

Why The FairTax is More Progressive than the current Income Tax/Payroll Tax System

In Taxation terminology, “Progressive” means *“the MORE you make the more you pay”*. And “Regressive” means *“the LESS you make the more you pay”*. My FairTax friends on the political-left have told me that from day 1, they were indoctrinated to believe *“all income taxes are progressive, all consumption taxes are regressive”*. **FALSE**. Any Taxation Expert will tell you that ANY tax (income tax, property tax, or consumption tax) can be progressive OR regressive **DEPENDING ON HOW IT OPERATES!**

Watch: The **1040/Income Tax** is Progressive (*“the more you make the more you pay”*). But the Income Tax that 80% of ALL Americans (and 100% of the poor) pay most/all of their federal income tax through, **the Payroll Tax (the income tax dedicated to funding Medicare & Social Security) is purely Regressive in structure** (*“the less you make the more you pay”*). **It’s always been Regressive from inception in The New Deal, made more so when LBJ added Medicare to it: it’s owed on the 1st Penny of Income even if you don’t earn enough to owe taxes on the 10-40/Income Tax.** **Property Tax:** Taxing a home’s value **ABOVE** \$75,000 at 5 times the mill rate per \$1,000 of market value, than you would tax the home’s value below \$75,000, would be a Progressive property tax. Taxing a home’s value **BELOW** \$75,000 at 5 times the mill rate per \$1,000 of market value, than you would tax the home’s value above \$75,000, would be a Regressive property tax because those who could only qualify for less expensive homes would pay more property tax than those who could afford affluent homes. **Consumption Tax:** It is true that a flat consumption tax can be Regressive because those who make less money would pay a higher percentage of their income in the consumption tax than those who made lots of money. **BUT** a consumption tax that would **REBATE** the consumption tax on all essential spending, then increase it for household size, would be a Progressive consumption tax resulting in the more you **SPEND** the more you pay and you must make more to spend more.

FairTax is more Progressive than the current Income Tax/Payroll Tax System for 4 reasons: **#1:** The elimination of the hidden, regressive 22% national sales tax that we all pay on every service or product that we buy in final personal consumption: The Income Tax, Payroll Tax, CPA’s, Tax Attorneys, and Forms of ALL Upstream Sellers who had anything to do with bringing that service or product to you, pushed forward embedded in the final price just as occurs with materials & labor (see The Hammer Scenario). **#2:** The elimination of the purely Regressive Payroll Tax/income tax which 80% of all Americans (and 100% of the poor) pay most/all of their federal income tax through. **#3:** You get to keep your ENTIRE check-Pre-Tax IS now After-Tax, so a comparison must be done from the amount of income actually received as payment. **And #4:** Reasons 1-3 then **MELDED** with the Progressive Effect of the monthly FairTax Prebate increased for household size.

The Result of Reasons 1-4 is that the Poor get a 5-fold increase in take-home pay, and a 50% increase in take-home pay for the middle class. **Remember:** \$2.5 TRILLION is underground cash activity that’s never paid Income Tax since 1913 will now pay the FairTax Consumption Tax (even drug dealers & hookers shop); and 50 Million foreigners who annually come here on business or pleasure will also pay the FairTax-they just won’t receive the monthly Prebate increased for household size. **NOTE:** The Final Retail Price to all consumers (foreign or domestic) will be essentially the same under FairTax because the 22% hidden national sales tax comes out and the 23% FairTax (levied only on FINAL personal consumption) goes in (see the graph FairTax Implementation on Prices). And also on the day of conversion to FairTax, all sellers will use their Conversion Credit (for embedded taxes already paid) so that the price does not result in 23% more to their customer (page 25 of HR-25 The FairTax Act).

FairTax Opponents ALWAYS OMIT Reasons 1 & 3 when doing their analysis so that they can state that the poor do better under FairTax, but the middle class do worse: FALSE: Both do better under FairTax.