

the same sort of special interest favoritism which makes the current system so unjust, unfair, and unequal. Again, any retail item taxed once (though not apparently counting excise-taxed items like gasoline, liquor, and tobacco) is never taxed again by the Federal government. The beauty of this whole idea is that people can decide how much tax they volunteer to pay based on their own spending/buying decisions. Buy a new item, pay the tax. Buy fewer taxable things, pay less tax. Everyone, from corporate CEOs to foreign tourist (anyone not currently NOT paying their share of Federal taxes), pays taxes. The website fair.org will give much more info than I can give. The FairTax idea will not mean any less in the current level of Federal revenue. The FairTax is so-called “revenue neutral” in this regard. As a nation free from spending several hundreds of billions of dollars on tax compliance and avoidance, that several hundred billion dollars would be put to a productive use. The system would create investment at home and bring it in from abroad as companies would seek to do business in such a pro-growth economic environment.

Again, there are better explanations than I gave here. Seek out information. Weigh the pros and the cons. There are benefits to the FairTax idea. There are problems, but those are fewer and more manageable than the current system of the fraud- and corruption-friendly tax system we have now. Take a look. It may be the best idea we have had on tax reform since Alexander Hamilton.

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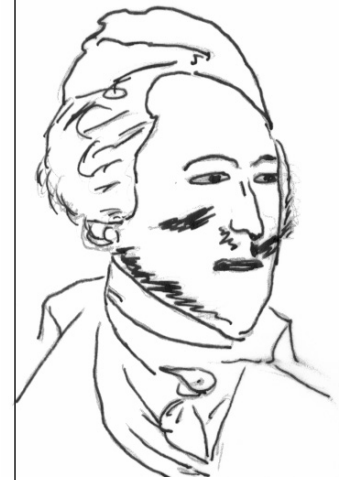
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# Freedom-Zine America

The Cepia Club Zine Issue #7  
November 15, 2006

“It is a signal advantage of taxes on articles of consumption, that they contain in their own nature a security against excess. They prescribe their own limit; which cannot be exceeded without defeating the end proposed—that is an extension of the revenue. When applied to this object, the saying is as just as it is witty, that “in political arithmetic, two and two do not always make four.” If duties are too high they lessen the consumption—the collection is eluded; and the product to the treasury is not so great as when they are confined within proper and moderate bounds. This forms a complete barrier against any material oppression of the citizens, by taxes of this class, and is itself a natural limitation of the power of imposing them.”

—Alexander Hamilton  
Federalis No. 21



Alexander Hamilton served as George Washington’s unofficial chief-of-staff during the American Revolution. Hamilton wrote the majority of the Federalist Papers which urged ratification of the Constitution. He also served as America’s first Secretary of the Treasury.

## The FairTax Proposal: A Good Idea?

By Tim Krenz

There is a proposal for Federal tax reform that, while it has some problems, is nevertheless a worthwhile idea. Known simply as the FairTax, the idea is a good one and should be considered. Many individuals running in last week's election for U.S. House and Senate supported the FairTax. Their opponents, in the instances I saw, used great efforts to ridicule the idea and distort the truth about both the proposal and those candidates who supported it. The FairTax, unsurprisingly, faces intense opposition from career politicians and their special interest supporters. I am not an economist, but the mechanics of how the FairTax works are rather sound.

The FairTax is the reform proposal of the non-profit organization Americans For Fair Taxation. You can see many of the details of the plan on their website [fairtax.org](http://fairtax.org). Rep. John Linder of Georgia is the lead sponsor of the bill in the U.S. House. Radio host Neil Bork is the national "spokesperson."

If implemented as devised, the FairTax would repeal the 16<sup>th</sup> Amendment to the Constitution. NO MORE INCOME TAXES! Furthermore, besides personal income taxes, all Federal business, capital gains, and payroll taxes (FICA, etc.) would be eliminated. Taxes destroy personal property. Nothing destroys wealth or halts economic growth like our current system of Federal taxes. Two features of the present system make the Federal revenue code unjust, unfair and unequal. First, the tax laws favor those with political influence who can remove themselves legally from paying their share of taxes. Secondly, the system allows everyone to cheat on their taxes, burdening either the honest citizens or future taxpayers.

The FairTax is very simple. Once all present taxes are eliminated, the competition of the market will free the cost of goods and services from the "hidden taxes" in the retail price which are estimated as 22% of the retail price (not including any

official state and local taxes on the actual sale prices). A delusion needs to be dispelled here: Businesses don't pay taxes; PEOPLE PAY THE TAXES. Under the FairTax, things are taxed only once and used goods are removed from the tax rolls. Only on new retail items, a 23 % sales tax would be added to the price free of the 22% of un-assessed "hidden" taxes, not added to total pre-FairTax. There should be virtually no change in the final prices to, and no new added taxes for, the things we buy now. Remember, the current Federal tax system adds cost for customers to retail prices. The 22% of "hidden" taxes added to items for income and payroll tax compliance by businesses would be eliminated. It is believed that the laws of the market would drive competitive prices of products and services down to level where no "hidden" taxes are included. This market force adjustment may take one or two years to work itself into the pricing systems. Once established, it would be a bedrock of our economy.

The FairTax plan provides for a "pre-bate" payment given to all households at the beginning of the year for an estimated amount of taxes families will pay on "necessary" items like food and clothing. Every household gets an equal share based the formula of the size of the household. This aspect of the FairTax is, in practice, a political scheme to get support from otherwise skeptical people. This may be one of the "problems" I alluded to at the beginning.

The taxes derived from the FairTax are collected and forwarded by the sellers. The IRS could be eliminated as we know it. No new retail good or service would be exempt from the FairTax. Exempting any classes of goods and services would be

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