



The FairTax Act of 2023

MYTH: The FairTax rate is really 30 percent not 23 percent.

Our current income tax is expressed as an inclusive rate. When directly comparing the FairTax to our current income tax, the FairTax rate is 23 percent.

Under the FairTax, if you pay \$100 for a good, you pay \$77 for the good and an inclusive \$23 tax. If you take the \$23 as a percentage of the \$100 tendered, the tax rate is 23 percent. Unfortunately, opponents of the FairTax typically speak of the FairTax in terms of an exclusive tax, simply because the rate sounds higher to consumers. Not only do opponents of the FairTax fail to admit that the inclusive and exclusive rates have consumers paying the same amount of money, but they also compare the exclusive FairTax rate to the inclusive income tax rate. *This is an unfair and misleading comparison.*

MYTH: The FairTax will hurt the poor and give the rich a huge tax cut.

The FairTax is the only progressive tax reform bill currently pending before Congress. Each household will receive a monthly prebate based on federal poverty levels and household size that will allow families to purchase necessary goods, such as food, shelter, and medicine, essentially tax-free. This is similar to our current individual exemption and refundable tax credit system.

Further, the FairTax is not riddled with shelters and loopholes, meaning wealthy taxpayers cannot minimize what they pay in taxes, regardless of how many lawyers and accountants they hire to advise them.

MYTH: The FairTax will unfairly punish senior citizens living off of their retirement income.

Retired individuals living on a fixed income will benefit from the FairTax just like all other Americans. The new system will eliminate the current income tax on Social Security benefits, as well as income taxes on investment income, pension benefits, and Individual Retirement Accounts (IRA) withdrawals. The monthly prebate will offset the taxes paid by seniors on essential goods. After the initial implementation of the FairTax, if prices increase, penny for penny seniors will receive additional Social Security benefits until prices return to or below pre-FairTax levels.



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MYTH: The FairTax adds 23 percent onto the price of everything we buy.

Americans will not experience a decrease in their purchasing power under the FairTax. The costs of goods and services under the FairTax will remain relative to the costs of goods and services under our current system.

Under today's income system, the embedded cost of payroll, income taxes, and compliance are hidden and can be as high as 25% of the cost you pay at the register. The FairTax will eliminate all of those costs and replace them with a transparent 23 percent personal consumption tax on new goods and services. The FairTax will make every American a *voluntary* taxpayer with the ability to decide when and how much they will pay the Federal government in taxes.

MYTH: The FairTax will make new homes too expensive and it will eliminate incentives like the mortgage interest rate deduction.

Under the current system, each time a new home is purchased, the home buyer is paying an increased price that results from embedded costs. Under the FairTax, these embedded costs are eliminated, meaning the cost for consumers can fall relative to the price of home construction and compliance costs. Additionally, under the FairTax, mortgage interest rates are expected to drop as interest income falls toward the tax-free bond rate.

THE BOTTOM LINES

- Our current tax system is broken and oppressive.
- The FairTax allows Americans to keep 100 percent of their hard-earned paycheck and end the IRS headache. A family of four could spend \$30,000.00 annually without paying a penny in taxes.
- Further, this bill will save small businesses hundreds of billions of dollars a year in compliance costs, making it easier to start and grow a business here in America.
- By capturing the underground economy, tourism dollars, and purchases made by illegal immigrants, this bill will save social security while leaving more money in the hands of the American people and revolutionizing our economy.