



*"For Truth in Taxation
And Job Creation"*

Why the Prebate?

Some people are concerned that food and medicine will be taxed while others are concerned that the prebate will be another welfare check from the government, yet others observe that the tax rate could be lower if the prebate were eliminated. Both concerns and the observation are reasonable and understandable.

The **prebate** does many things:

1. For all legal households it un-taxes expenditures up to the poverty level
2. It lowers the effective tax rate for all households because some spending is not taxed (although the sales tax rate is 9.75%, because of the prebate and other untaxed uses of income the typical Michigan family will have an effective tax rate of around 2.5%)
3. It protects lower income families far better than today's tax system as it offsets most or all of the taxes they pay on purchases
4. It protects seniors as it offsets the taxes on purchases up to the poverty level and seniors typically do not purchase as many things as they did in their younger years
5. Like today's personal income tax exemptions for family members, the prebate causes the FairTax to be progressive (effective tax rate increases as spending increases)
6. It treats everyone equally as all households of the same size receive a prebate in the same amount (and everyone pays the same tax rate on purchases)
7. Eliminates all loopholes and the rationale for any exemptions
8. It preserves the tax rate at the lowest possible level (if exemptions like food and medicine were exempted it would require that the tax rate to be higher, and any exemption opens the door for more exemptions which would require the tax rate to be increased higher and higher)
9. By eliminating exemptions the prebate strengthens our representative form of government because it eliminates the possibility of buying and selling of tax favors (exemptions) that today has corrupted our political system to the point that our elected officials often represent special interests rather than their constituents
10. It precludes households of illegal residents from receiving prebate payments (but they, and drug dealers, prostitutes, etc., earning illegal income will pay taxes like everyone else when they spend their money)