

# FairTax Act (S. 122, H.R. 25)

In the 113<sup>th</sup> Congress, U.S. Sen. Saxby Chambliss, R-Ga., introduced the FairTax Act, S. 122 and in the House of Representatives U.S. Rep. Rob Woodall, R-Ga., introduced the companion bill known as H.R. 25.

## The FairTax Act would repeal:

- **Individual income taxes (including capital gains taxes)**
- **Corporate income taxes**
- **All payroll taxes, including the Social Security and Medicare payroll taxes**
- **Self-employment taxes**
- **Estate and gift taxes**

In place of these federal taxes, the FairTax would levy a 23 percent tax on the final sale of all goods and services. Exports and business inputs (i.e., intermediate sales) would not be taxed.

The FairTax would provide every family with a rebate of the sales tax equal to spending up to the federal poverty level. The rebate would be paid in advance and updated according to the Department of Health and Human Services poverty guidelines. For example, a family of four would be able to spend \$30,260 annually tax free. They would receive a monthly rebate of \$580 each and every month (\$6,960 annually). Therefore, no family would be effectively exempt from tax on a large portion of their annual spending.

**Social Security and Medicare benefits would remain the same.** The Social Security and Medicare trust funds would receive the same amount of money as they do today. The source of the trust fund revenue would simply be sales tax revenue instead of payroll tax revenue.

Collection would piggyback on the sales tax collection already collected by 45 states. All states would have the option of either collecting federal sales tax on behalf of the federal government in exchange for a fee or outsourcing to another state.

**Strong taxpayer rights are incorporated into the FairTax.** The burden of persuasion in disputes is on the government. A strong, independent conflict resolution office would be created. Taxpayers are entitled to professional fees in disputes unless the government establishes that its position is substantially justified.