



MAKE IT JUST ANOTHER DAY

Americans For Fair Taxation

For Immediate Release: June 2, 2001

BECOME A VOLUNTARY TAXPAYER

By John Linder, Member of Congress

In Robert Novak's column on Thursday, May 31st, he mentioned a revolutionary new tax proposal called the FairTax. He cited the potential rewards of the FairTax as "immense" and described the "impressive starting support in Congress."

I appreciate Mr. Novak's accolades. As the sponsor of the FairTax, I hope his words only increase Americans' appetite for tax relief, and more significantly – genuine tax reform. In this country, we spend too much time and money accommodating the growing complexity and oppressiveness of the federal tax structure. The time for fundamental reform is now.

The FairTax would repeal all income taxes – individual and corporate – as well as payroll, self-employment, estate and gift taxes. In its place, the FairTax would levy a 23 percent "sales tax" on the final sale of new goods and services. No exemptions. No exceptions. And no IRS. Further, the FairTax is revenue neutral so that the government will continue to take in the same amount of money it receives currently and thus will not be forced to cut government services.

While I understand that a 23 percent retail sales tax appears high at first, I ask you to take a moment to examine the facts. Every individual already pays 15.3 percent of every dollar earned in payroll taxes. Most of us, however, are further burdened with the income tax. A middle-income worker must forgo 28 percent of their paycheck to pay federal income taxes (27 percent starting July 1st thanks to George W. Bush and the 107th Congress). Totaled, the average American loses more than 42 percent of their paycheck in taxes.

I'd like you to further consider the embedded costs of the current tax system. When you purchase a house, you are not simply paying for the cost of the materials and labor. Every ounce of material in your house also incorporates the cost of the producers' corporate and payroll taxes. Additionally, the contractor and construction firm will pass along their income and payroll tax burden to you the consumer. Your house is actually significantly more expensive because of these embedded taxes, and the FairTax would ensure that these costs are embedded no longer. Dr. Dale Jorgenson, former chairman of the Harvard Economics Department, estimates that under the FairTax, prices will fall 20 to 25 percent in the first year after adoption, and may be reduced further as companies lower their prices to reflect decreased compliance costs.

In order to ensure that low-income individuals are not unduly burdened under the FairTax, the FairTax simply “untaxes” these workers. Every household will receive a monthly rebate equal to the tax on spending up to the federal poverty level – that level of spending determined by HHS to be necessary to purchase necessities. In 2001, a family of four would receive a monthly rebate of \$445 (\$5,340 annually). Thus, this family would effectively be able to spend \$23,220 without paying a single dollar in tax.

Every American will benefit from the FairTax. Low-income workers will be able to spend up to the federal poverty level and pay no taxes. Seniors will not have to pay taxes on Social Security benefits, investment income, pension benefits, IRA withdrawals, or life insurance investments. Parents saving for a child’s education will benefit from increased interest rates on savings, while additionally making education expenditures with pre-tax dollars.

After an 86-year experiment with the convoluted and arbitrary federal income tax system, it is time for fairness and honesty. The FairTax provides just that. Every American can become a voluntary taxpayer, choose how much they wish to spend in taxes, and know that everyone is paying the same amount on purchases. From my vantage point, the FairTax will ensure that the federal tax system no longer makes winners and losers – only winners.