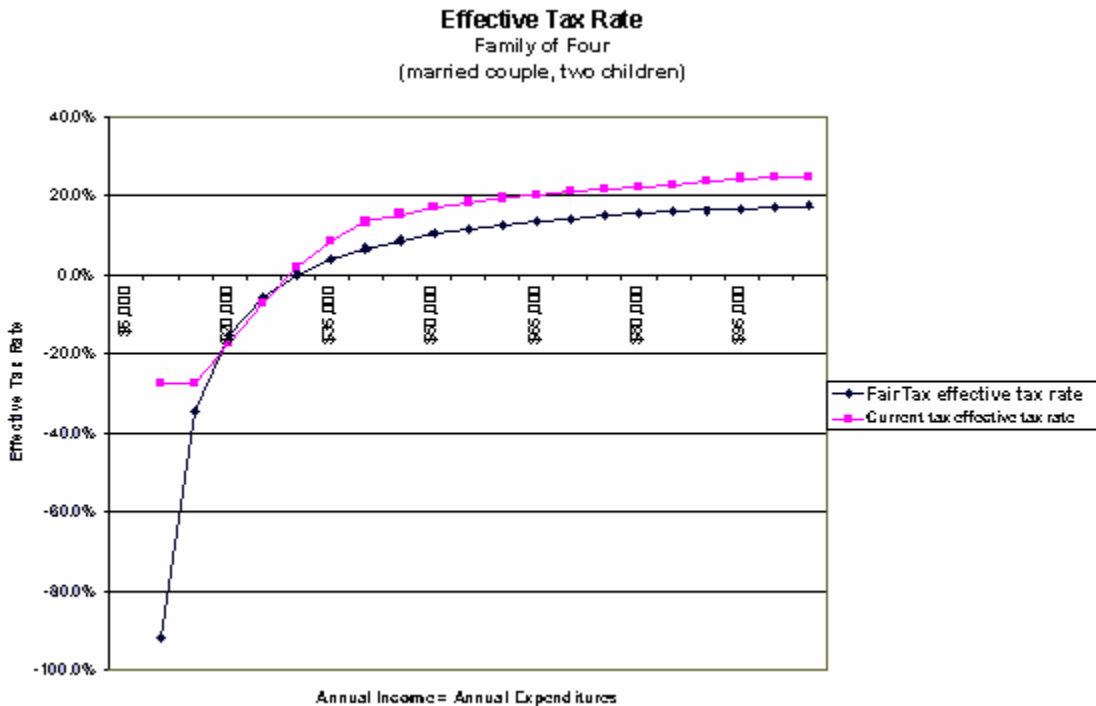




How progressive is the FairTax?

*A federal retail sales tax on new goods and services
that replaces all income and payroll taxes*

Effective tax rates	<u>Current system</u>	<u>FairTax system</u>	<u>Details</u>
• Single parent / two children / minimum wage Annual income: \$10,712/year	2.7%	-3.6%	Page 2
• A couple living solely on Social Security Annual income: \$25,944/year	22.0%	9.9%	Page 3
• Married couple / two children Annual income: \$32,136/year	25.65%	8.9%	Page 4
• Single mother / two children and mortgage Annual income: \$45,000/year.....	30.2%	12.9%	Page 5
• Married couple /two children and mortgage Annual income: \$65,000/year	30.5%	13.4%	Page 6
• Married couple / two children / homeowner Annual income: \$100,000/year	29.78%	14.6%	Page 7



For more information, please go to www.fairtax.org or call 1-800-FairTax.



A single parent making minimum wage with two children

(Assumes consumption spending at 100% of income)

How do they fare now? How do they fare under the FairTax?

	Current <u>system</u>	FairTax <u>system</u>
Gross income.....	\$10,712	\$10,712
Less payroll taxes.....	-819	0.00
Less Federal income taxes.....	0.00	0.00
Plus Earned Income Tax Credit	+4,204	0.00
Cost of hidden taxes due to the income tax system.....	-3,101	0.00
Add the prebate family allowance.....	0.00	+3,701
<i>Spendable</i> income	10,996	14,413
Federal sales tax	0.00	-3,315
True after-tax <i>purchasing power</i> ¹	\$10,996	\$11,098

Under the FairTax, a 0.1 percent *increase* in spendable income

This does not take into account:

- *No spending on tax preparation and compliance*
- *The optional purchase of used goods on which no tax is charged*

¹ In all cases, we assume that all *purchasing power* amounts are completely consumed. If saved or invested under the current system one can assume additional returns and additional taxes. If saved, invested, or spent on education under the FairTax system, one can assume additional returns and *absolutely no* additional taxes.



A couple living solely on \$1081/month each in Social Security

(Assumes consumption spending at 100% of income)

How do they fare now? How do they fare under the FairTax?

	Current <u>system</u>	FairTax <u>system</u>
Gross income.....	\$25,944	\$25,944
Less payroll taxes.....	0.00	0.00
Less Federal income taxes.....	<u>0.00</u>	<u>0.00</u>
Cost of hidden taxes due to the income tax system.....	-5,708	0.00
Add the prebate family allowance.....	0.00	+4,402
<i>Spendable</i> income	20,236	30,346
Federal sales tax	<u>0.00</u>	<u>-6,980</u>
True after-tax <i>purchasing power</i>	\$20,236	\$23,366

Under the FairTax, a 15.5% increase in spendable income

This does not take into account:

- **No spending on tax preparation and compliance**
- **The optional purchase of used goods on which no tax is charged**
- **Automatic cost of living adjustments that may be triggered by retail price fluctuations**



A family of four, with one wage earner making 2X minimum wage and one making minimum wage

(Assumes consumption spending at 100% of income)

How do they fare now? How do they fare under the FairTax?

	<u>Current system</u>	<u>FairTax system</u>
Gross income.....	\$32,136	\$32,136
Less payroll taxes.....	-2,458	0.00
Less Federal income taxes.....	0.00	0.00
Plus EITC and child credits.....	<u>+987</u>	<u>0.00</u>
Cost of hidden taxes due to the income tax system.....	-6,746	0.00
Add the prebate family allowance.....	0.00	+5,902
<i>Spendable</i> income	23,919	38,038
Federal sales tax	<u>0.00</u>	<u>-8,749</u>
True after-tax <i>purchasing power</i>	\$23,919	\$29,289

Under the FairTax, a 22.4% increase in spendable income

This does not take into account:

- *No spending on tax preparation and compliance*
- **The optional purchase of used goods on which no tax is charged**

Under the FairTax the marital status is not taken into account; the prebate will be \$5,902 for a family of four (married). It will be \$2,951 for two people (single parent) times 2 = \$5,902 as is true for other combinations that can be worked out from the rebate chart. Therefore, there is no marriage penalty under the FairTax.



A single mother, 2 children and mortgage
 (Assumes consumption spending at 100% of income)
 How do they fare now? How do they fare under the FairTax?

	Current <u>system</u>	FairTax <u>system</u>
Gross income.....	\$45,000	\$45,000
Less payroll taxes.....	-3,443	0.00
Less Federal Income taxes.....	-3,824	0.00
Total taxes.....	<u>-7,267</u>	<u>0.00</u>
Add the prebate family allowance.....	0.00	+3,701
<i>Spendable</i> income.....	37,733	48,701
Mortgage payment.....	-9,000	<u>-7,470</u>
After mortgage <i>spendable</i> income.....	28,733	41,231
Cost of hidden taxes & compliance.....	-6,321	0.00
Federal sales tax.....	<u>0.00</u>	<u>-9,483</u>
True after-tax <i>purchasing power</i>	\$22,412	\$31,748

Under the FairTax, a 41.7% increase in spendable income

This does not take into account:

- *No spending on tax preparation and compliance*
- **The optional purchase of used goods on which no tax is charged**



A married couple, two children and mortgage
 (Assumes consumption spending at 100% of income)
 How do they fare now? How do they fare under the FairTax?

	Current system	FairTax system
Gross income.....	\$65,000	\$65,000
Less payroll taxes.....	-4,973	0.00
Less federal income taxes	-5,799	0.00
Total taxes	-10,772	0.00
Add the prebate family allowance.....	0.00	+5,902
<i>Spendable</i> income	54,228	70,902
Mortgage payment.....	-9,000	-7,470
After mortgage <i>spendable</i> income	45,228	63,432
Cost of hidden taxes due to the income tax system.....	-9,046	0.00
Federal sales tax	0.00	-14,589
True after-tax <i>purchasing power</i>	\$36,182	\$48,843

Under the FairTax, a 35.0% increase in spendable income

This does not take into account:

- *No spending on tax preparation and compliance*
- *The optional purchase of used goods on which no tax is charged*

Under the FairTax the marital status is not taken into account; the prebate will be \$5,902 for a family of four (married). It will be \$2,951 for two people (single parent) times 2 = \$5,902 as is true for other combinations that can be worked out from the rebate chart. Therefore, there is no marriage penalty under the FairTax.



A family of four making \$100,000 per year

How do they fare now? How do they fare under the FairTax?

	Current system	FairTax system
Gross income.....	\$100,000	\$100,000
Less payroll taxes.....	-7,650	0.00
Less federal income taxes.....	-7,905	0.00
Total taxes.....	-15,555	0.00
Add the prebate family allowance.....	0.00	+5,902
<i>Spendable</i> income.....	84,445	105,902
Mortgage payment.....	-19,960	-16,566
After mortgage <i>spendable</i> income.....	64,485	89,336
Cost of hidden taxes due to the income tax system...	-14,187	0.00
Federal sales tax.....	0.00	-20,547
True after-tax <i>purchasing power</i>	\$50,298	\$68,789

Under the FairTax, a 36.8% increase in spendable income

**With a skeptical 11 percent drop in prices,
rather than the conservative 22 percent above**

<i>Spendable</i> income.....	84,445	105,902
Mortgage payment.....	-19,960	-19,167
After mortgage <i>spendable</i> income.....	64,485	86,735
Cost of hidden taxes due to the income tax system....	-7,093	0.00
Federal sales tax.....	0.00	-19,949
True after-tax <i>purchasing power</i>	\$57,392	\$66,786

Under the FairTax, a 16.4% increase in spendable income

Under the FairTax the marital status is not taken into account; the prebate will be \$5,902 for a family of four (married). It will be \$2,951 for two people (single parent) times 2 = \$5,902 as is true for other combinations that can be worked out from the rebate chart. Therefore, there is no marriage penalty under the FairTax.



What is the FairTax?

The FairTax is a non-partisan proposal (HR 25/S 25) that abolishes all federal income taxes, including payroll, personal, gift, estate, capital gains, alternative minimum, Social Security/Medicare, self-employment, and corporate taxes, and replaces them all with one simple, visible, federal retail sales tax. It dramatically changes the basis for taxation by eliminating the root of the problem: Taxing income. The FairTax taxes us only on what we choose to spend, not on what we earn. It does not raise any more or less revenue; it is designed to be revenue neutral. The FairTax is a fair, efficient, and intelligent solution to the frustration and inequity of our current tax system.

No federal sales tax up to the poverty level means progressivity like today's tax system.

To ensure no American pays tax on necessities, the FairTax plan provides a prepaid, monthly rebate (prebate) for every registered household to cover the consumption tax spent on necessities up to the federal poverty level. This, along with several other features, is how the FairTax completely untaxes the poor, lowers the tax burden on most, while making the overall rate progressive. However, the FairTax is progressive based on lifestyle/spending choices, rather than simply punishing those taxpayers who are successful. Do you see how much freer life is with the FairTax instead of the income tax?

Who is FairTax.org?

FairTax.org is a non-profit, non-partisan, grassroots organization dedicated to replacing the current income and Social Security tax systems. The organization has hundreds of thousands of members and volunteers nationwide. Its plan supports sound economic research, education of citizens and community leaders, and grassroots mobilization efforts. For more information visit the web page: www.fairtax.org or 1-800-FAIRTAX.