

## Why the prebate is not a handout

1. The prebate functions the same as the standard deduction and personal exemptions do under the current income tax. Everyone believes that life's necessities should not be taxed. The prebate is a more efficient method of not taxing necessities than having complicated rules about what constitutes a necessity. Exempting various categories of items such as food, medicine, etc. would result in a higher tax rate than with the prebate.
2. The prebate makes the FairTax a progressive tax because it untaxes the poor. While everyone pays the same tax at the retail counter, when you take into account the prebate, the effective tax rate is 0% for those at the poverty level (\$26,400 for a two adult/two children family), 11.5% for the same family at twice the poverty level (\$52,800), and 17.3% for the same family at four times the poverty level (\$105,600).
3. Only legal residents of the United States can qualify for the prebate; illegal immigrants cannot.
4. The prebate is not a "handout". It is the refund of taxes paid (albeit, in advance). The FairTax has no exemptions so the prebate funds the tax on spending up to the poverty up-front.
5. According to the GAO, in 2005 the current tax system doled out \$800 billion in what are called tax expenditures (tax exemptions, deductions, preferences, loopholes, etc.). In stark contrast to the current system, and in concert with the constitutional concept of uniformity of taxation across all citizens, the FairTax treats all taxpayers equally compared to the way the current system rewards "friends" with its \$800 billion.
6. The FairTax prebate is estimated to be about \$450 billion which would be distributed to all legal residents in an equal manner; so much per adult and child in each household. Unlike the current system, it has no marriage penalty so a couple gets double of what a single person gets, and they both get the same amount for each child.

Karen Walby, Ph.D. Director of Research FairTax.org