

# PROPOSAL

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THE UNITED STATES OF AMERICA'S BEST  
OPPORTUNITY  
FOR FUNDAMENTAL TAX REFORM

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## THE UNITED STATES OF AMERICA'S BEST OPPORTUNITY FOR FUNDAMENTAL TAX REFORM

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### THE FAIRTAX ACT OF 2013

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I propose the Fairtax Act of 2011 (HR25) as our nation's best opportunity for fundamental tax reform because:

- The fairtax is the most well thought out and thoroughly researched bill ever introduced.
- The FairTax is the ONLY proposal currently on the table that meets every requirement set forth by the president in his call for fundamental Tax Reform.
- The FairTax is a federal retail sales tax that replaces the entire federal income and Social Security tax systems, including personal, gift, estate, capital gains, alternative minimum, Social Security/Medicare, self-employment, and corporate taxes. The FairTax allows Americans to keep 100 percent of their paychecks (minus any state income taxes), ends corporate taxes and compliance costs hidden in the retail cost of goods and services, and fully funds the federal government while fulfilling the promise of Social Security and Medicare.
- The Fairtax would allow the approximately \$6 trillion currently held in foreign accounts to be repatriated without tax consequence and would allow at least \$250 billion annually, currently being spent on complying with the income tax, to be put to more productive uses.
- The FairTax brings our manufacturing jobs home. U.S. exports are not burdened by the FairTax, as they are with the current income tax. So the FairTax allows U.S. exports to sell overseas for prices 22 percent lower, on average, than they do now, with similar profit margins. Lower prices sharply increase demand for U.S. exports, thereby increasing job creation in U.S. manufacturing sectors. At home, foreign imports are subject to the same FairTax rate as domestically produced goods. Not only does the FairTax put U.S. products sold here on the same tax footing as foreign imports, but the dramatic lowering of compliance costs in

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comparison to other countries' value-added taxes also gives U.S. products a definitive pricing advantage which foreign tax systems cannot match.

- With the FairTax retail prices would no longer contain corporate taxes and the compliance costs associated with them. Hiding taxes from those who pay them is grossly unfair and, in my humble opinion, completely un-American as they drive up costs for those who can least afford to pay. With the current system these hidden income taxes, and the cost of complying with them, make up 20 to 30 percent of the retail price of anything produced in the United States. These are either passed on to the consumer in the form of higher prices - from 20 to 30 percent higher than they would otherwise be - or, if competition does not allow prices to rise, corporations lower labor costs with all that that entails or, if prices are as high as competition allows and labor costs are as low as practically possible, profits/dividends to shareholders are driven down, thereby hurting retirement savings for moms-and-pops and pension funds invested in Corporate America. With the FairTax, the sham of corporate taxation ends, competition drives prices down, more people in America have jobs, and retirement/pension funds see improved performance.
- The FairTax is revenue neutral. Neither raising nor lowering taxes.
- With the FairTax government revenues are even more stable and predictable than with the federal income tax because consumption is a more constant revenue base than is income.
- With the FairTax there would be no tax on used goods and no tax on business inputs. If you choose to buy any new good or service, the sales tax is charged just as state sales taxes are computed today. If you choose to buy used goods - used car, used home, used appliances - you do not pay the FairTax. If, as a business owner or farmer, you buy something for strictly business purposes (not for personal consumption), you pay no consumption tax. So, in deciding what to buy, you get to choose whether or not you pay the federal consumption tax.
- The FairTax is progressive. The FairTax provides a prepaid, monthly rebate for every registered household to cover the consumption tax spent on spending up to the federal poverty level. (With the FairTax progressivity is based on lifestyle/spending choices, rather than punishing taxpayers for being successful as does the current system.)
- The FairTax won't make criminals out of honest taxpayers. Today, the IRS admits to 25 percent non-compliance with the code. I will be generous and simply take the position that this is likely a conservative estimate of the underground economy. However, this does not take into account the criminal/drug/porn economy, which equally conservative estimates put at one trillion dollars of

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untaxed activity. The FairTax would tax these elements of our society - criminals love to flash that cash at retail - while continuing to provide the federal penalties so effective in bringing such miscreants to justice. The substantial decrease in points of compliance - from every wage earner, investor, and retiree, down to only retailers - also allows enforcement to concentrate on following the money to criminal activity, rather than making potential criminals out of every taxpayer struggling to decipher the code.

- Transition to the FairTax is greatly simplified by the fact that 45 states (the states would be charged with collection under the FairTax and would be compensated for their trouble.) already have sales tax collection mechanisms in place.
- The FairTax would return us to a method of tax collection much more in keeping with what the founders envisioned and would reduce direct interactions between average citizens and the government greatly.
- The FairTax would collect taxes from ALL segments of our society rather than just those earning legitimate incomes as is the case today. Those visiting our country would pay taxes on what they consume while here regardless of whether or not their visits are legal.

I could continue with this listing but won't.

In my opinion there are no economic negatives to the FairTax and too many positives to ignore. It therefore deserves your fullest consideration as you deliberate this important matter as it is indeed the best and fairest vehicle available for collecting necessary revenue while protecting the freedoms we hold dear in our free society.

Thank you all for the important work you are doing.

Earl A. Carter

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