A Model of Basic Income for Ireland

CLLR. DAVE QUINN AND PROF. JOHN BAKER

Summary of the case for basic income

- **A caring society -** together strong public services, basic income would help to satisfy everyone's basic needs
- **Quality of life** - better mental and physical health; support for caring, volunteering, studying, creative work; freedom to leave bad jobs and bad relationships
- **A dynamic economy** – support for economic innovation, upskilling, taking up employment, job mobility, small farming, aggregate demand management

Our Model's Objectives

- A more equal distribution of nett income
- Maintain or improve progressive rates of ***effective tax***
- A relatively high basic income paid to all adults that is economically feasible
  - No significant impact on overall State finances
  - Avoid tax rates that might be considered too high
- Transparent, acceptable funding mechanism

Our model of basic income

- Set the level of basic income to match existing core Social Protection rates
- Retain current Income Tax (20% & 40%) and Employee PRSI rates (0% and 4%)
- Replace many income tax credits, allowances and exemptions with basic income payment
- Replace USC with UBIC – Universal Basic Income Contribution
  - Higher rates of UBIC than existing USC rates:
  - 20% if your income is less than €21,000; otherwise:
  - 30% on initial €21,000 income, 8% on next €50,000, and 11% on all income over €70,000
- Increase Employer PRSI to 13% and 15%
- Replace core Social Protection transfers and student maintenance grants with basic income

Why 20% and 30% UBIC rates on the first band?

- The lower 20% rate targets financial support to people with incomes below €21,000
- It recovers some of their basic income while ensuring that their nett income is much higher
- For other income earners, the 30% rate on the first €21,000 helps to fund basic income by recovering more of it from higher incomes
- Taken together, they both help to ensure that top rates of tax are not increased beyond their current maximum
- They are both integral to our model achieving our objectives

Key Data sources for our model

- CSO Census results for 2016 and 2022
- Revenue Statistics
  - Income Tax Distribution – USC Income across income bands
  - Individualised Gross Income breakdown
  - Cost of Tax Expenditures
- Department of Social Protection: Statistical Information on Social Welfare Services

Our UBI Model – Expenditure of €41.3bn

Age Band	Population	Weekly UBI	Expenditure
0 – 17	1,204,456	n/a	
18 – 65	3,089,077	€203.00	€32.72bn
66 – 79	492,459	€248.30	€6.38bn
80+	164,008	€258.30	€2.21bn
Totals	**4,949,999**		**€41.3bn**

Revenue 2019 Data used in our Model

€ Band	Individuals	Gross Income €m
0 - €10k	579,722	2,767.79
€10k-€12k	202,369	2,247.78
€12k-€15k	320,850	4,299.40
€15k-€17k	137,397	2,196.78
€17k-€20k	198,676	3,676.49
€20k-€25k	334,654	7,546.80
€25k-€27k	130,728	3,396.82
. . .		
€200k - €275k	12,805	2,965.04
Over €275k	13,620	7,353.00
Totals	**3,518,261**	**117,635.15**

€ Band	Tax Units	USC Income €m
€13k - €14k	43,019	580.62
€14k - €15k	42,733	620.11
€15k – €17k	84,833	1,356.44
€17k - €20k	123,148	2,280.37
€20k - €25k	203,704	4,581.87
€25k – €27k	79,275	2,060.39
€27k - €30k	114,021	3,249.08
. . .		
€200k - €275k	19,407	4,480.09
Over €275k	18,506	9,308.54
Totals	**2,902.110**	**104,854.95**

Our UBI Model – Changes to Rates

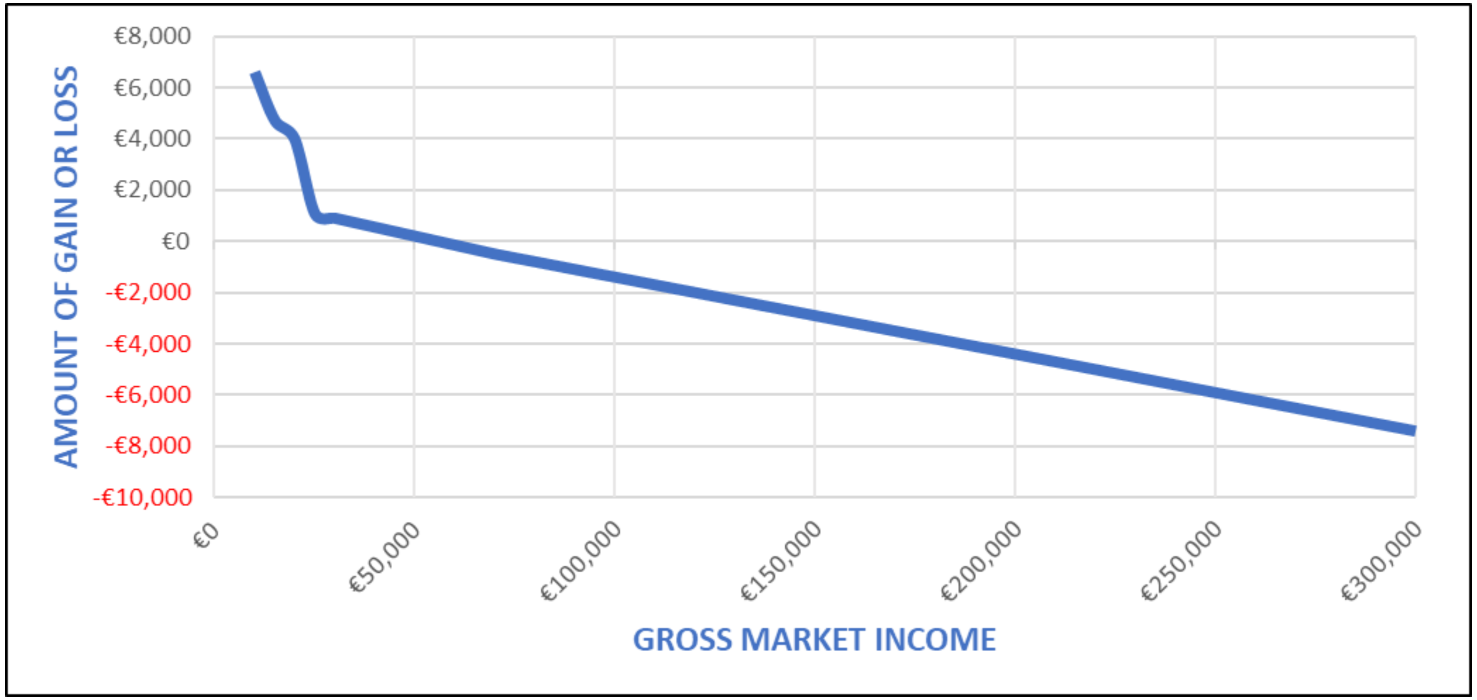
UBIC:	**Gross Income Bands**	**Rate**
Gross Income under €21,186		20%
Gross Income over €21,186:	€0 - €21,186	30%
	€21,186 - €70,044	8%
	Over €70,044	11%
Employer PRSI:		
	€0 - €21,186	13%
	Over €21,186	15%

Proposed Funding of this €41.3bn

	€bn
USC of €3.8bn replaced by UBIC of €19.7bn	15.9
Nett Income Tax receipts go from €18.4bn to €25.8bn	7.4
PRSI receipts go from €12.3bn to €16bn	3.7
Social Protection supports reduced or replaced by basic income	14.3
SUSI maintenance payments replaced by basic income	0.2
Total funding	**41.5**

Validation: Distributive consequences

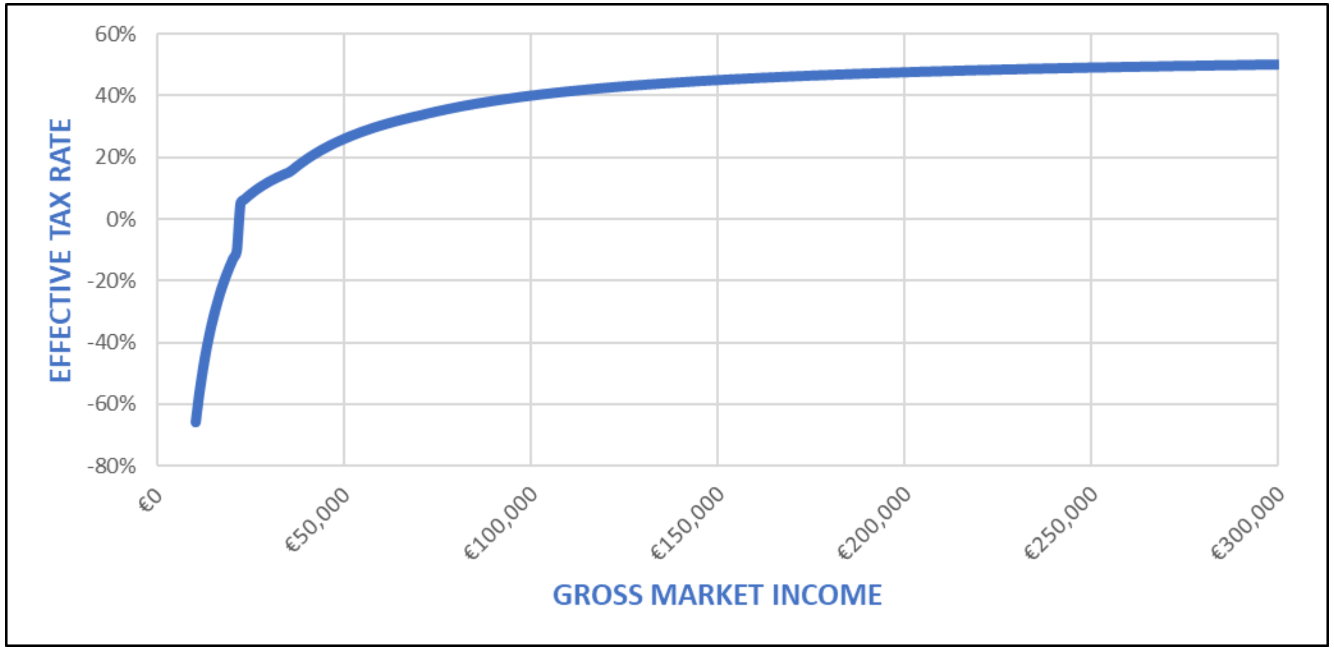
Higher nett incomes for 3m individuals



Lower nett incomes for 0.5m individuals

Validation: Effective Tax Rates

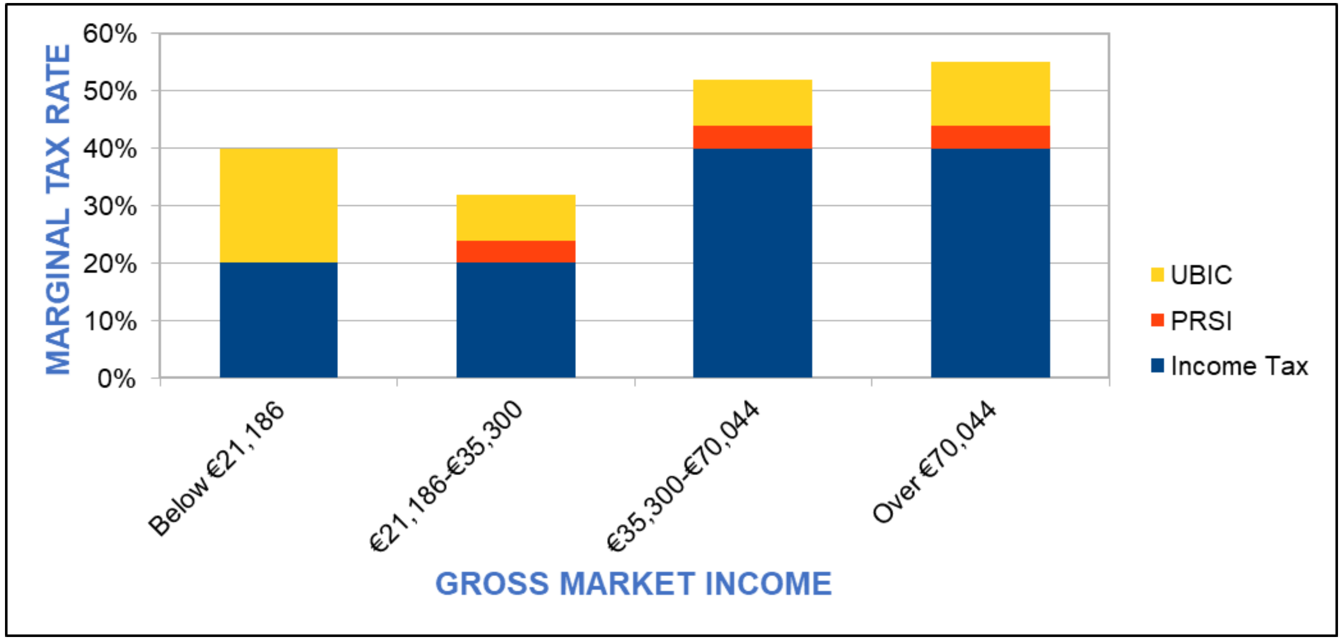
People with market incomes of less than €21,186 pay less tax than they get in basic income (i.e. a negative effective tax rate)



Effective tax rate rises as market income rises

Validation: Marginal Tax Rates

People with market incomes below €21,186 receive more in basic income than they pay in tax



Small increase in marginal rates for some PAYE people with higher incomes

Implementation: Median Earner - €37,000

For employees who would receive their Basic Income through their employers

Original Payslip	**07/01/2019**
Payments	
Salary	709.08
Deductions	
PAYE Tax	84.40
PRSI Employee	28.36
USC	18.89
Nett Pay	**€577.43**

Revised Payslip	**07/01/2019**
Payments	
Salary	709.08
Basic Income	203.00
Deductions	
PAYE Tax	147.86
PRSI Employee	28.36
UBIC	146.36
Nett Pay	**€589.50**

For everyone other than employees, they would receive their Basic Income directly from Revenue

Implementation: Lower Earner - €20,000

For employees who would receive their Basic Income through their employers

Original Payslip	**07/01/2019**
Payments	
Salary	383.29
Deductions	
PAYE Tax	13.19
PRSI Employee	8.54
USC	4.23
Nett Pay	**357.33**

Revised Payslip	**07/01/2019**
Payments	
Salary	383.29
Basic Income	203.00
Deductions	
PAYE Tax	76.66
PRSI Employee	0.00
UBIC	76.66
Nett Pay	**432.97**

Implementation: Higher Earner - €70,000

For employees who would receive their Basic Income through their employers

Original Payslip	**07/01/2019**
Payments	
Salary	1,341.51
Deductions	
PAYE Tax	337.36
PRSI Employee	53.66
USC	47.35
Nett Pay	**903.14**

Revised Payslip	**07/01/2019**
Payments	
Salary	1,341.51
Basic Income	203.00
Deductions	
PAYE Tax	400.83
PRSI Employee	53.66
UBIC	196.95
Nett Pay	**893.07**

Concluding Remarks : Reminder of our Objectives

- A more equal distribution of nett income
- Maintain or improve progressive rates of ***effective tax***
- A relatively high basic income paid to all adults that is economically feasible
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Our questions for you

- ❑ Your general view of our model
- ❑ Your advice on microsimulation
- ❑ Your predictions of dynamic effects
- ❑ Your advice on trade union support

A Model of Basic Income for Ireland

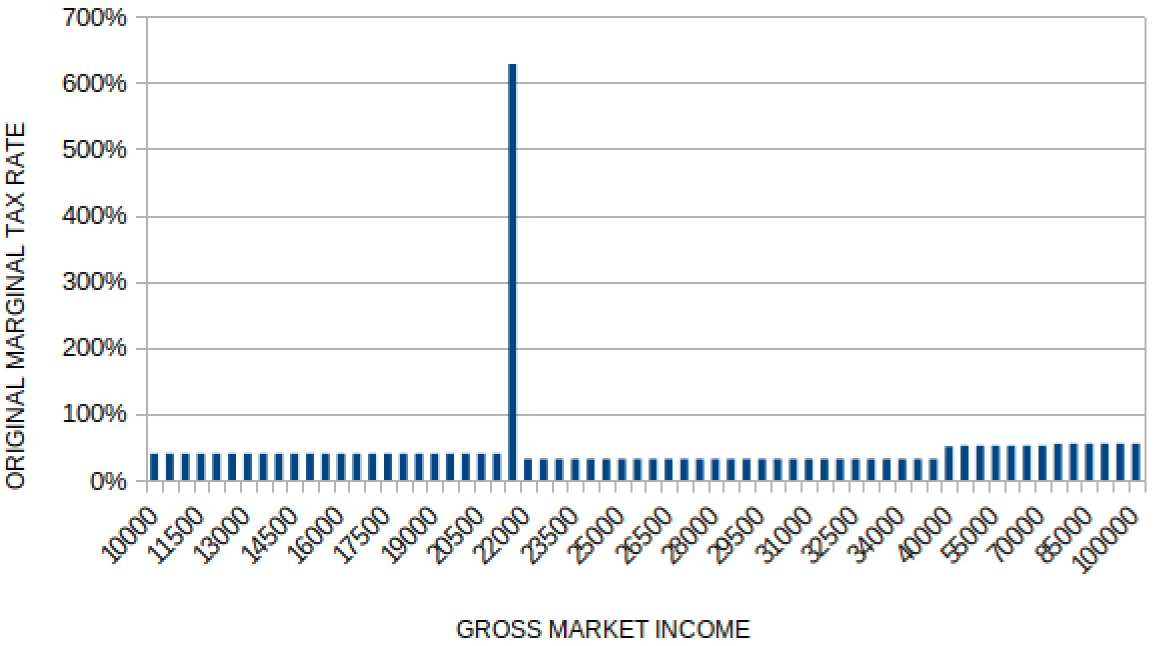
Presented by:

- Prof John Baker, UCD and Basic Income Ireland
- Cllr Dave Quinn, DLRCoCo, Social Democrats and BII

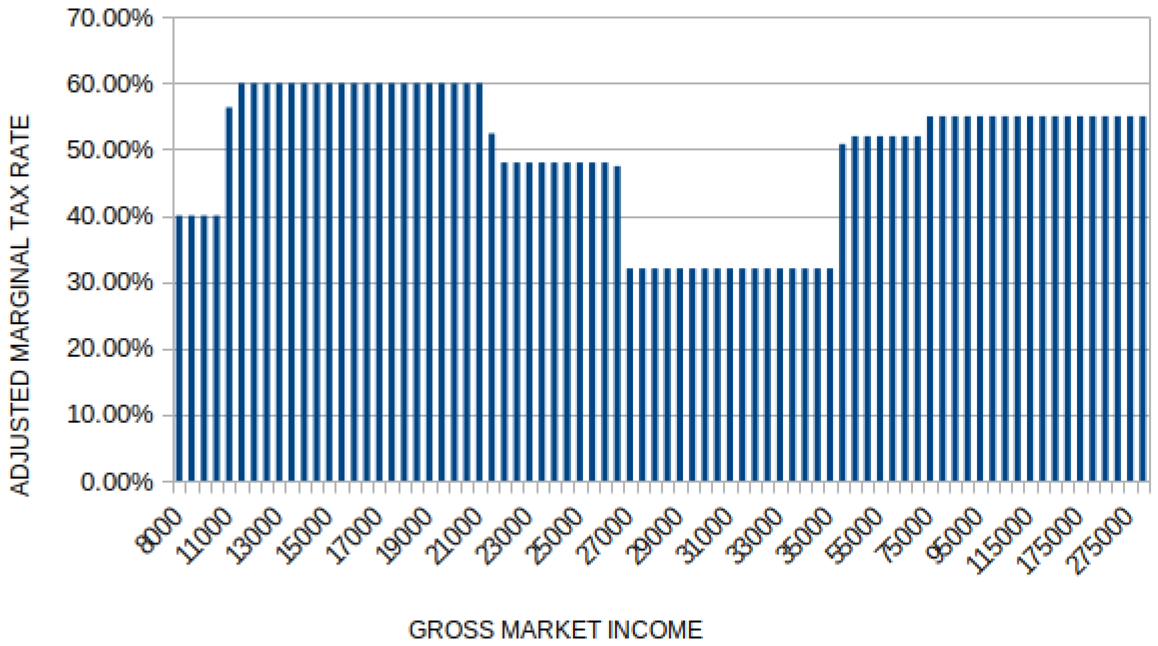
- Available at: www.basicincome.ie

Thank you

Adjustments at the border: Marginal tax rates

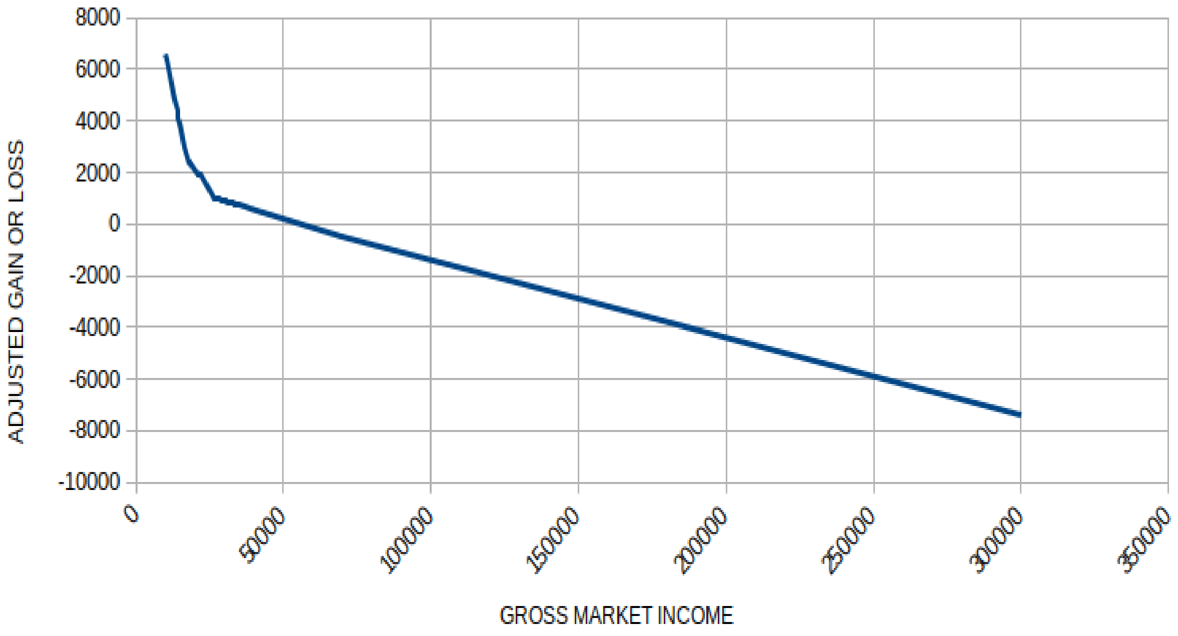


Original marginal tax rates

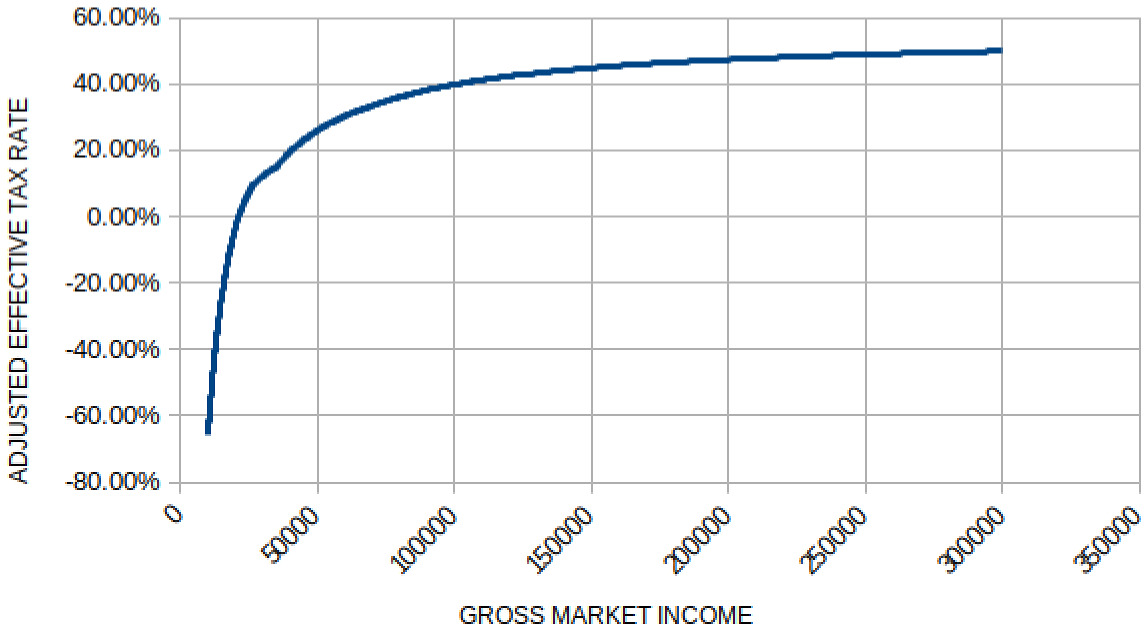


Adjusted marginal tax rates

Adjustments at the border:
Gains, losses and effective tax rates



Adjusted Gains and Losses



Adjusted Effective Tax Rates