

## The Fair Tax

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### Problem:

The current federal income tax system is broken—unfair, overly complex, and almost impossible for most Americans to understand. The Fair Tax is a reasonable, nonpartisan alternative before Congress that is both fair and easy to understand. A system that allows taxpayers to keep their entire paycheck and only pay taxes on what is spent.

- The financial burden of taxes and the sheer complexity of the tax code are consistently ranked among the top challenges facing America's small businesses – more than one-fourth of small business owners will spend over 100 hours doing their federal taxes – that is more than two full weeks of work.
- According to most recent NSBA data, the majority of small businesses – 63 percent – spend more than \$1,000 each year on the administration (i.e. accountant fees) of federal taxes alone and 15 percent report spending more than \$10,000.
- It is estimated that American taxpayers spend billions of dollars each year in compliance alone: 83 percent of small-business owners pay an external tax practitioner or accountant to handle their taxes.
- The current tax code poses a huge headache to small firms and we desperately need fundamental reform and simplification of the tax law.
- Legislation has been introduced, the *Fair Tax Act of 2023 (H.R. 25)* which has GOP support and will get a floor vote, one of the concessions Speaker Kevin McCarthy made during his run for the Speakership. The bill is unlikely to move in the Senate.

### Solution:

NSBA advocates that the Fair Tax is a fair, efficient, transparent, and intelligent solution to the frustration and inequity of the current tax system.

- The Fair Tax is a 23 percent—although recent iterations have bumped-up the rate to 30 percent—single rate, national retail sales tax that treats every person equally and allows American businesses to thrive, while generating the same tax revenue as the current four-million-word-plus tax code.
- The Fair Tax applies to the sale of all consumer goods and services at the final point of consumption and rates depend on the amount of purchases made.
- Every taxpayer would be subject to the same tax rate with no exceptions and no exclusions and gets to keep 100 percent of their paycheck, pension, and Social Security payments enabling them to save more, invest in their businesses, and boost our economy through job creation and innovation.
- It would dramatically reduce the tax bias against work, savings and investment, and would substantially reduce complexity and compliance costs.
- The Fair Tax would make the U.S. an extremely attractive location to manufacture goods and put U.S. produced products on even footing with foreign produced goods.