

FairTax rebate amounts for calendar year 2005

The FairTax provides a rebate to prevent the imposition of sales tax on necessities. All valid Social Security cardholders who are U.S. residents receive a monthly rebate equivalent to the FairTax paid on essential goods and services, also known as the poverty level expenditures. The rebate is equal to the sales tax rate times the Department of Health & Human Services' poverty level for the family unit, plus an additional amount in the case of married couples to avoid a marriage penalty. This is a well-accepted, long-used poverty-level calculation that includes food, clothing, shelter, transportation, medical care, etc. The annual tax-free spending allowance increases by \$3260 per household member. Thus, a married couple with two children would be protected by the rebate from tax on the first \$25,660 per year that they spend.

The rebate is paid in advance, in equal installments each month. The rebate ensures each family unit can consume tax free up to the poverty level, with the overall effect of making the FairTax progressive in application. Under the FairTax, all Americans consume what they see as their necessities of life free of tax. In essence, therefore, the FairTax plan allows every American to keep his or her earnings and elect when and if they are to be taxed.

| 2005 Rebate calculation for the 48 contiguous states¹ | | | | | | | |
|---|---------------------------------------|--|-------------------------------|--------------------------------|---|--------------------------------|---------------------------------|
| Family size | HHS annual poverty level ² | FairTax annual consumption allowance (single person) | Annual rebate (single person) | Monthly rebate (single person) | FairTax annual consumption allowance (married couple) | Annual rebate (married couple) | Monthly rebate (married couple) |
| 1 | \$ 9,570 | \$ 9,570 | \$2,201 | \$183 | N/A | N/A | N/A |
| 2 | \$12,830 | \$12,830 | \$2,951 | \$246 | \$19,140 | \$4,402 | \$367 |
| 3 | \$16,090 | \$16,090 | \$3,701 | \$308 | \$22,400 | \$5,152 | \$429 |
| 4 | \$19,350 | \$19,350 | \$4,451 | \$371 | \$25,660 | \$5,902 | \$492 |
| 5 | \$22,610 | \$22,610 | \$5,200 | \$433 | \$28,920 | \$6,652 | \$554 |
| 6 | \$25,870 | \$25,870 | \$5,950 | \$496 | \$32,180 | \$7,401 | \$617 |
| 7 | \$29,130 | \$29,130 | \$6,700 | \$558 | \$35,440 | \$8,151 | \$679 |
| 8 | \$32,390 | \$32,390 | \$7,450 | \$621 | \$38,700 | \$8,901 | \$742 |

¹ Alaska and Hawaii have different poverty levels and different FairTax rebates.

² Federal Register: Feb. 18, 2005 (Vol. 70, No. 33, pp. 8373-8375).