



August 8, 2023

Dear Members of Congress,

I write to urge you to reconsider your co-sponsorship of the *FairTax Act of 2023*.

While the intentions of lawmakers sponsoring this bill are admirable – abolishing the IRS and zeroing out the income tax – the legislation fails to accomplish these aims and instead puts taxpayers at risk of paying more, not less, in taxes.

Americans for Tax Reform stands ready to work with any member of Congress to further legislation aimed at reducing taxes and restraining the IRS. The *FairTax Act*, however, fails to achieve these goals.

In the 24 years of the Fair Tax proposal's existence, House Republicans have declined to hold a single hearing or mark-up session in committee, let alone a floor vote. The number of lawmakers sponsoring the bill has declined with each Congress, falling from a peak of 76 House Republicans in 2015 to 24 today. The Fair Tax effort is not gaining momentum but losing it. This is for good reason.

Rather than simply repealing federal income taxes, the Fair Tax would replace the income tax with a 30 percent national sales tax on all goods and services and establish a giant new entitlement program.

Replacing our current tax code with a national sales tax would create a system of double taxation on retirees. Take, for example, a 65-year-old who has spent a lifetime saving after-tax income and has retired, expecting to draw down that income without paying further taxes. Instead, they would now face a 30 percent sales tax on everything they buy. **The FAIR TAX is a terrible blow to all Americans at or near 65 years of age or older.** (The Age group most likely to vote.)

The Fair Tax would also inadvertently strip all work requirements from the tax code and establish a pre-bate system that sends monthly checks to Americans regardless of earned income. **The FAIR TAX would thus create a system that sounds suspiciously, dangerously, okay, exactly, like a universal basic income scheme.**

Nor would the FairTax Act do anything to reduce the size of government. **Fair Tax advocates claim the bill would “abolish the IRS” but in fact it creates at least three new tax bureaucracies: The Federal Excise Tax Bureau, The Federal Sales Tax Bureau, and the Office of Revenue Allocation.** The agencies would be organized under the Social Security Administration. Simply shuffling responsibilities and personnel from the IRS to the SSA does nothing to shrink a wasteful and intrusive bureaucracy.

Lawmakers should be particularly worried about the likelihood that **The Fair Tax will collapse into a value-added tax.** No city, state or nation has a 30% or 23% sales tax. The incentive for the creation of widescale black markets to avoid paying the tax would

722 12th Street N.W.

Fourth Floor

Washington, D.C.

20005

T: (202) 785-0266

F: (202) 785-0261

www.atr.org

render the FairTax unenforceable in practice. A Value Added Tax of that size, however, is enforceable because it is collected at every step of production.

The VAT is the Democrat party's chosen mechanism for how the United States can be more like Europe with truly unlimited levels of welfare state spending. No Republican in Congress should help build for the Left a structure guaranteed to collapse into a VAT. It should be noted that every European nation with a VAT also has a personal and corporate income tax.

ATR is happy to work with any member of Congress to craft and support legislation aimed at reducing the tax burden and restraining the IRS, and respectfully points to the efforts at the state level to reduce income taxes first to a single, flat rate and then down towards zero which has had extraordinary success in recent years. This ought to be the model for conservative tax reform at the national level...not the Fair Tax.

Onwards,

Grover Norquist, President of Americans for Tax Reform