



What is the revenue neutral rate for the national retail sales tax?

The first fact critical to answering this question is to know that the intention is revenue neutrality. The FairTax (HR 25/S 1493) raises no more or less revenue than do income and payroll taxes today. If personal, gift, estate, capital gains, alternative minimum, Social Security, Medicare, and corporate taxes consume 90 percent of your earnings today, so will the FairTax tomorrow. Likewise if these taxes consume 10 percent of your earnings today. This bill may make your current tax burden painfully obvious, but it will take no more from your pocket, while giving you extensive control over your future tax burden as spending is voluntary.

The Joint Committee on Taxation dearly loves its last abacus and Marx's tenets.

Yes, the Joint Committee on Taxation (JCT) pays lip service to being politically nonpartisan. Unfortunately, they are clearly partisan to steeply progressive taxes (a legacy of Marx's manifesto), clay tablets, their abacus, and a KGB-like unwillingness to share their assumptions and methodology with anyone. In contrast, independent economists use computers (!), state-of-the-art software that models the dynamic effects of tax policy changes, take into account spending over the lifetime of our citizens rather than primitive snapshots, and are happy to share their assumptions and methodology with their colleagues, as any real scientist does. These independent economists derived the 23-percent, revenue-neutral rate for the FairTax, which compares directly with the income and payroll taxes you current pay.

What will the rate of the sales tax be at the retail counter? 30 percent. This issue is often confusing, so we explain more here. When income tax rates are quoted, economists call that a *tax-inclusive* quote: "I paid 23 percent last year." For every \$100 earned, \$23 went to Uncle Sam. Or, "I had to make \$130 to have \$100 to spend." That's a 23-percent *tax-inclusive* rate. We choose to compare the FairTax to income and payroll taxes, quoting the rate the same way, because the FairTax replaces such taxes. That rate is 23 percent.

Sales taxes, on the other hand, are generally quoted *tax-exclusive*: "I bought a \$77 shirt and had to pay that same \$23 in sales tax. This is a 30-percent sales tax." Or, "I spent a dollar, 77¢ for the product and 23¢ in tax." This rate, when programmed into a point-of-purchase terminal, is 30 percent. Note that no matter which way it is quoted, the amount of tax is the

Quoting a tax-inclusive rate vs. quoting a tax-exclusive rate				
The rates are <i>stated</i> differently, but the amount of taxes <i>paid</i> is identical.				
<u>You earn</u>	<u>You keep</u>		Your income	Gov't
\$100	\$77		<u>tax rate</u>	<u>keeps</u>
			23%	\$23
Sales taxes are quoted <i>tax-exclusive</i> .				
		Choose to	FairTax	Gov't
<u>You earn</u>	<u>You keep</u>	<u>spend</u>	<u>rate</u>	<u>gets</u>
\$100	\$100	\$77	30%	\$23

same. Under an income tax rate of 23 percent, you have to earn \$130 to spend \$100. Spend that same \$100 under a sales tax, you pay that same tax of \$30, and the rate is quoted as 30

percent. Perhaps the biggest difference between the two is that under the income tax, controlling



A rebuttal of Blank's KiplingerForecasts.com article of June 30, 2004

the amount of tax you pay is a complex nightmare. Under the FairTax, you may simply choose not to spend, or to spend less.

To exempt or not to exempt?

Exemptions are the work of special interests and their Gucci-shod lobbyists. The FairTax has no exemptions, while honestly protecting every American from any federal taxes up to and even beyond the poverty level with a five important features. These features end highly regressive payroll taxes, complex income taxes, retail-price-inflating corporate taxes, taxes on used goods, and all taxes up to the poverty level. Such features end the need for exemptions, so the FairTax has none.

Let's not make the mistake Europe and Canada have made.

Their error was to layer their consumption taxes on top of their income taxes, producing a predictable drag on their economies. The FairTax legislation repeals the income tax code in its entirety. But to ensure the head is off the viper, the FairTax is integrated with Texas Rep. Sam Johnson's House Joint Resolution 61 for the repeal of the 16th Amendment. This returns the law of our land to one paralleling the original intentions of our Founding Fathers, who knew that income taxes were the tools of tyranny. This is a harsh lesson many, many Americans have learned over the past 91 years. Watch them turn out in droves to vote for any politician with the honest intent to replace this monster with a benign national retail sales tax.

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What is the FairTax?

The FairTax is non-partisan legislation (HR 25/S 1493) that abolishes personal, gift, estate, capital gains, alternative minimum, earned income, Social Security/Medicare, self-employment, and corporate income taxes and replaces them all with one simple, visible, federal retail sales tax. The FairTax 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, so it is also price neutral. The final cost for goods and services changes little under the FairTax. The FairTax is a fair, efficient, and intelligent solution to the frustration and inequity of our current tax system.

Who is Americans For Fair Taxation (FairTax.org)?

FairTax.org is a non-profit, non-partisan, grassroots organization dedicated to replacing the current tax system. 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.