

The Case for the State Level FairTax in Georgia

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Since Georgia has by far the most support of any state for the FairTax proposal among the general public, as well as among state legislators, it makes sense for Georgia to lead the way.

There are a number of state legislatures around the nation working on reforming their tax systems to achieve the following

- A. Attract more business and industry to their states in order to
 - (1) Expand the state's tax base, and
 - (2) Create more good paying jobs for their citizens
- B. Accomplish all of the above without unfairly shifting the tax burden to any segment of the population or demographic sector.

The FairTax achieves all of these objectives better than any other proposal that we are aware of.

The basics of the FairTax model at the state level are:

- A. Eliminate both individual and corporate income taxes.
- B. Replace the revenue lost in A. by broadening the sales tax base, **NOT BY RAISING THE RATE**. Broadening the base essentially consists of two elements:
 - (1) Adding services to the sales tax revenue base, and
 - (2) Replacing a host of exemptions, exceptions and carve-outs with a simple, uniform and fair rebate/prebate.

Because we will encounter considerable resistance to the elimination of their dispensations from the special interest groups and their allies in the state legislature, we must take our case to the public. We must sell the approach of combining the entire state of Georgia into a single interest group and treating that group the same. There can be no more carving up the electorate and playing off the most affluent segments of the public against the others. We believe that if we frame the debate in those terms, we have a real chance to prevail, even though we fully appreciate that this will be a bloody and vigorous battle. The special interests are NOT going to give up their privileged positions easily or graciously, and our supporters must be prepared for that.

If we can pass a relatively clean FairTax bill and implement it here, we believe that the potential impact to the nation-wide movement will be huge.

We are confident that if implemented in a relatively pure form, a FairTax state model will be viewed as a political and economic winner. First of all, the state legislators in other states who are seeking to achieve the objectives outlined above will undoubtedly take notice if Georgia achieves those goals. Many of them have already been analyzing ways to eliminate their income taxes. Some of them already have FairTax inspired tax reform bills in their legislative hoppers. Many of them are well aware of the failed tax reform attempts in Kansas and Louisiana; they are intimidated by the prospect of doing something that is not well thought through or does not have a track record. A failed bill would be politically damaging. Once the FairTax model is working as planned in Georgia and other states are falling in line, then the national movement has real momentum.

We believe that the model is flexible enough and offers economic benefits to almost every state in the nation. Even states such as Florida and Tennessee, which currently have no income tax (except for dividends and interest in the case of TN), could benefit by adopting the FairTax model. Tennessee, for example, has the highest sales tax rate (7% statewide and local taxes averaging 2.45%) and no rebate. FairTaxers could actually approach Democrats in these states with the question: How would you like to make your sales tax less regressive? It is quite likely that all or most of the no income tax states have a host of exemptions and exclusions which constrict their sales tax revenue base. By replacing those carve-outs with a simple rebate/prebate, and adding services to the sales tax base, a FairTax inspired reform could actually offer a reduced sales tax rate plus a monthly rebate, which should be extremely attractive to lower income residents. A FairTax model reform in states such as Texas which have a significant property tax problem would offer them a unique opportunity to address that issue effectively and in a politically practical manner.

We could literally see the FairTax explode across the nation state by state as its benefits become more widely recognized and it proves itself. In each state that adopts it for the collection of its state revenues, its citizens can be safely predicted to ask: “Why aren’t we doing this at the national level?” The pressure on Congress to do more than pay lip service could potentially be enormous.

Perhaps the biggest benefit to our efforts on a national level is that a successful FairTax in Georgia would provide something that we have badly needed and never had before: a quick and effective rebuttal to some of our most common objections. Our responses typically are much more involved and “deeper in the weeds” than the objections which generated them and tend to make our audiences’ eyes glaze over. A few examples come to mind:

OBJECTION: That rebate thing will never work.

RESPONSE: It seems to be working well in Georgia.

OBJECTION: A huge black market will develop.

RESPONSE: That isn’t what happened in Georgia.

OBJECTION: The numbers don’t work – the rate would have to be much higher.

RESPONSE: The FairTax sales rate is about where it was before in Georgia, which is what the FairTaxers said would work. That was in spite of skeptics who said that it would take a higher rate in Georgia.

OBJECTION: It will hurt poor people.

RESPONSE: Poor people in Georgia seem to like it.

Of course, the objectors may want to point out the differences between their objections at the national level and our experience at the state level. In that event, it is THEY who are getting into the weeds and making their audiences’ eyes glaze over. This list, of course, is representative, rather than complete.

We believe that passing a pure FairTax bill is within our reach and is the most important thing that we can do to regain our lost momentum at the national level.