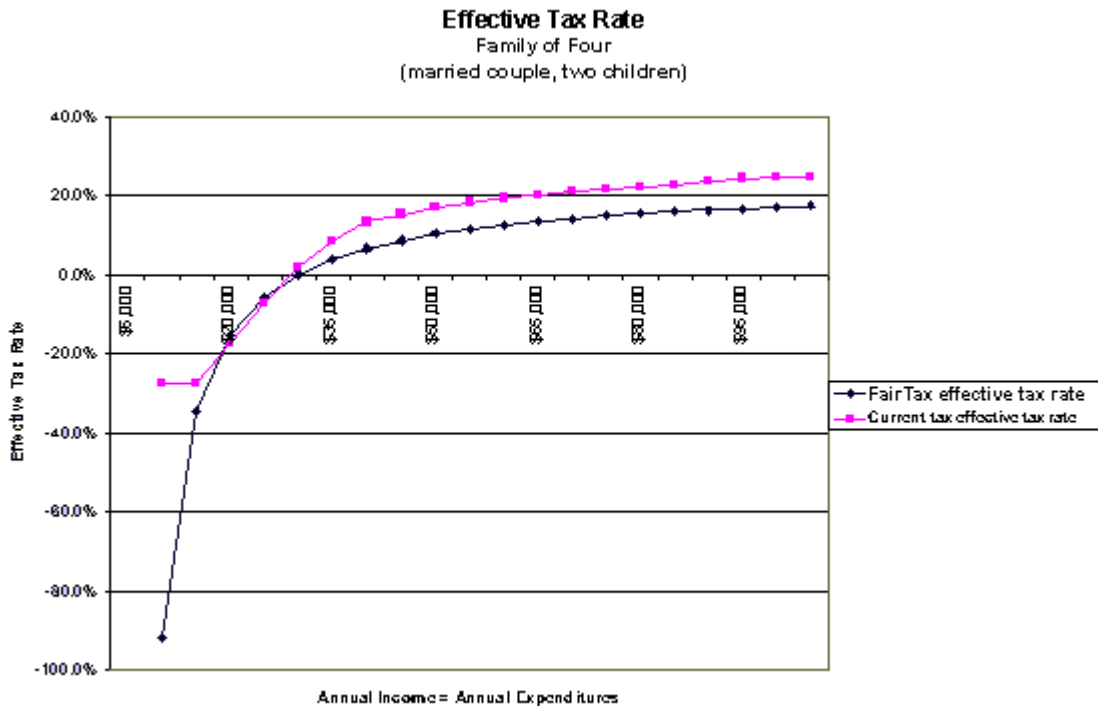




How progressive is the FairTax?

*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	3.3%	-2.9%	Page 2
• A couple living solely on Social Security Annual income: \$25,944/year	22.0%	10.3%	Page 3
• Married couple / two children Annual income: \$32,136/year	31.5%	9.2%	Page 4
• Single mother / two children and mortgage Annual income: \$45,000	30.2%	10.6%	Page 5
• Married couple /two children and mortgage Annual income: \$65,000	30.5%	13.6%	Page 6
• Married couple / two children / homeowner Annual income: \$100,000/year	33.8%	15.0%	Page 7



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



A single parent with two children making minimum wage

(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	\$10,712	\$10,712
Less payroll taxes.....	-1,639	0.00
Plus Earned Income Tax Credit.....	+4,204	0.00
Cost of hidden taxes & compliance	-2,921	0.00
Add the prebate family allowance	0.00	+3,604
<i>Spendable</i> income	10,356	14,316
Federal sales tax	0.00	-3,293
True after-tax <i>purchasing power</i> ¹	\$10,356	\$11,023

Under the FairTax, a 6.4 percent *increase* in spendable income

This does not take into account:

- **No spending on tax preparation**
- **The optional purchase of used goods on which no tax is charged**
- **Any drop in prices**

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 system	FairTax system
Gross income	\$25,944	\$25,944
Less payroll taxes.....	0.00	0.00
Less federal income taxes	0.00	0.00
Cost of hidden taxes & compliance	-5,708	0.00
Add the prebate family allowance	0.00	+4,283
<i>Spendable</i> income	20,236	30,227
Federal sales tax	0.00	-6,952
True after-tax <i>purchasing power</i>	\$20,236	\$23,275

Under the FairTax, a 15.9% increase in spendable income

This does not take into account:

- **No spending on tax preparation**
- **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.....	-4,915	0.00
Plus EITC and child credits	+987	0.00
Cost of hidden taxes & compliance	-6,206	0.00
Add the prebate family allowance	0.00	+5,745
<i>Spendable</i> income	20,028	37,881
Federal sales tax.....	0.00	-8,713
True after-tax <i>purchasing power</i>	\$20,028	\$29,168

Under the FairTax, a 45.6% *increase* in spendable income

This does not take into account:

- *No spending on tax preparation*
- **The optional purchase of used goods on which no tax is charged**
- **Any drop in prices**

Under the FairTax the marital status is not taken into account; the prebate will be \$5,745 for a family of four (married). It will be \$2,873 for two people (single parent) times 2 = \$5,746 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 (20% of income)

(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> ²
Gross income	\$45,000	\$45,000
Less payroll taxes.....	-3,443	0.00
Less federal income taxes	-3,824	0.00
Total taxes	-7,267	0.00
Add the prebate family allowance	0.00	+5,014
<i>Spendable</i> income	37,733	50,014
Mortgage payment	-9,000	-7,470
After mortgage <i>spendable</i> income	28,733	42,544
Cost of hidden taxes & compliance	-6,321	0.00
Federal sales tax	0.00	-9,785
True after-tax <i>purchasing power</i>	\$22,412	\$32,759

Under the FairTax, a 46.2% increase in spendable income

This does not take into account:

- *No* spending on tax preparation
- The optional purchase of used goods on which no tax is charged
- Any drop in prices

² With prices falling 22 percent on average



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 ³
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	+5,745
<i>Spendable</i> income	54,228	70,745
Mortgage payment	-9,000	-7,470
After mortgage <i>spendable</i> income	45,228	63,275
Cost of hidden taxes & compliance	-9,046	0.00
Federal sales tax	0.00	-14,553
True after-tax <i>purchasing power</i>	\$36,182	\$48,722

Under the FairTax, a 34.7% increase in spendable income

This does not take into account:

- **No spending on tax preparation**
- **The optional purchase of used goods on which no tax is charged**
- **Any drop in prices**

Under the FairTax the marital status is not taken into account; the prebate will be \$5,745 for a family of four (married). It will be \$2,873 for two people (single parent) times 2 = \$5,746 as is true for other combinations that can be worked out from the rebate chart. Therefore, there is no marriage penalty under the FairTax.

³ With prices falling 22 percent on average



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 ⁴
Gross income	\$100,000	\$100,000
Less payroll taxes.....	-12,863	0.00
Less federal income taxes	<u>-7,905</u>	<u>0.00</u>
Total taxes	<u>-20,768</u>	<u>0.00</u>
Add the prebate family allowance	0.00	+5,575
<i>Spendable</i> income	79,232	105,575
Mortgage payment	<u>-19,960</u>	<u>-16,566</u>
After mortgage <i>spendable</i> income	59,272	89,009
Cost of hidden taxes & compliance	-13,040	0.00
Federal sales tax.....	<u>0.00</u>	<u>-20,561</u>
True after-tax <i>purchasing power</i>	\$46,232	\$68,448

Under the FairTax, a 48.05% increase in spendable income

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

<i>Spendable</i> income	79,232	105,575
Mortgage payment	<u>-19,960</u>	<u>-19,167</u>
After mortgage <i>spendable</i> income	59,272	86,408
Cost of hidden taxes & compliance	-6,520	0.00
Federal sales tax.....	<u>0.00</u>	<u>-19,960</u>
True after-tax <i>purchasing power</i>	\$52,752	\$66,448

Under the FairTax, a 25.96% increase in spendable income

Under the FairTax the marital status is not taken into account; the prebate will be \$5,745 for a family of four (married). It will be \$2,873 for two people (single parent) times 2 = \$5,746 as is true for other combinations that can be worked out from the rebate chart. Therefore, there is no marriage penalty under the FairTax.

⁴ With prices falling 22 percent on average



What is the FairTax?

The FairTax is a non-partisan proposal (HR 25/S 1493) 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.

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.