



MAKE IT JUST ANOTHER DAY

Americans For Fair Taxation

**The truth on how seniors greatly benefit from a national retail sales tax.
(Though so does everyone else!)**

Congressman Steve King (IA-05)

This Iowan would like to speak plainly to seniors in North Carolina Congressional District 5: The leading national retail sales tax plan *ends/stops/repeals/terminates all* taxes on Social Security income, pension income, interest and dividend income, capital gains income, and repeals the death tax altogether. It is that simple and anyone stating otherwise does not have your best interests at heart.

Let's go straight to the numbers. Then I'll tell you how we get here.

Under the current system, a couple living solely on Social Security (say \$25,944/year) pay some 22 percent of that income in federal taxes and compliance costs. They may not know it, but they pay it. Under the leading national retail sales tax legislation (The FairTax/HR 25), they may pay an obvious 10.3 percent, and could pay less. Their actual purchasing power is increased by some 16 percent. Here is the data:

	Current <u>system</u>	FairTax <u>system</u>
Gross income	\$25,944	\$25,944
Less payroll taxes.....	0.00	0.00
Less federal income taxes	0.00	0.00
Cost of hidden taxes & compliance	-5,708 *	0.00
Add the prebate family allowance	0.00	+4,283 **
<i>Spendable</i> income	20,236	30,227
Federal sales tax	0.00	-6,952 ***
True after-tax <i>purchasing power</i>	\$20,236	\$23,275

- * Federal corporate taxes and their compliance costs inflate the price of all goods and services, harming those who can least afford to pay, *not just seniors*. Many seniors think because they have no withholding or don't write a check, they are paying no income tax. Nothing could be further from the truth according to extensive research done by Economist Dale Jorgensen, Ph.D. (Harvard). He figures the cost of goods goes up an average of 22 percent and the cost of services by 25 percent. My calculations above reflect the more conservative 22 percent.
- ** The FairTax legislation includes a rebate paid to all American residents with a legal Social Security number on the first of each month – a *prebate* really. The prebate is calculated to zero the tax households will pay on consumption up to the poverty level. With this prebate and because taxes/compliance costs are no longer hidden in retail prices, seniors pay *absolutely no* tax up to the poverty level.
- *** Now, when they *choose* to spend money above the poverty level, you will pay the federal retail sales tax. But I have some advice for you. Buy a used car. Buy used appliances. Buy a used bass boat. Any spending on used goods is not taxed, so it is easy to control the taxes you pay. The key factor here is that you decide for yourself how much tax you choose to pay by how you choose to live your life.

Finally, as we convert from the current boondoggle we call a tax system to the FairTax, there may well be fluctuations in retail prices. Most prices will fall like a rock (remember, no hidden taxes or compliance costs), but some may very well stick along the way. My calculation here does not take into account the protection our seniors get from automatic cost of living adjustments.

In conclusion, candidate supporters of the FairTax and 55 current members of the House are seeking to deliver seniors a 16-percent increase in spendable income – and give them a great deal of control over just how and when they do pay taxes. Nobody should have to think long or hard about that. For more information, go to www.fairtax.org and click on the research link. Or call 1-800-FAIRTAX.

Steve King represents Iowa's 5th district and is a co-sponsor of HR 25, the FairTax. For more information on Congressman King, go to www.house.gov/steveking.