

FairTax Briefing Bullets

The FairTax is a proposed national sales tax introduced to the 115th Congress in companion bills HR 25 and S 18. The bills, titled *FairTax Act of 2017*, were introduced by Rep Rob Woodall, Dist. 7, GA, and Sen. Jerry Moran, KS. The bills have more Congressional sponsorship than any other proposed tax reform measure; 46 HOR, 5 Senate. The FairTax is the result of a \$20 million research project by Americans For Fair Taxation to identify a better tax system. The FairTax is endorsed by distinguished university and business economists including Nobel Laureate Vernon Smith. The tax replaces income, payroll, self-employment, alternative minimum, capital gains, estate, gift and corporate taxes. The sales tax is imposed on purchases of new properties; previously tax exempt or credited properties, and services. The tax is not imposed on previously taxed (used) properties, including non-business purchases before tax enactment. The tax is not imposed on qualifying purchases of properties and services made by qualifying non-profit organizations. The tax is not imposed on business-to-business sales, exports, or qualified educational and job related training services. The sales tax is imposed on government purchases, excluding those intermediate purchases for government enterprises. The tax is imposed on government payrolls, excluding government enterprises and direct educational service providers. To achieve revenue neutrality with the taxes it replaces, the tax rate has been set at 23% inclusive, 30% exclusive. The sales tax revenue allocation in 2018 would be \$.65 general fund, \$.27 OASDI, and \$.08 HI and Fed Sup Med Ins. To reduce the regressive effect of consumption taxes, a monthly tax rebate is available to all legally residing residents. The rebate produces a 0% (or less) effective tax rate for taxable purchases in amounts up to the respective poverty level. The tax is intended to be administered, enforced, and collected from businesses by state administering authorities. States electing to be administering authorities are authorized to retain 0.25% of collected revenues for services rendered. The IRS is reduced to a small sales tax bureau and an excise tax bureau to administer excises not under ATF authority. Tax filings are reduced from 180+-million individuals and businesses to approximately 30-million businesses alone. Individual tax compliance costs, both time and money, are eliminated; business compliance significantly reduced. Businesses timely reporting and remitting taxes are authorized to retain up to 0.25% of revenues before applying credits. Social Security purchasing power is protected with a 'CPI Increase Percentage' to identify impacts from the sales tax. Repeal of the estate tax eliminates costly estate-tax planning and insurances and saves family farms and businesses. Repeal of gift tax allows the people to give, tax free, a gift of any instrument to anyone, at any time, and in any amount. The bill sunset clause requires repeal of 16th Amendment within 7 years else, the sales tax and provisions are repealed. Achieves all 7 tax-effectiveness features: simple, fair, visible, neutral, efficient, stable, least obstructs economic growth. Only tax that can achieve all objectives identified for the best tax system in Congress' *A Better Way* tax blueprint. Everyone pays the same tax rate, all legal residents can receive same rebate, and all enjoy benefits of no business taxes.