

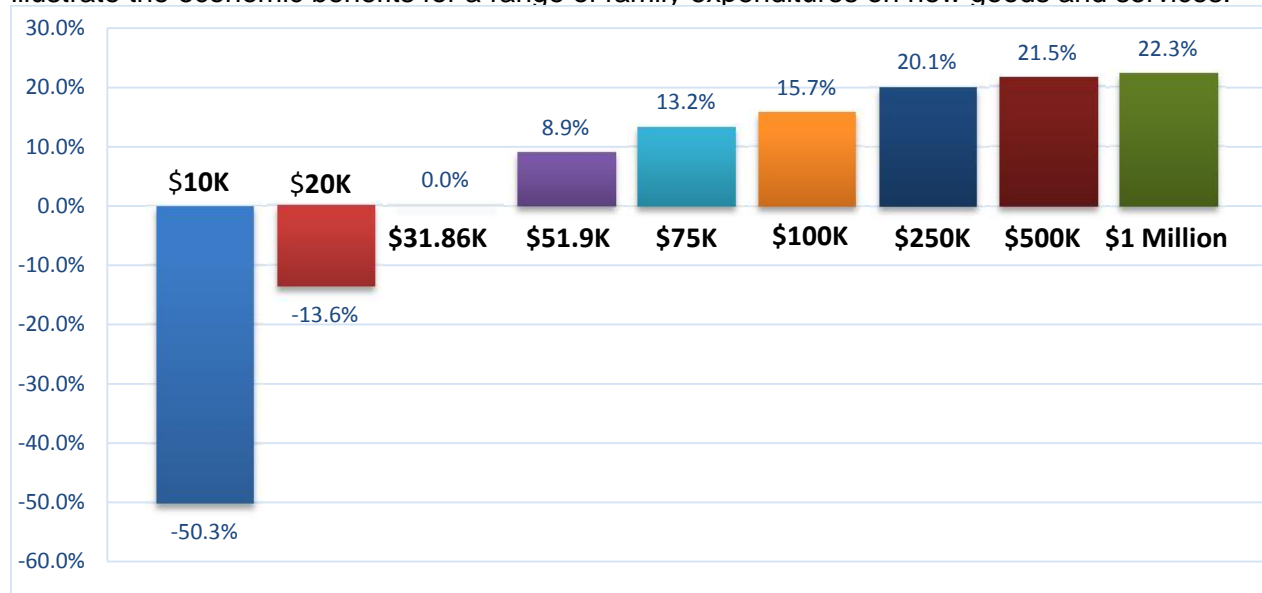
The Prebate lowers the average family effective FairTax rate to 8.9%

One of the major advantages of the FairTax is the “Family Consumption Allowance” referred to as simply the “Prebate”. The Prebate is a payment given to families of US Citizens every month to pay the Consumption Tax for essential goods and services i.e. the “Poverty Level”. The Fair Tax applies only to new goods and services at retail. Used goods are not taxed.

If families with income at or below the poverty level spend all of their income on only essential goods and services, the Prebate would completely offset the consumption tax at the retail point of sale. The effective tax rate in this case is zero. For example, a family of two adults and two children would have the consumption taxes on all of their purchases for new goods and services up to the \$31,860 Poverty Level totally paid for by the Prebate.

The median family income in Kansas is \$51,935. An average Kansas family of two adults and two children could spend all of their income on new goods and services, yet their effective tax rate would be only 8.9%. If the family does not spend their entire income on new goods and services, their effective rate would be even lower because their consumption tax at the point of sale would be less, yet the prebate is the same for every family of the same size.

No one will pay income tax nor file a tax return. The FairTax removes income tax burdens from businesses. Capital investment will return from overseas, and the resulting economic growth will create jobs and prosperity for all segments of the economy. The charts and tables below illustrate the economic benefits for a range of family expenditures on new goods and services.



Two adults and 2 Children

Family Consumption	Consumption Tax	Net Tax	Effective Tax Rate
Poverty Level = \$31,860		Prebate = \$7,327.80	
\$10,000	\$2,300	(\$5,028)	-50.3%
\$20,000	\$4,600	(\$2,728)	-13.6%
\$31,860	\$7,328	\$0	0.0%
\$51,935	\$11,945	\$4,617	8.9%
\$75,000	\$17,250	\$9,922	13.2%
\$100,000	\$23,000	\$15,672	15.7%
\$250,000	\$57,500	\$50,172	20.1%
\$500,000	\$115,000	\$107,672	21.5%
\$1,000,000	\$230,000	\$222,672	22.3%