



MAKE IT JUST ANOTHER DAY

FairTaxMI.org

FairTax: Creates Jobs & Protects the Poor

What is the MI FairTax and will it help the Michigan economy? Purchases for business are not taxed because they are not for personal consumption, but rather are used in the process of producing a good or service. Taxing business inputs results in consumers paying higher prices because businesses must pass the cost of taxes (and tax compliance), and all other costs of doing business, on to consumers in the price of their products. In essence, the result is a hidden tax like we have today included in our prices. These hidden taxes cause our goods and services to be too expensive to compete in the world marketplace and result in our companies closing or moving overseas and the loss of jobs in Michigan.

A MI FairTax (retail sales tax) rate of 8.58% will replace the current:

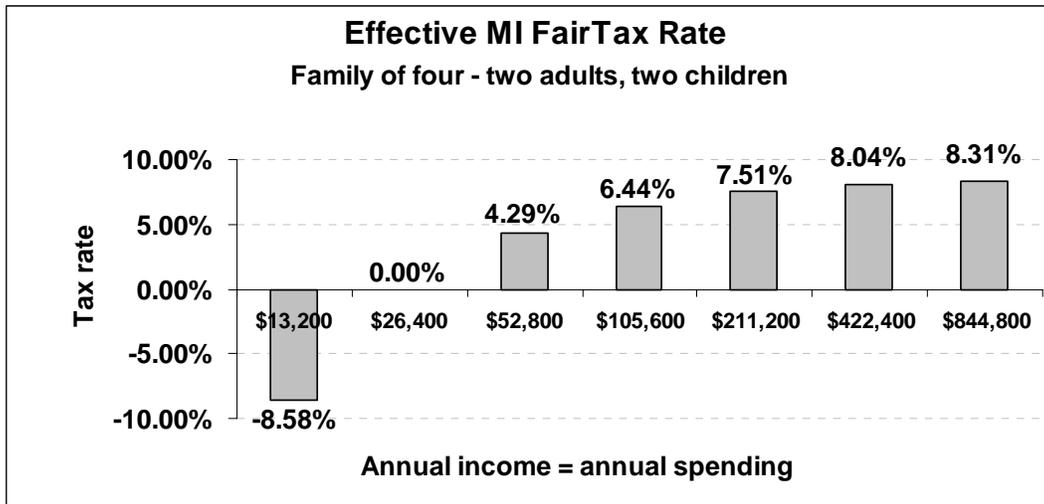
- Sales Tax
- Personal Income Tax
- Single Business Tax (SBT) & Insurance Proceeds Tax
- Personal Property Tax
- State 6 mill Education Tax (SET) on business and
- Eliminate all business to business taxes

There would be no more Michigan income tax returns and everyone would know exactly what they are paying in taxes as it will be shown on every retail sales receipt. The deceptive practice of hiding taxes in the prices of the things we buy will cease and allow our businesses to compete in the world market without our prices being inflated by Michigan taxes.

The MI FairTax will eliminate the above Michigan taxes that today are included in the prices of all Michigan produced goods and services and will make Michigan the most attractive location in the US in which to do business. Michigan will move from being the economic armpit of the nation to America's economic powerhouse.

How does the MI FairTax protect lower and middle income Michigan residents? By a monthly "prebate" to each household in the amount of what the sales tax would be for expenditures up to the poverty level. The prebate completely untaxes the truly poor and generally reduces the effective tax rate of lower and middle income Michigan residents. There is no need for any exemptions for food, shelter, medical expenses, etc. as the prebate is received by all households to pay the tax on the necessities of life. Above that point everyone pays at the same rate. Also used goods are not taxed because goods are taxed only once and that is at the initial sale to the end user. The prebate funds would be placed electronically into the bank account of the head of household (or mailed) and the amount would be determined solely by the number of residents living in the household with valid Social Security numbers.

The prebate completely untaxes the truly poor and generally reduces the effective tax rate of lower and middle income Michigan residents. There is no need for any exemptions for food, shelter, medical expenses, etc. as the prebate is received by all households to pay the tax on the necessities of life. The following chart shows that while everyone pays the same tax rate of 8.58% at the cash register, the prebate results in effective tax rates (annual taxes paid divided by annual spending) that increase as the level of spending increases, resulting in a progressive tax rate structure. For example, a person spending at the poverty level has a 0% effective tax rate, whereas someone spending twice the poverty level has an effective tax rate of 4.29% and so on.



What is the poverty level and how much is the monthly "check"? The poverty level is determined annually by the federal government and the dollar amount depends solely on the size of the household. The table below shows the poverty expenditure levels for various sized households and the dollar amount of the monthly prebate each household would receive based on family size.

Figure 1: Michigan FairTax Prebate: 2006

One-adult household				Two-adult household			
Family Size	Annual Consumption Allowance ¹	Annual Prebate	Monthly Prebate	Family Size	Annual Consumption Allowance ¹	Annual Prebate	Monthly Prebate
1 person	\$9,800	\$841	\$70	N/A	N/A	N/A	N/A
and 1 child	\$13,200	\$1,133	\$94	couple	\$19,600	\$1,682	\$140
and 2 children	\$16,600	\$1,424	\$119	and 1 child	\$23,000	\$1,973	\$164
and 3 children	\$20,000	\$1,716	\$143	and 2 children	\$26,400	\$2,265	\$189
and 4 children	\$23,400	\$2,008	\$167	and 3 children	\$29,800	\$2,557	\$213
and 5 children	\$26,800	\$2,299	\$192	and 4 children	\$33,200	\$2,849	\$237
and 6 children	\$30,200	\$2,591	\$216	and 5 children	\$36,600	\$3,140	\$262
and 7 children	\$33,600	\$2,883	\$240	and 6 children	\$40,000	\$3,432	\$286

¹SOURCE: The 2006 Department of Health and Human Services Poverty Guidelines. Assumes MI FairTax rate of 8.58%.

Occasionally folks make erroneous comments about the MI FairTax. It's likely not that they are ignorant, it's just that what they know isn't so. Actual facts on the MI FairTax are available at: www.fairtaxmi.org.

Roger Buchholtz
MI FairTax Director (volunteer)
P.O. Box 141
Kalamazoo, MI 49004
phone/fax: (269) 345-0950
cell: (586) 530-3298