



MAKE IT JUST ANOTHER DAY

Americans For Fair Taxation

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The Linder Letter: The FairTax -- Fair Taxation For All Americans

By U.S. Representative John Linder (R-GA-11)
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I have argued for years that April brings mixed emotions - the Braves opening day, the Masters, blooming dogwoods - and the dreaded burden and frustration of Income Tax Day on April 15th.

On July 14, 1999, I introduced the 'FairTax' bill with Representative Collin Peterson (D-MN) in the House of Representatives to ensure that you will never again have to worry about confusing tax forms, stacks of tattered receipts, or traumatic IRS audits. My bill would create a national retail sales tax to replace all income taxes, payroll taxes, and estate taxes - eliminating the need for the Internal Revenue Service to exist.

Today, IRS agents employed to ensure "taxpayer compliance" have the opportunity to abuse and harass American citizens. In addition, over 50% of Americans have to pay others to decipher the code and do their taxes for them. In an effort to show how complex the IRS code had become, Money magazine created a fictional American family and asked tax professionals to prepare an IRS tax return. Incredibly, every one of the tax professionals came up with a different tax total, and not one of the tax professionals calculated what Money believed to be the correct income tax. Even the IRS admits that 25% of the advice it gives to Americans calling their offices is not accurate.

After 86 years of income taxes in this country, the tax code has become so complex that even the agency assigned to oversee it cannot fully understand its complexities. That should indicate to all of us that it is time to try a new way to fund our government operations and programs.

The bill I introduced will not only eliminate your personal income tax, it will also do away with corporate income taxes, capital gains taxes, payroll taxes (including Social Security and Medicare taxes), the self-employment tax, and the death tax. In the place of these assorted burdens, the government would impose a sales tax on all retail sales of new goods and services. Most people are in high tax brackets today, but many of the taxes are hidden from view. For example, in addition to income taxes, all workers pay 8% in payroll taxes, and other taxes are hidden in every item we buy, costing us up to 20% more when we pay for the item at the checkout counter.

With the FairTax, all these hidden taxes are abolished. Additionally, every family would receive a rebate of the sales tax on spending up to the Federal poverty level, to be paid monthly in advance. This would allow a married family of four to spend \$22,120 annually without having to pay a single penny in Federal taxes.

I am also excited that the FairTax would revolutionize our economy. Without the income tax's stifling impediment to growth, Americans will be able to save more, and businesses will be able to invest more. Individuals will have incentives to engage in capital formation - the real source of job creation and innovation - more than ever before. Businesses will have incentives to direct large amounts of capital back into the United States.

Because income and payroll taxes are embedded in the prices of every good and service we buy today, prices will drop by an average of 20%. Anytime you purchase a good from a store, its cost has already been adjusted by the seller to compensate for the added costs imposed on his business that result from being forced to fill out reams of paperwork and keep track of payroll and corporate income tax payments. Without these hassles, retailers can reduce prices across the board, so that even with the sales tax added to the final price of a good or service, you will end up paying about the same amount as you do today.

While my bill would eliminate the payroll taxes used to fund Social Security and Medicare benefits, the benefits themselves would not change in any way. The source of the revenue in the Social Security and Medicare trust funds would simply be sales taxes rather than payroll taxes.

The most important aspect of the FairTax is that it is fair for every American. You would have ultimate control over how much you wanted to spend and, therefore, how much you wanted to be taxed.

You should know that most lobbyists in Washington, D.C. are registered to lobby the tax code and - since they are the only people who apparently understand it - they will be fighting this proposal fiercely. Nonetheless, I am enthusiastic about this bill and its prospects for success, and we need you to join us in this fight. For more information, please call my office at (202) 225-4272. This is the beginning of an historic debate that will ensure that April 15th is just another spring day for you and your family.

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