows :

- Adult $15
- Child over 5 $20
- Child under 5 $25

With the card, prescription charges are limited to $3 each item.

Pharmaceutical Subsidy Card
This card is available for a person for a family after 20 prescriptions have been bought in a year. With a CSC there is then no government prescription charge, without CSC, there is a $2 government prescription charge.

In addition to the above charge some medicines carry a manufacturer's premium (not further defined) which the government does not subsidise and which is added to the prescription cost (it is typically less than $2). Similarly for non-subsidised medicines there is no government subsidy and the actual cost is payable regardless of maximum charges.

Following the changes in 1993 charges for overnight stay were removed for all with or without a card, and outpatient visits became free for all after 1994 changes. While some GPs chose not to charge children with cards at all Table 15 shows some typical charges for visits in Auckland.

Table 19
Typical General Practitioner Charges as at July 1998

GP visit (@ $35)		**Child 0-5**	**Child 6+**	**Adult**
with card	pay $			
medical		-	0-15	20
accident		-	10	15
without card				
medical		-	15-20	35-45
accident		-	15	20

The high use card
This is administered by Health Benefits Ltd and is available to 'those patients who visit their doctor frequently for ongoing illnesses'. Whereas the Community Services Card is income based, the high use card is based on GP visits and income is not considered. It is possible for one person to hold both cards. The high use card is generally applied for by the General Practitioner on the patient's behalf. The patient must have had at least 12 visits to the GP within the last 12 months, and a card is then issued for the next 12 months. After 12 months application must be made for a new card. The holder pays a maximum $3 charge on all prescriptions and is entitled to the same GP visit subsidies as for the Community Services Card.

Coalition announcements December 1996
Wide ranging reforms to the structure of the health sector were announced, including some changes to the targeting arrangements. Out patients charges were abolished, and visits to the GP prescriptions for those under 5 became free. This latter policy has been questioned and its future is in doubt.

Legal aid

This is administered by the Legal Services Board out of an annual budget. It is available on a discretionary basis to those with gross income of less than approximately $20,000, including easily liquefied assets such as bank accounts but excluding owned property. Evidence of earnings is required and for those receiving a benefit a certificate is required from the Income Support Service as evidence of income. Legal Aid is regarded as a loan and contributions are sought for repayment when the legal process is concluded. If repayment is not forthcoming the amount owing is written off, except in the case of civil legal aid where a property is owned, in which case a charge is placed on the property so that the amount owing is repaid on the sale of the property. In the case of criminal legal aid where property is owned, no charge is placed on the property.

APPENDIX B

Table 20
Welfare Benefits and Targeted Payments Which May Affect A Family Comprising 1 or 2 Adults and 3 Children
(2 Under 13 Years and 1Tertiary Student) **as at 1 July 1998 (Indicative Only)**

Benefit	Net Amount Per Week (Excluding Family Support)	Income for Abatement (Payback)	Income Basis	Exempt Amount *(Note 1)*	Range of Income Abatement Applies	Abatement/ Repayment Rates (%)
Unemployment, Training, 55Plus **Sickness**	$260.94 $279.08	joint	current weekly	$80 pw	> $80 pw	70
Invalids DPB/Widows	$306.92 $230.24	joint if applicable	current yearly	$80 pw	$80-$180 pw > $180 pw	30 70
Accommodation Supplement *(a) For Beneficiary*	Up to $75 - $150 Max. depends on area	joint	current weekly (NB: cash assets test also applies)	no lower limit	$0-$80 pw >$80 pw	25 0
(b) For Employed	Max. depends on area	joint		sole: $338.13 pw couple: $400.15 pw	sole: > $338.13 pw couple: > $400.15 pw	25 25
Family Support & Independent family tax credit	Max $109 (two children)	joint (parents) *(2)*	current annual	$20,000 pa	$20,000-$27,000 > $27,000	18 30
Child Support	Min $10 Max varies	individual (parent)	previous financial year *(4)*	(living allowance)	upper limit varies	12 - 30 (4)
Child Care Subsidy	$69.60 max	joint	current weekly	$640 per week	$640-$741 per week	69 (average)
Student Loans	varies	individual	current annual	$14,716 pa	> $14,716 pa	10
Student Allowances *(5)*	Up to $98.21 at home $122.78 away from home	joint (parents)	previous financial year	$27,872 pa	> $27,872 pa cut out is $42,538 pa *(5)*	25
Community Services Card	varies	joint	expected next 12 months	N/A	entitlement lost > $42,538 pa (couple) > $37,692 pa (sole)	N/A

Notes: 1. Same for sole parent and couple unless noted.

2. Parents' income only for those who are living together and both supporting the child.

3. Parents' income whether or not living together and offering support.

4. Adjusted for inflation. Provision exists for reassessment if income in the current year falls to less than 85 per cent of the previous year.
5. Student allowances are higher for students over 25, and depending on area, there is an accommodation allowance of up to $38 per week. If the student lives away from home, the upper income limit for abatement is higher. If there are two students a cumulative loss of student allowances of 50 per cent is possible, although the threshold for the income test is raised.

APPENDIX TABLE C1: Net Income for Varying Gross Weekly Earnings

25 year-old professional worker, no cash assets, sharing a flat with friends and repaying her student loan. She pays rent of $100 per week.

Gross Person Earnings $	Combined Earnings $	Combined GMFI $	Combined Benefit $ gross	Combined Income Tax $	Combined Benefit $ net	Combined FS & CS $ credits	Combined AS $	Combined levies $	Net Person Income $	Net Partner Income $	Combined Income $ net	Effective Average Tax Rate	Effective Marginal Tax Rate EMTR
0.00	0.00	0.00	173.34	26.00	147.34	0.00	44.10	0.00	191.44	0.00	191.44		
40.00	40.00	0.00	173.34	33.84	147.34	0.00	34.10	0.48	213.12	0.00	213.12	-432.8%	45.8%
80.00	80.00	0.00	173.34	42.24	147.34	0.00	24.10	0.96	234.24	0.00	234.24	-192.8%	47.2%
120.00	120.00	0.00	140.40	43.72	119.34	0.00	24.10	1.44	239.34	0.00	239.34	-99.4%	87.3%
160.00	160.00	0.00	107.46	45.20	91.34	0.00	24.10	1.92	244.43	0.00	244.43	-52.8%	87.3%
200.00	200.00	0.00	74.52	46.69	63.34	0.00	24.10	2.40	249.53	0.00	249.53	-24.8%	87.3%
240.00	240.00	0.00	41.58	48.17	35.34	0.00	24.10	2.88	254.63	0.00	254.63	-6.1%	87.3%
280.00	280.00	0.00	8.64	49.65	7.34	0.00	24.10	3.92	259.16	0.00	259.16	7.4%	88.7%
320.00	320.00	0.00	0.00	56.24	0.00	0.00	17.09	7.54	273.31	0.00	273.31	14.6%	64.6%
360.00	360.00	0.00	0.00	64.64	0.00	0.00	7.09	12.02	290.43	0.00	290.43	19.3%	57.2%
400.00	400.00	0.00	0.00	73.04	0.00	0.00	0.00	16.50	310.46	0.00	310.46	22.4%	49.9%
440.00	440.00	0.00	0.00	81.44	0.00	0.00	0.00	20.98	337.58	0.00	337.58	23.3%	32.2%
480.00	480.00	0.00	0.00	89.84	0.00	0.00	0.00	25.46	364.70	0.00	364.70	24.0%	32.2%
520.00	520.00	0.00	0.00	98.24	0.00	0.00	0.00	29.94	391.82	0.00	391.82	24.6%	32.2%
560.00	560.00	0.00	0.00	106.64	0.00	0.00	0.00	34.42	418.94	0.00	418.94	25.2%	32.2%
600.00	600.00	0.00	0.00	115.04	0.00	0.00	0.00	38.90	446.06	0.00	446.06	25.7%	32.2%
640.00	640.00	0.00	0.00	123.44	0.00	0.00	0.00	43.38	473.18	0.00	473.18	26.1%	32.2%
680.00	680.00	0.00	0.00	131.84	0.00	0.00	0.00	47.86	500.30	0.00	500.30	26.4%	32.2%
720.00	720.00	0.00	0.00	140.24	0.00	0.00	0.00	52.34	527.42	0.00	527.42	26.7%	32.2%
760.00	760.00	0.00	0.00	152.15	0.00	0.00	0.00	56.82	551.03	0.00	551.03	27.5%	41.0%
800.00	800.00	0.00	0.00	165.35	0.00	0.00	0.00	61.30	573.35	0.00	573.35	28.3%	44.2%

APPENDIX TABLE C2: Net Income for Varying Gross Weekly Earnings

35 year-old sole-custody parent, $6,000 cash assets, caring for two children aged 13 and 10. She pays a mortgage of $200 per week. Her former partner contributes $50 per week child support.

Gross Person Earnings $	Com-bined Earnings $	Com-bined GMFI $	Com-bined Benefit $ gross	Combined Income Tax $	Com-bined Benefit $ net	Com-bined FS & CS $ credits	Com-bined AS $	Com-bined levies $	Net Person Income $	Net Partner Income $	Com-bined Income $ net	Effective Average Tax Rate	Effective Marginal Tax Rate EMTR
0.00	0.00	0.00	277.57	47.33	230.24	79.00	72.12	0.00	381.36	0.00	381.36		
45.00	45.00	0.00	277.57	56.78	230.24	79.00	60.87	0.54	405.12	0.00	405.12	-800.3%	47.2%
90.00	90.00	0.00	273.77	65.43	227.24	79.00	52.12	1.08	428.38	0.00	428.38	-376.0%	48.3%
135.00	135.00	0.00	256.68	71.29	213.74	79.00	52.12	1.62	449.89	0.00	449.89	-233.2%	52.2%
180.00	180.00	0.00	239.59	77.15	200.24	79.00	52.12	2.16	471.40	0.00	471.40	-161.9%	52.2%
225.00	225.00	0.00	199.72	78.23	168.74	79.00	52.12	2.70	474.91	0.00	474.91	-111.1%	92.2%
270.00	270.00	0.00	161.46	79.64	137.24	79.00	52.12	3.24	479.69	0.00	479.69	-77.7%	89.4%
315.00	315.00	0.00	124.40	81.31	105.74	79.00	52.12	3.78	485.42	0.00	485.42	-54.1%	87.3%
360.00	360.00	0.00	87.34	82.98	74.24	79.00	52.12	4.32	491.16	0.00	491.16	-36.4%	87.3%
405.00	405.00	0.00	50.28	84.65	42.74	81.28	52.12	4.86	499.17	0.00	499.17	-23.3%	82.2%
450.00	450.00	0.00	13.22	86.32	11.24	99.01	52.12	5.40	522.64	0.00	522.64	-16.1%	47.9%
495.00	495.00	0.00	0.00	92.99	0.00	127.04	31.59	5.94	554.70	0.00	554.70	-12.1%	28.7%
540.00	540.00	0.00	0.00	102.44	0.00	113.54	20.34	6.48	564.96	0.00	564.96	-4.6%	77.2%
585.00	585.00	0.00	0.00	111.89	0.00	100.04	9.09	7.02	575.22	0.00	575.22	1.7%	77.2%
630.00	630.00	0.00	0.00	121.34	0.00	86.54	0.00	7.56	587.64	0.00	587.64	6.7%	72.4%
675.00	675.00	0.00	0.00	130.79	0.00	73.04	0.00	8.10	609.15	0.00	609.15	9.8%	52.2%
720.00	720.00	0.00	0.00	140.24	0.00	59.54	0.00	8.64	630.66	0.00	630.66	12.4%	52.2%
765.00	765.00	0.00	0.00	153.80	0.00	50.00	0.00	9.18	652.02	0.00	652.02	14.8%	52.5%
810.00	810.00	0.00	0.00	168.65	0.00	50.00	0.00	9.72	681.63	0.00	681.63	15.8%	34.2%
855.00	855.00	0.00	0.00	183.50	0.00	50.00	0.00	10.26	711.24	0.00	711.24	16.8%	34.2%
900.00	900.00	0.00	0.00	198.35	0.00	50.00	0.00	10.80	740.85	0.00	740.85	17.7%	34.2%

APPENDIX TABLE C3: Net Income for Varying Gross Weekly Earnings

Auckland family with three children aged 10-16. Mother in regular fulltime job, earning $250 per week at $8 per hour for 31¼ hours. Her partner is a contract worker. They have $1,000 cash assets, and pay rent at $300.

Gross Person Earnings $	Combined Earnings $	Combined GMFI $	Combined Benefit $ gross	Combined Income Tax $	Combined Benefit $ net	Combined FS & CS $ credits	Combined AS $	Combined levies $	Net Person Income $	Net Partner Income $	Combined Income $ net	Effective Average Tax Rate	Effective Marginal Tax Rate EMTR
250.00	250.00	99.42	0.00	59.43	0.00	177.00	148.40	4.19	495.33	115.86	611.19	-144.5%	
250.00	300.00	49.42	0.00	57.93	0.00	177.00	148.40	4.19	475.88	136.81	612.69	-104.2%	97.0%
250.00	350.00	0.00	0.00	56.54	0.00	177.00	148.40	4.20	456.66	158.00	614.66	-75.6%	96.1%
250.00	400.00	0.00	0.00	64.04	0.00	174.23	146.55	4.80	452.96	198.97	651.94	-63.0%	25.4%
250.00	450.00	0.00	0.00	72.58	0.00	165.23	134.05	5.40	437.71	233.58	671.30	-49.2%	61.3%
250.00	500.00	0.00	0.00	83.08	0.00	156.23	121.55	6.00	422.46	266.23	688.70	-37.7%	65.2%
250.00	550.00	0.00	0.00	93.58	0.00	143.54	109.05	6.60	403.52	298.88	702.41	-27.7%	72.6%
250.00	600.00	0.00	0.00	104.08	0.00	128.54	96.55	7.20	382.27	331.53	713.81	-19.0%	77.2%
250.00	650.00	0.00	0.00	114.58	0.00	113.54	84.05	7.80	361.02	364.18	725.21	-11.6%	77.2%
250.00	700.00	0.00	0.00	125.08	0.00	98.54	71.55	8.40	339.77	396.83	736.61	-5.2%	77.2%
250.00	750.00	0.00	0.00	135.58	0.00	83.54	59.05	9.00	318.52	429.48	748.01	0.3%	77.2%
250.00	800.00	0.00	0.00	146.08	0.00	68.54	46.55	9.60	297.27	462.13	759.41	5.1%	77.2%
250.00	850.00	0.00	0.00	156.58	0.00	53.54	34.05	10.20	276.02	494.78	770.81	9.3%	77.2%
250.00	900.00	0.00	0.00	167.08	0.00	38.54	21.55	10.80	254.77	527.43	782.21	13.1%	77.2%
250.00	950.00	0.00	0.00	177.58	0.00	23.54	9.04	11.40	233.52	560.08	793.61	16.5%	77.2%
250.00	1,000.00	0.00	0.00	190.38	0.00	8.54	0.00	12.00	214.00	592.15	806.15	19.4%	74.9%
250.00	1,050.00	0.00	0.00	206.88	0.00	0.00	0.00	12.60	205.46	625.05	830.52	20.9%	51.3%
250.00	1,100.00	0.00	0.00	223.38	0.00	0.00	0.00	13.20	205.46	657.95	863.42	21.5%	34.2%
250.00	1,150.00	0.00	0.00	239.88	0.00	0.00	0.00	13.80	205.46	690.85	896.32	22.1%	34.2%
250.00	1,200.00	0.00	0.00	256.38	0.00	0.00	0.00	14.40	205.46	723.75	929.22	22.6%	34.2%
250.00	1,250.00	0.00	0.00	272.88	0.00	0.00	0.00	15.00	205.46	756.65	962.12	23.0%	34.2%

APPENDIX TABLE C4: Net Income for Varying Gross Weekly Earnings

Reconstituted single-income family with three children aged 0-16, no cash assets, paying $300 rent. Father earning $8 per hour when working part-time. He is repaying a student loan, and has four liable children.

Gross Person Earnings $	Com-bined Earnings $	Com-bined GMFI $	Com-bined Benefit $ gross	Combined Income Tax $	Com-bined Benefit $ net	Com-bined FS & CS $ credits	Com-bined AS $	Com-bined levies $	Net Person Income $	Net Partner Income $	Com-bined Income $ net	Effective Average Tax Rate	Effective Marginal Tax Rate EMTR
0.00	0.00	0.00	306.99	46.05	260.94	132.00	150.00	14.59	190.88	337.47	528.35		
80.00	80.00	0.00	306.99	61.10	260.94	132.00	130.00	21.95	238.47	327.47	565.94	-607.4%	53.0%
160.00	160.00	0.00	241.11	66.04	204.94	132.00	130.00	26.67	270.93	299.47	570.40	-256.5%	94.4%
240.00	240.00	109.42	0.00	59.13	0.00	177.00	148.40	31.25	287.39	297.05	584.43	-143.5%	82.5%
320.00	320.00	29.42	0.00	61.53	0.00	177.00	148.40	38.45	311.31	263.53	574.83	-79.6%	112.0%
400.00	400.00	0.00	0.00	73.04	0.00	176.03	146.55	50.81	349.43	249.30	598.73	-49.7%	70.1%
480.00	480.00	0.00	0.00	89.84	0.00	161.63	126.55	66.17	387.27	224.90	612.17	-27.5%	83.2%
560.00	560.00	0.00	0.00	106.64	0.00	144.32	106.55	84.12	422.52	197.59	620.11	-10.7%	90.1%
640.00	640.00	0.00	0.00	123.44	0.00	127.52	86.55	123.48	436.36	170.79	607.15	5.1%	116.2%
720.00	720.00	0.00	0.00	140.24	0.00	110.72	66.55	162.84	450.20	143.99	594.19	17.5%	116.2%
800.00	800.00	0.00	0.00	165.35	0.00	93.92	46.55	202.20	455.73	117.19	572.92	28.4%	126.6%
880.00	880.00	0.00	0.00	191.75	0.00	77.12	26.55	241.56	459.97	90.39	550.36	37.5%	128.2%
960.00	960.00	0.00	0.00	218.15	0.00	60.32	6.54	280.92	464.21	63.59	527.80	45.0%	128.2%
1,040.00	1,040.00	0.00	0.00	244.55	0.00	43.52	0.00	320.28	475.18	43.52	518.69	50.1%	111.4%
1,120.00	1,120.00	0.00	0.00	270.95	0.00	26.72	0.00	359.64	489.42	26.72	516.13	53.9%	103.2%
1,200.00	1,200.00	0.00	0.00	297.35	0.00	9.92	0.00	399.00	503.66	9.92	513.57	57.2%	103.2%
1,280.00	1,280.00	0.00	0.00	323.75	0.00	0.00	0.00	426.34	529.91	0.00	529.91	58.6%	79.6%
1,360.00	1,360.00	0.00	0.00	350.15	0.00	0.00	0.00	441.70	568.15	0.00	568.15	58.2%	52.2%
1,440.00	1,440.00	0.00	0.00	376.55	0.00	0.00	0.00	457.06	606.39	0.00	606.39	57.9%	52.2%
1,520.00	1,520.00	0.00	0.00	402.95	0.00	0.00	0.00	472.42	644.63	0.00	644.63	57.6%	52.2%
1,600.00	1,600.00	0.00	0.00	429.35	0.00	0.00	0.00	487.78	682.87	0.00	682.87	57.3%	52.2%

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