

FairTax: Sales Tax Bugaboo

Some folks are experts at lying by only telling part of the truth. For instance, opponents of the FairTax claim that adding the FairTax on top of a state sales tax will make goods too expensive, and will hurt the poor and middle class.

But let's do a real life comparison, and then you can decide for yourself.

Let's start with Joe Average earning about \$1,000 per week (\$52,000 annually). If he wants to buy a new smartphone for \$100, what happens under the current system.

First, the price of the phone, out the door, will be about \$106.50 assuming a 6.5% sales tax.

Joe earns \$1,000 per week, but after payroll and withholding taxes, only gets to take home about \$854. He loses about \$71 to income taxes (7.1% effective rate counting exemptions) and \$76 to payroll taxes (7.5%). So, if Joe wants to buy that new smartphone under the current federal income tax and state sales tax system, he'll have to pay about 12.5% of his weekly disposable income to get it. (And opponents of the FairTax will claim he only paid \$6.50 in taxes to get it!!)

But what happens if the FairTax has been passed?

For starters, Joe keeps his whole paycheck. If he was earning \$1,000 per week, then he gets the whole \$1,000 and he decides how it will be spent. Not only that, Joe has his prebate to help him cover the taxes associated with purchases up to the poverty level. That amounts to about \$2,500 per year for a single worker, or about \$48 per week. So Joe's total disposable weekly income, under the FairTax, is \$1,048.

But what about the price of the smartphone. Under the FairTax, all the hidden taxes imposed on businesses, and passed along to customers, will be gone. That smartphone that used to cost \$100, before sales tax, under the income tax system, will only cost about \$82, before tax, under the FairTax.

The state sales tax has to be added, \$5.33 (6.5%), as does the FairTax, \$25 (23% inclusive). The total, out the door, smartphone cost under the FairTax would be \$112.33, only about 10.7% of Joe's weekly disposable income.

So, under the FairTax, Joe's purchase of a new smartphone requires 10.7% of his weekly disposable income, while under the current federal income tax/state sales tax system, it would require about 12.5%. Obviously, for Joe, the FairTax is a much, much, better deal.

Not only that, but under the FairTax, Joe has a lot more money left over after his purchase. Under the FairTax, Joe has \$935.67 to do with what he chooses. Under the current income tax system, Joe would only have \$747.50. Almost \$200 more under the FairTax!!!

And another point that defenders of the current income tax system try to hide, under our current system, Joe pays a combined total of \$42.80 in taxes to buy his smartphone (\$18.00 embedded, \$6.50 state sales tax, \$8.80 federal income tax, and \$9.50 in payroll taxes).

Under the FairTax, to purchase the same smartphone, Joe would only pay \$30.33 in taxes (\$25 in federal FairTax and \$5.33 in state sales taxes). But opponents of the FairTax will claim you are paying more in taxes under the FairTax!!

Unlike our hundred year old income tax system, where hidden taxes and double taxation are rampant, under the FairTax, taxation is more transparent, more clear, and much more honest.

Under the Fairtax, Joe has more disposable income, can purchase a given product (smartphone) for a lower percentage of his disposable income, pays less in total taxes for his purchase, and has more

money left over after his purchase. And that doesn't even begin to count the advantages Joe sees if he purchases something used, where there are no federal taxes at all!!

Opponents of the FairTax are terrified you will learn the truth. Like a pickpocket who shouts "Look Out", to distract you while he steals your wallet, opponents of the FairTax claim a retail sales tax would make goods too expensive for the poor and middle class. What they are desperately trying to hide is how much removing embedded taxes, keeping your whole paycheck, and the prebate will help the poor and middle class.

Opponents of the FairTax are working hard to hide the truth, but you can learn more about the FairTax at www.ohfairtax.org. You can also help spread the truth by joining Five for FairTax.

Fairtax: Once you understand it, you'll demand it.

Steve Curtis
State Director, Ohio FairTax.