## SYNOPSIS of the Fatal Flaws of AFFT’s so-called FAIRtaxsm (FT):

## POLITICS: FT’s PREBATE - 2015 (to insure no FT is paid on poverty level purchases, as if we agree):

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| **TRANSACTION** | **M/M SMITH (NO KIDS)** | **M/M JONES (+ 6 KIDS)** |
| Spending (***before*** adding FT)  | $ 100,000 |  $ 10,000 |
| FT - 30% \*  |  $ 30,000 | (up to) $ 3,000 |
| Less: PREBATE - Total  |  **$ (5,435)** |  **$ (11,185)** |
| ***NET FT*** **Paid** or **(REFUND)**  |  **$ 24,565** |  **$ (8,185+)** |

\* Smith’s $30M FT (no dispute) is 30% of $100M - i.e., the normal “tax exclusive” view. FT tries to force us to view it as ***only*** 23% ($30M/$130M) - i.e., FT’s novel (bizarre) “tax inclusive” view.

1) ***Net***, Jones pays ***nothing, we*** pay ***him*** $8,185 to $11,185 for 2015(HI +15%, AK +25%)

2) Each year we give Jones a ***raise for CPI inflation***.

3) Jones pays not $1 more, but gets ***free SS/Medicare*** - on $13,000 salary, he pays $995 ($1,990 with employer’s share) today, but ***nothing*** under FT - i.e., ***the rest of us pay for him***.

4) For each new child ***Jones*** blesses ***us*** with, ***we*** give ***him*** an ***additional $952-9577 yearly***, ***increasing yearly***, ***plus*** more food stamps + more of many other Fed/State welfare programs).

***FT deliberately overpays any FT paid by the poor.*** Prebate ($2,737/”adult”, $952-7/”child”) derives from ***assumed*** levels of spending even if ***actual*** spending is less – to which FT applies its ***deceptive*** 23% (***in truth, 30%***) sales tax. See Poverty Guidelines @ aspe.hhs. Jones is ***“assumed”*** to spend (including FT) $48,630 (x 23% = $11,185), but he ***actually*** spends less. FT ***adds*** $7,740 spending ($1,780 Prebate) for a “spouse” (& others). HHS’ high ***assumed*** spending ***includes high*** ***non-cash welfare, used goods & black market buying on which no FT is paid***, produce ***Prebates that will exceed any FT paid by the poor.*** Jones may well receive even more welfare from the Prebate than from today’s Refundable Tax Credits (“RTC’s”). ***NB: the Prebate effectively extends (& renames) RTC’s to a whole new group (i.e., the non-working poor) who are not eligible to receive RTC’s, today, but would receive a Prebate.*** Instead***,*** RTC’s must be ***repealed -*** it’s welfare not a tax credit and is substantially un-auditable fraud.

***At the House Ways & Means Committee’s FT Hearings (7/26/11***), Charles Rangel (***Dem***-NY, former W&M Chairman) nearly choked on FT’s giant new welfare entitlement (Prebate). US Treasury concluded that a similar Prebate entitlement ***would (dangerously) result in a large number of Americans receiving a monthly check from the Fed Govt which represents a substantial portion of their monthly income. FT openly promotes egalitarian class warfare admitting to being “more progressive” and “social justice”. Under FT, more people receive more tax welfare than today – FT does not replace any of the numerous existing welfare programs (except RTC’s).***

The Tea Party’s **Contract *from* America** ***REJECTED*** the FT as one of its 10 core principles.

**ECONOMICS:  *Even eliminating the Prebate, FT would bring economic disaster - it is a scam.*** FT asks you to ***“believe”*** in economic theories and miracles, ***none of which can be assured.***

***Independent economists, (not paid by AFFT) believe the 30% FT rate would have to be much higher*** (AFFT-paid BHI noted the FT rate needed is 35.1%). ***1st***, they believe tax avoidance will run rampant, requiring an increase in the FT rate to make up for lost revenue - ***incredibly,*** ***FT “assumes” ZERO FT*** ***evasion & avoidance, reduced spending & migration to USED goods***. ***2nd,*** the FT base is way too broad - no other state or nation has ever successfully employed such a broad based retail sales tax.

***A National Retail Sales Tax is simply impractical.*** US Treasury found the FT rate needed to be nearly ***double*** FT’s 30%. It ***also*** designed a more rational tax with a median State sales tax base, exemptions targeted to the poor. At a sample 30% tax avoidance rate, the sales tax rate to achieve revenue neutrality would need to be an astounding ***150%.*** FT can’t be saved! Harvard Economics Prof. Dale Jorgenson ***who was consulted by AFFT*** said “Replacing all 3 taxes is too heavy a burden for FT to carry”.

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Most States would likely conform their sales tax bases to the FT base***. Even at “only” a 30% FT rate, we would be shocked by an in-your-face fed+state sales tax of 35-45% (***& 65%-75% *@ 30% evasion/avoidance*) – these rates ***alone*** would inflame buyers. ***The ensuing tax revolt would destroy our very retail-sales-sensitive economy.***

***In addition*** *to that absurdly high sales tax, FT adds more* ***hidden taxes****, while claiming none. 1) State+fed govts need to raise taxes* to pay FT on most of ***their*** purchases (AFFT now admits prices will rise) – the FT’s rate of 30% is really 42+%. 2) Federal govt willneed to raise taxes for higher SS ***and*** all fed pension COLAs assured by FT and by more SS outlays caused by new fraudulent SS wage reporting. 3) The FT’s initial 30% is 1-5% too low, see above, and must rise to meet FT’s revenue goal. 4) There’s a possible cascading *effect* of 30% x a State’s sales tax rate, or the reverse. 5) Used goods may not be exempt from FT, as a practical matter.

***Banks won’t lend on the FT:*** home buyers need to put up nearly 1/2 the cost (which cost will be higher by most of the FT). ***In addition*** to any State law bars to lending on sales taxes, ***any 1*** of 3 events (FT repeal, Exemption for new homes, repeal Exemption for existing homes) would reduce the value of the house and put the mortgage “under water”. Banks cannot take that risk.

***Seniors*** would pay for SS/Medi ***again*** and pay a 2nd or 3rd tax on their earnings. Middle class seniors will pay more tax under FT and will lose purchasing power because of the 30% retail price increase.

***FT claims: “IRS” is abolished (in name only)***. To protect revenue, the ***new*** IRS (the STAA) may audit sellers ***and buyers*** far more intrusively than IRS ***and*** require all to file an annual “FT Summary”. FT can’t tie the hands of a future Congress - a ***new*** Income Tax can be enacted (+ repeal FT’s sunset clause). ***RESULT:*** The ***new*** IRS would audit Obamacare, a ***new*** Income Tax and the FT. Other FT claims ($T’s overseas coming home, criminals paying tax, & others) wilt under proper analyses.