



## The FAIRtax Prebate Factsheet

Under the FAIRtax<sup>sm</sup>, all Americans consume what they see as their necessities of life free of tax. While permitting no exemptions, the FAIRtax (HR25) provides a monthly universal prebate to ensure that each family unit can consume tax free at or beyond the poverty level, with the overall effect of making the FAIRtax progressive in application. There is no marriage penalty as the couple gets twice the amount that a single adult receives.

While everyone pays the same tax rate at the cash register, the prebate results in effective tax rates (annual taxes paid divided by annual spending) that increase as the level of spending increases – a progressive tax rate structure. For example, a person spending at the poverty level (\$34,840 for a family of four) has a 0% effective tax rate. That same household will have a federal tax burden of 2.9% of their income under current law.

### 2021 FAIRtax Prebate Schedule

One-adult household				Two-adult household			
Size of Family	Annual Consumption Allowance	Annual Prebate	Monthly Prebate	Size of Family	Annual Consumption Allowance	Annual Prebate	Monthly Prebate
1 person	\$12,880	\$2,962	\$247	Couple	\$25,760	\$5,925	\$494
and 1 dependent	\$17,420	\$4,007	\$334	and 1 dependent	\$30,300	\$6,969	\$581
and 2 dependents	\$21,960	\$5,051	\$421	and 2 dependents	\$34,840	\$8,013	\$668
and 3 dependents	\$26,500	\$6,095	\$508	and 3 dependents	\$39,380	\$9,057	\$755
and 4 dependents	\$31,040	\$7,139	\$595	and 4 dependents	\$43,920	\$10,102	\$842
and 5 dependents	\$35,580	\$8,183	\$682	and 5 dependents	\$48,460	\$11,146	\$929
and 6 dependents	\$40,120	\$9,228	\$769	and 6 dependents	\$53,000	\$12,190	\$1,016
and 7 dependents	\$44,660	\$10,272	\$856	and 7 dependents	\$57,540	\$13,234	\$1,103

For families/households with 8 or more dependents, add \$4,540 to the annual consumption allowance for each additional dependent (includes grandparents, children, adopted children or children under legal guardianship). The annual consumption allowance is based on the DHHS Poverty Guidelines as published in the *Federal Register*, February 1, 2021. The annual prebate equals 23% of the annual consumption allowance.

