

	FairTax, HR 25/S 25 Linder/Chambliss	Federal income tax pre-2001 Law	Flat tax, HR 1040 Burgess
16th Amendment	Does not require it; proposes repeal	No change	No change
Type of tax	National retail sales tax	Individual and corporate income tax, payroll tax, capital gains tax, self-employment tax, and estate tax	Individuals: tax on wages Business: subtraction method value-added tax administered in a fashion similar to the current corporate income tax.
Complexity	Individuals do not file; only retail businesses file returns with state sales tax authorities.	Very complex; 60,044 pages of code, regulations, and IRS rulings; IRS gives out incorrect data over half of the time.	Withholding continues; individuals and businesses must still track income and file income tax forms.
Congressional action	Linder/Chambliss FairTax Act of 2005 (HR 25/S 25); no federal taxes withheld from paychecks; Social Security and Medicare funded with broad, progressive sales tax rather than narrow, regressive payroll deduction. H. J. Res 16 repeals the 16th Amendment.	Used by special interests, lobbyists, and the wealthy for tax-breaks and loopholes; used by bureaucrats to reward allies and punish enemies Social Security and Medicare continue to be funded with narrow, regressive payroll deductions.	Rep. Burgess' HR 1040 has some problems, but is far superior to current law. It does not repeal income tax but allows a one-time election to pay the flat tax instead of the income tax. It provides no improvement in the funding of Social Security and Medicare.
Cost of filing	No personal forms filed; significant cost savings	\$225 billion in annual compliance costs ¹	Significant simplification; costs somewhat reduced
Economy	Untaxes wages, savings, and investment; increases productivity; produces significant economic growth	Taxes savings, labor, investment, and productivity multiple times	Imposes a tax burden, some of which is still hidden in the price of goods and services
Equality	No taxpayer pays any tax, hidden or obvious, up to poverty level spending; taxpayers control their liability by how they choose to live their lives; an obvious and simple tax resists special interests.	The current tax code violates the principle of equality; special treatment for well-heeled special interests violates the Constitutional concept of uniformity.	Single rate with larger standard deduction and personal exemption; no special deductions. The flat tax is an improvement over the current income tax, but it is still open to manipulation by special interests.
Foreign companies	Foreign companies lose current advantages and are forced to compete on even terms with U.S. companies for the first time in over 80 years.	Current tax code places unfair tax burden on U.S. exports and fails to support tax advantages for imports.	A flat tax taxes U.S. goods and does not tax foreign imports, creating unfair competition for U.S. manufacturers and businesses.
Government intrusion	As the Founding Fathers intended, the FairTax does not allow the federal government to tax individuals directly.	Current tax code requires massive files, dossiers, audits, and collection activities.	A flat tax still requires personal files, dossiers, audits, and collection activities.
History	45 states now use a retail sales tax.	The 1913 income tax has evolved into an antiquated, unenforceable morass, with annual tax returns long enough to circle Earth 28 times.	A flat tax just won't <i>stay flat</i> . Starting out nearly flat in 1913, the income tax grew out of control with top rates over 90 percent until President Kennedy recognized this drag on our economy.

¹Hall, Arthur P., Ph.D., "Compliance Costs of Alternative Tax Systems II," Tax Foundation, testimony before the House Ways & Means Committee, March 20, 1996.

Interest rates	Reduces rates by an estimated 25 to 35 percent; savings and investment increase	Pushes rates up; biased against savings and investment	Reduces rates 25 to 35 percent. Neutral toward savings and investment.
Investment	Increases investment by U.S. citizens; attracts foreign investment	Biased against savings and investment	Neutral toward savings and investment
IRS	Replaced with a small department to monitor states' administration of the FairTax	Retained	Retained with reduced role
Jobs	Makes U.S. manufacturers more competitive against overseas companies; escalates creation of jobs by attracting foreign investment and reducing tax bias against savings and investment	Hurts U.S. companies and decreases available jobs; payroll tax a direct, regressive tax on labor	Positive impact on jobs; does not repeal payroll tax on wage earners. U.S. exports will still have embedded taxes in their prices (not border adjustable).
Man-hours required for compliance	Zero hours for individuals; greatly reduced hours for retail businesses	Over 5.4 billion hours per year	Reduced
Non-filers	Reduced tax rates and fewer filers increase compliance	High tax rates, unfairness, and high complexity drive down compliance	Reduced tax rates and improved simplicity increase compliance. Does not reduce the number of filers.
Personal and corporate income taxes	Both abolished	Retained	Retained in a different form
Productivity	Increases productivity	Inhibits productivity	Increases productivity
Savings	Increases savings	Decreases savings	Increases savings
Visibility	The FairTax is highly visible and easy to understand; no federal taxes are withheld from paychecks.	The current tax code is hidden, embedded in prices, complex, and incomprehensible; taxes are withheld from paychecks.	The business component of the flat tax and payroll taxes is hidden and would be embedded in prices; taxes are withheld from paychecks.