

FairTax: What's a Prebate

One of the most innovative, but somewhat confusing, elements of the FairTax is the Prebate. Because it is so important to understanding the FairTax, this column will explain the Prebate in detail.

Simply put, the prebate is a refund of taxes you are going to pay on purchases of necessities. In other words, it's money the federal government collected "by mistake", being returned to you, the rightful owner. It is not a welfare payment, and handout, or any similar form of wealth redistribution.

It is your money being returned to you.

One of the fundamental principles of the FairTax is that, until we have taken care of our own basic necessities, we don't owe the government anything. Not time, not labor, and not our money. We, as citizens, have a duty first to take care of ourselves and our families, and then, out of our "extra income", help pay for the necessary functions of government.

Unlike the present system, where the federal government has first claim on what you earn, under the FairTax, the needs of the federal government come after those of you and your family.

But putting that principle into practice isn't easy, particularly since everyone is a little different, and the way in which "necessities" may be defined can vary from one family to another. The way this is handled under the FairTax is to use the Poverty Level, as defined by the US Department of Health and Human Services. It is assumed that everyone makes purchases of necessary goods and services to at least this level and, under the FairTax, we want these purchases to be "untaxed".

The problem is that, under the FairTax, everyone pays taxes on all retail purchases of new goods and services, so a way had to be found of returning those taxes collected "by mistake". And the Prebate was the answer.

Under the FairTax, the Poverty Level for each month is calculated, and the FairTax is applied to determine how much will be paid in taxes by each individual. That amount is then "returned", or Prebated, to each individual each month. It is returned without regard to how much you earned, or how you plan to spend it. It is your money, and you have total control over how it is used.

And just to clear up a few misconceptions about the Prebate.

It will not require a new, large, bureaucracy to administer. The procedures, people and mechanisms already exist under Social Security to implement the Prebates without significant additional costs.

All you have to do to get the Prebate is register to verify you are a legal citizen, and to indicate where to send the Prebate. This is done to combat fraud and make sure only legal residents receive the Prebate. But you are not required to register if you don't want the Prebate. It is your money, but if you'd rather not get it, you are not required to do anything.

The Prebate is not a form of welfare. It is taxes you paid when you made a purchase of the necessities of life. You paid those taxes with your money, and you are getting your money returned to you.

The Prebates is not dependent upon how much you earn. Everyone, rich or poor, single or married, young or old (unless you are a dependent child), gets the same amount. The Poverty Level is the same for everyone, and the Prebate is too. It treats everyone equally, and fairly.

The Prebate doesn't "cost the government" anything. It is money that was collected "by mistake", and never belonged to the government, Congress, and any department, agency, or bureaucrat. It is yours from start to finish.

The Prebate is a fundamental recognition of the proper relationship between We the People, our families, and our government. The needs of our families come first, and then we pay for necessary government services. Not the other way around. And only the FairTax has it..

The FairTax: Once you understand it, you'll demand it!!

For more information on the FairTax, visit our website at www.ohfairtax.org and join the Five for FairTax campaign.

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