

# **Our Tax System is Broken...**

## **Together We Can Fix It!**

**Problem:** There's one thing that just about every American can agree upon; our federal tax system is a disaster. It's too intrusive, too complex, and too costly. It discourages personal savings and investment and actually penalizes us for the things we value in this country – things like hard work and economic independence.

**Solution:** The FairTax – A citizen's bill, written for and by citizens, resulting in a fair, streamlined and intelligent solution to the frustration and inequity of our current tax system. Ask your Congressman to cosponsor this bill today!

### **The FairTax Act HR 25 / S 296:**

- **Creates jobs where the current system destroys jobs.** By stripping out hidden federal income taxes and compliance costs, the FairTax makes U.S. goods more competitive overseas and more affordable at home, thereby sharply increasing job creation while sharply reducing our balance of payments deficit.
- **Gives you your whole paycheck. No federal withholding!** What you earn, you keep!
- **Eliminates Social Security withholding,** the most regressive tax of all, while ensuring the system fulfills its promise to one generation without being a terrible burden to the next.
- **Eliminates the corporate taxes and cost of compliance** hidden in both wholesale and retail prices.
- **Dramatically lowers effective tax rates** for lower- and middle-income; a rebate *ends* taxes up to the poverty level.
- **Allows families to save more and faster** for home ownership, education, and retirement
- **Allows families to pay their *entire* house payment with pretax dollars,** a great improvement over the current home interest deduction.
- **Frees up time wasted** on filling out cumbersome and inscrutable IRS forms throughout the economy to the tune of \$250 billion or more (about three percent of GDP.)
- **Raises the same amount of revenue** for the federal government (revenue neutral). Retail costs stay about the same.
- **Taxes the trillion-dollar underground, criminal, drug, and porn economy.**
- **Makes taxation of income unconstitutional** by supporting the repeal of the 16<sup>th</sup> Amendment.
- **Eliminates the IRS** as we know it.

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### How does the prebate work?

All valid Social Security cardholders who are U.S. residents receive a monthly prebate equivalent to the FairTax paid on essential goods and services, also known as the poverty level expenditures. The prebate is paid in advance, in equal installments each month. The size of the prebate is determined by the Department of Health & Human Services' poverty level guideline multiplied by the tax rate. This is a well-accepted, long-used poverty-level calculation that includes food, clothing, shelter, transportation, medical care, etc. See chart in Figure 1 below.

**Figure 1: 2008 FairTax prebate schedule<sup>1</sup>**

One adult household				Two adult household			
Household Size	Family Consumption Allowance <sup>1</sup>	Annual Prebate	Monthly Prebate	Household Size	Family Consumption Allowance <sup>1</sup>	Annual Prebate	Monthly Prebate
1 person	\$10,400	\$2,392	<b>\$199</b>	couple	\$20,800	\$4,784	<b>\$399</b>
and 1 child	\$14,000	\$3,220	<b>\$268</b>	and 1 child	\$24,400	\$5,612	<b>\$468</b>
and 2 children	\$17,600	\$4,048	<b>\$337</b>	and 2 children	\$28,000	\$6,440	<b>\$537</b>
and 3 children	\$21,200	\$4,876	<b>\$406</b>	and 3 children	\$31,600	\$7,268	<b>\$606</b>
and 4 children	\$24,800	\$5,704	<b>\$475</b>	and 4 children	\$35,200	\$8,096	<b>\$675</b>
and 5 children	\$28,400	\$6,532	<b>\$544</b>	and 5 children	\$38,800	\$8,924	<b>\$744</b>
and 6 children	\$32,000	\$7,360	<b>\$613</b>	and 6 children	\$42,400	\$9,752	<b>\$813</b>
and 7 children	\$35,600	\$8,188	<b>\$682</b>	and 7 children	\$46,000	\$10,580	<b>\$882</b>

<sup>1</sup> Source: Based on the Department of Health and Human Services 2008 Poverty Guidelines published in the Federal Register, Vol. 73, No. 15, January 23, 2008, pp. 3971-3972.