**My RESPONSE to AFFT’s Jim Bennett’s REBUTTAL to me**

On July 19-20, Jim Bennett’s, new AFFT Board officer posted his REBUTTAL, below, as an evasive, distracting ***non-***response to a comment that I posted to a Letter to the Editor appearing in the Rochester, MN Post-Bulletin, ***“Restoring post-World War II tax rates would reduce rewards of greed”.***

That Letter, by another Progressive-Socialist, complained that the FairTax® was ***not Progressive-Socialist enough*** for the writer who called instead for the return to pre-Reagan-Bush tax rates of 90+%. Mr. Bennett replied to that writer by claiming that the FairTax® was ***even more Progressive*** than those 90+% tax rates. My comment was merely exposing, yet again, that Mr. Bennett and his FairTax® are so ultra-Progressive-Socialist by claiming to be more Progressive than our prior 90+% tax rates.

In response to my comment above, Mr. Bennett produced his non-responsive false propaganda REBUTTAL, which begins in the next paragraph, along with my comments in red. Note that Mr. Bennett does not respond to my comment above, but launches into a general rebuttal of whichever specific points of mine that he chooses to attack. Note well that Mr. Bennett starts out by trying to distract the readers away from the fatal flaws of the FairTax® by devoting his attention to my proposal (as if to say that if you don’t like my Flat Tax, then you ***must*** love the Fairtax® - which is false logic).

**Jim Bennett’s REBUTTAL (with my introduction and responses in red)**

**I would note first that Mr. Bennett’s REBUTTAL appears to plagiarize from AFFT National Board member Steve Curtis’ Ohio FairTax® site’s laughable REBUTTAL to me (but that did not name me specifically) – see also my paper on the debate with Mr. Curtis, his REBUTTAL to me and my response to Mr. Curtis at**

[**http://media.wix.com/ugd/acdb03\_88cfd87ba1d14e2590528fd91c7ceb59.docx?dn=%22BTR%20-%20Debate%20vs%20Steve%20Curtis%205-7-14.docx%22**](http://media.wix.com/ugd/acdb03_88cfd87ba1d14e2590528fd91c7ceb59.docx?dn=%22BTR%20-%20Debate%20vs%20Steve%20Curtis%205-7-14.docx%22)

**Like Mr. Curtis, Mr. Bennett claims below to address *ALL* of my charges against the FairTax® yet he picks and chooses which charges he would like to address and simply ignores some important points - *among others,* he ignores the FairTax’s® significant hidden taxes - see** [**http://media.wix.com/ugd/acdb03\_c2cd62e9baf142079d318ae71bb8d53f.pdf**](http://media.wix.com/ugd/acdb03_c2cd62e9baf142079d318ae71bb8d53f.pdf) **and the FairTax’s® deadly impact on sales of new homes (see my 2011 paper, Replacing the Income Tax at** [**http://media.wix.com/ugd/acdb03\_b02bfb71574e489e89f5833dad7a8a5d.docx?dn=%22Replacing%20the%20Income%20Tax%20(FINAL%202011).docx%22**](http://media.wix.com/ugd/acdb03_b02bfb71574e489e89f5833dad7a8a5d.docx?dn=%22Replacing%20the%20Income%20Tax%20(FINAL%202011).docx%22) **- see SUPPLEMENT # 18, The American Dream Becomes a Nightmare ), and my PowerPoint slide sets. Those of my charges that he does address, he does so with nothing more than more FairTax® hyperbole, deceptions and false arguments – mere verbiage.**

**I have not yet read a substantive, meaningful response from the FairTax® lobby. All I get is more propaganda and hype. Please read and enjoy this paper and feel free to call me with any questions or comments (423-532-7337).**

**Stephen C Eldridge**

Stephen C. Eldridge is a retired tax lawyer/CPA, who specialized in the taxation of insurance companies.

**While I appreciate Bennett informing you of my likely professional competence to deal with this subject, exactly what is his purpose in stating what was my area of specialization? Perhaps Mr. Bennett is merely attempting to demonize me as people generally don’t like insurance companies.**

 He currently has his own flat tax proposal which has no research

***WRONG!* I have done my own analyses. The fact that AFFT has paid economists to write papers does not prove nor predict *anything*. Bennett offers false criteria for worthiness – it is not whether a plan has been “researched” but whether it has been *analyzed* – Mr. Bennett merely throws up AFFT’s tainted “research” as a superficial justification of the FairTax® - the fact that AFFT paid economists to produce a paper (which we have never seen nor been able to challenge) does not establish the validity of the FairTax®. H.R. 1040, upon which my Flat Tax is based, has apparently been analyzed.**

…..no public support

***WRONG*, not only do many people support a Flat Income Tax, but H.R. 1040, on which my Flat Tax is based, currently has 11 House Co-Sponsors including 7 who have also Co-Sponsored the FairTax®. I would note here that having 75 House Co-Sponsors, does *not* alonemake the Fairtax® a good idea – Obamacare had a majority in Congress who *actually voted* for it and actually voting for the FairTax® is a very long way from merely Co-Sponsoring it.**

….no written documentation ***WRONG***, **see my outline and full text of my bill in 3 Flat Taxes** [**http://media.wix.com/ugd/acdb03\_15f02bfdf41f4c078fbada6dfd57eb5b.docx?dn=%223%20Flat%20Tax%20Plans%207-22-14.docx%22**](http://media.wix.com/ugd/acdb03_15f02bfdf41f4c078fbada6dfd57eb5b.docx?dn=%223%20Flat%20Tax%20Plans%207-22-14.docx%22)

…. no website ***WRONG*** **- see** [**http://sceldridge.wix.com/sceldridge**](http://sceldridge.wix.com/sceldridgr) **- as if having a website alone makes one’s proposal worthy or as if not having a website makes one’s bill not worthy..**

**…** and no grassroots organization

**True, but all that means is that I did not start off with a $22MM war chest to lobby for this Progressive-Socialist financial scam and I am not a FairTax® zombie distributing Kool-Aid to unsophisticated people that the FairTaxer’s® hope to attract to their “cult”. Mr. Bennett is suggesting that having a grassroots organization makes the FairTax® worthwhile – the Communist Party also had a large grassroots organization.)**

There is no bill in congress which conforms to his personal design.

**W*RONG!* H.R. 1040 is the model for my Flat Tax, although as brave as it is, mine goes one big step further – I reduce the tax rate to 10% and eliminate all deductions and allowances. Even FairTax® House Sponsor Rob Woodall admitted to his faithful (but they just don’t hear it) that they make have to make major changes to the FairTax® in order to try to make it pass the scoring process’ demand that it produce as much revenue as is currently predicted for today’s taxes to produce over next the ten years.**

 **Mr. Bennett suggests that the FairTax® would be a superior answer if my Flat Tax did not have a bill – somehow the logic of that escapes me. If the FairTax® bill is a terrible idea (it is) of what relevance is it how far along that bad idea is in the process of enactment? As far as I can tell, the FairTax® sales pitch to their unsophisticated target audience goes something like this - we should enact the FairTax® because we have a national grass roots lobby in place with an office in D.C, we spent a lot of money marketing it, we have 75 House Co-Sponsors (after 15 years) and there is nothing else this far along in the process (but don’t concern yourself with the merits of the bill, just listen to our propaganda and ignore any criticism of the FairTax®).**

 For this discussion, we refer to his plan as the Fantasy Flat Tax (FFT).

The FFT is a 10% rate with no deductions. It does not replace Social Security or Medicare taxes, so the effective tax on wages is over (why “over”?) 25% tax inclusive, greater than the FairTax with no deductions. Because there are no deductions, the effective rate would be higher than that of the FairTax. Although the nominal rate of the FairTax on a tax inclusive basis is 23%, the rebate mechanism reduces the effective rate for all consumers. Those spending at twice the poverty level, for example, would pay an effective rate of half the nominal rate, or 11.5%. Those are the basics.

**First, note Mr. Bennett’s attempt to distract readers away from the FairTax’s ® fatal flaws, by focusing instead on my Flat Tax.**

 **Mr. Bennett (AFFT) distorts the truth. 1st , employees pays only 7.65% (not 15.3%) up to the SS Wage Base – only the Self-Employed pay 15.3%, and 2nd, the SS/Medicare taxes do *not* apply to all income. In any event, I am not advertising a lower tax rate to ensnare the gullible, as AFFT attempts to do. SS/Medicare taxes are *not taxes* in my view, but partial payments for one’s own personal benefits. In Mr. Bennett’s (AFFT’s) Progressive-Socialist world, everyone is “entitled” to a pension and health insurance even if the evil “rich” have to pay for it. FairTax® goes so far as to take a big step towards providing SS benefits to those who do *NOT* work by inviting the fraud of overstating or falsely reporting SS Wages, in that there is no longer a tax “penalty” to do so.**

Mr. Eldridge previously promoted a “head tax” in which, after reducing the national budget to around $800 billion/year, that amount would be divided by the national population to arrive at an annual tax bill of around $3 to $4K for every man, woman and child in America. This would mean that a six week old infant nursing at his mother’s breast would have the same tax liability as Bill Gates, Warren Buffet and Donald Trump. To put that $800 billion budget into perspective, the United States spent $682 billion in FY 2012 on the military1, and approximately $360 billion in interest on the national debt2. Therefore, Mr. Eldridge’s budget target would not even be enough to cover the military and our minimum required debt service at 2012 levels. That is even if we totally eliminated the Justice Department and the federal court system, both houses of congress and the White House (including all the Executive agencies), the State Department (including all foreign embassies), the Commerce Department, the Treasury Department (including the IRS), the CIA, etc.

**Not only must Mr. Bennett try to distract you with my *current* Flat Tax proposal, but now he desperately turns to a proposal he refers to as one I *“previously”* proposed (actually, I still propose this “correct” tax system, *YOUR SHARE*, but o*nly* for purposes of having an intellectual discussion among patriotic Constitutionalists, i.e., not for enactment by Congress because I realistically understand that Congress does not have the political courage to enact it.**

**Mr. Bennett first makes his emotional Progressive-Socialist pitch. Yes, *the parents* of every suckling child would be responsible for an equal dollar share of our essential Constitutional national burden (i.e., the correct financial answer). Yes, Bill gates can *afford* to pay more, but is that a valid reason for us to rob him? Each person is responsible for his own fair allocation of the costs of our essential services, with parents responsible for their children’s share – personal responsibility, what a concept? Personal responsibility is an anathema to Progressive-Socialists, like those pushing the FairTax®.**

**Next, Mr. Bennett deliberately distorts the numbers and concepts of *YOUR SHARE*. We all must pay whatever the nation’s essential Constitutional costs are; military; debt payments, federal courts, post office, printing money, etc., but no more – i.e., my proposal is not limited to a single ($800B) figure that ignores financial realities.**

 Neither of Mr. Eldridge’s proposals have ever been introduced as a bill in congress**,**

 ***WRONG*, H.R. 1040, which is the basis for my Flat Tax, has indeed been introduced in Congress and my *YOUR SHARE* was never intended to be introduced in Congress because Congress does not have the political courage to enact it. And exactly what is Mr. Bennett suggesting anyway – that the FairTax® must be the plan we all support because it is already a bill in Congress with 75 Co-sponsors (after 15 years) *EVEN THOUGH IT IS A TERRIBLE IDEA (think Obamacare)?***

…..had any economic studies performed, ***Wrong*! see above**

 …. have ever been documented in written form (as far as we know),

**Well, they don’t appear to know very much, do they? See 3 Flat Taxes;** [**http://media.wix.com/ugd/acdb03\_15f02bfdf41f4c078fbada6dfd57eb5b.docx?dn=%223%20Flat%20Tax%20Plans%207-22-14.docx%22**](http://media.wix.com/ugd/acdb03_15f02bfdf41f4c078fbada6dfd57eb5b.docx?dn=%223%20Flat%20Tax%20Plans%207-22-14.docx%22)

**which has been available and distributed for years now (but they are not aware of it – Yeah, Right!)**

**and for *YOUR SHARE* see SUPPLEMENT # 28 of my 2011 paper, Replacing the Income Tax** [**http://media.wix.com/ugd/acdb03\_b02bfb71574e489e89f5833dad7a8a5d.docx?dn=%22Replacing%20the%20Income%20Tax%20(FINAL%202011).docx%22**](http://media.wix.com/ugd/acdb03_b02bfb71574e489e89f5833dad7a8a5d.docx?dn=%22Replacing%20the%20Income%20Tax%20(FINAL%202011).docx%22)

… and there has never been a website explaining how either of them would work.

***WRONG! see*** [**http://sceldridge.wix.com/sceldridge**](http://sceldridge.wix.com/sceldridge)

**Mr. Bennett is trying to snow the reader into thinking that if you don’t have a website (or a big originally well-funded grass roots lobbying group, and paid-for economic “research”), that you cannot be credible or your idea worthwhile – how patently silly and a very deceptive FairTax® sales pitch?**

 In fact, Mr. Eldridge has spent more of his tax reform energy attacking the FairTax than he has in actually doing something constructive about our economically destructive and widely despised income tax system.

***FALSE!* I believe that I am doing something *very constructive* for our economy and our despised current tax system*.* My Flat Tax is a relatively simple way to fix 90+% of the problems with today’s tax system, truly simplifying our lives, and unleashing a torrent of economic growth and prosperity. The fact that it takes a lot of time and energy to clear away the fog that AFFT continues to spread is absolutely necessary to get people to accept the benefits of my Flat Tax.**

Although Mr. Eldridge promotes himself as a “tax expert”, his background primarily revolves around manipulating the current tax system for the benefit of his clients. He has no demonstrable credentials in public policy nor in economics. In our experience, it is not unusual for those who have spent a major portion of their lives manipulating the system for financial gain to fail to recognize the tremendous impact of a tax system which returns the concept of equal protection under the law to our tax system.

**For the sake of the ignorant Mr. Bennett, helping tokeep paying clients’ money safe from the claws of the insatiable government (legally) is exactly what we tax “experts” do (aside from those who are educators or tax collectors) – Mr. Bennett has no particular tax training nor experience that I know of.**

**I do not profess to be an expert in public policy nor in economics (neither is Mr. Bennett), but who says that people with those skills have the ability to come up with the right tax system? In my opinion, a tax expert is far better capable of designing a tax system than an economist or public policy person (especially a Progressive-Socialist economist or publicly policy person). A tax expert is the person most capable of any of those professions to understand the numbers and the practical implications of a tax system. With all due respect to economists, they can speculate on the results, but can only produce theoretical prognoses.**

Mr. Eldridge has been attacking the FairTax and its supporters for several years now, using any print or personal appearance forum that he can utilize. He typically launches a barrage of charges against the proposal and its supporters, relying on the fact that it typically takes much more time and energy to debunk his vague and hyperbolic charges than it does to launch these “drive-by” attacks. He often states that he can “support every statement in detail”, but if that is the case, he has certainly not chosen to reveal that support to any of us.

**Once Mr. Bennett once again employ’s the Saul Alinsky tactic of accusing his opponent of doing exactly what he is doing. Mr. Bennett (AFFT) throws out a lot of superficial propaganda that they hope you will not challenge. I do challenge them and yes, the explanation takes longer than their superficial propaganda. Also, I have previously made all of that supporting detail available via physical distribution to many people via e-mail and some on blogs and also by giving out my phone number to anyone seeking more detail (which Mr. Bennett & the AFFT have very likely seen but do not want to read) and all of which detail is available on my website** [**http://sceldridge.wix.com/sceldridge**](http://sceldridge.wix.com/sceldridge)

The purpose of this document is to provide as thorough a catalogue of Mr. Eldridge’s charges as possible so that the FairTax rebuttal can be referenced in one central location and will not have to be recreated everywhere that Mr. Eldridge launches his attacks. Of course, it is fully recognized that if any of his charges are effectively rebutted, Mr. Eldridge will simply find another line of attack, rather than changing his attitude toward the FairTax. However, we believe that it will be useful for unbiased citizens to have a “birds-eye view” of many of the charges and rebuttals.

**Mr. Bennett claims to produce here “as *thorough* catalogue of Mr. Eldridge’s charges *as possible*…” – Really? Then why is it that Mr. Bennett completely ignores some of my important challenges like my claim of the FairTax’s® HIDDEN TAXES,** [**http://media.wix.com/ugd/acdb03\_c2cd62e9baf142079d318ae71bb8d53f.pdf**](http://media.wix.com/ugd/acdb03_c2cd62e9baf142079d318ae71bb8d53f.pdf) **and the FairTax’s® deadly impact on sales of new homes (see my 2011 paper, Replacing the Income Tax at** [**http://media.wix.com/ugd/acdb03\_b02bfb71574e489e89f5833dad7a8a5d.docx?dn=%22Replacing%20the%20Income%20Tax%20(FINAL%202011).docx%22**](http://media.wix.com/ugd/acdb03_b02bfb71574e489e89f5833dad7a8a5d.docx?dn=%22Replacing%20the%20Income%20Tax%20(FINAL%202011).docx%22) **- see SUPPLEMENT # 18, The American Dream Becomes a Nightmare ), and my PowerPoint slide sets on my website**  [**http://sceldridge.wix.com/sceldridge**](http://sceldridge.wix.com/sceldridge)

**Note that Bennett says that *IF* any of my charges are “effectively rebutted” by him, that I “will simply find another line of attack….” – but he has not yet effectively rebutted *ANY* of my charges and certainly does not do throughout the rest of his REBUTTAL– he is merely trying to pre-condition you to try to get you to ignore any of my responses to his (only in his own mind) valid “rebuttals”.**

**Charge #1:** While his proposal and his criticisms of the FairTax are the result of “thorough professional analysis”, the FairTax relies heavily on deceptive and dishonest promotional efforts.

**Rebuttal:** The FairTax is the result of more than two years of development utilizing a team of Fortune 500 marketing professionals and another team of some of the top academic economists in the nation. The marketing team was tasked with finding out what the American people wanted in a tax system utilizing modern marketing techniques, such as telephone polling, targeted advertising, measuring hits on a website and focus groups. Even the name “FairTax” was a by-product of this process. The economic team was tasked with translating this marketing data into a specific tax reform proposal that was economically and mathematically sound. This was the most thorough and rigorous methodology ever employed to develop a tax reform proposal. At $18+ MM, it was also the most expensive.

**Although Mr. Bennett is constantly trying to distract you, let’s first stay with his Charge # 1. My *criticisms* of the FairTax® *ARE* based upon my own and colleagues’ thorough professional tax and economic analyses. No matter how much research and “marketing” the AFFT conducted, the FairTax® *is* marketing utilizing superficial, deceptive, dishonest marketing propaganda – I may start to add a series of additional FairTax® propaganda pieces and point out the deceptions in each of their statements. That is a big task because AFFT puts out so very much deceptive material.**

**Note that most of what Mr. Bennett admits to here focuses on the huge “marketing” effort that AFFT conducted – that must have accounted for $21.9 of the famous $22MM they claim they spent on “research” (originally touted as “research and marketing” but later dropped the words, “… and marketing”). Actually, Mr. Bennett clears something up for me. That is, the economists – who generally prefer consumption taxes - did not perform even useless “research” into what would be the best tax system for the nation, but merely came up with a consumption tax to fit what “the people (supposedly) wanted”.**

**What Mr. Bennett offers here says absolutely *NOTHING* about the quality of the proposed FairTax®, or about its deceptive marketing!**

In contrast, Mr. Eldridge’s proposal was the result of a process in which he found the first flat tax proposal online that he could and went through that proposal “cherry-picking” the features that he liked and, with a wave of his hand, modifying those he did not like. Since HR 1040 was his basis and that bill is only one page long, it is doubtful that that process took more than 15 minutes.

**Once again, Mr. Bennett deceives. I have always liked the idea of a very Flat Income Tax and was delighted to find H. R. 1040 (which is more than 1 page long, Mr. Bennett). Yes, I took the time to make what I consider to be improvements to it rather than try to get a brand new bill introduced, which would not an efficient approach.**

**Note well Mr. Bennett’s overall tack. He wants you to give the FairTax® your full consideration, *just because* AFFT spent a lot of time and money developing it, etc., – and he wants you to ignore any substantive criticism of its merits, even criticism made by tax experts. Sadly this approach works on AFFT’s target audience of unsophisticated and gullible people.**

We will let the reader decide which approach constitutes “thorough professional analysis**”. Read the specifics of my analyses, rather than merely reading AFFT’s sales hype.**

The reader can also determine which side is utilizing misleading and deceptive tactics based on the rebuttals below and the introduction above. **I certainly hope so.**

**Charge #2:** The actual FairTax rate would be in the range of 40 – 70%.

**Rebuttal:** First of all, the only reason that the FairTax rate would have to be increased would be to ensure that it is revenue neutral (when scored statically). Neither HR 1040 nor the FFT makes any pretense of being revenue neutral – which means that neither proposal will ever be seriously considered by congress.

**No, the 40-70% rate has nothing to do with static scoring (by JCT) of the FairTax®. My increase from the starting rate of about 40% (i.e., 30% FairTax®, plus an *illustrative* 10% for State & Local sales taxes) will range up to 70% (or more) based upon the degree of illegal evasion & legal avoidance of the FairTax® - incredibly, the FairTax® assumes that there will be *ZERO* such evasion and avoidance, but in the real world, economists and financial minds (i.e., those *not* engaged by AFFT) that have looked into this all believe that such evasion and avoidance will be enormous.**

**I believe that my Flat Tax (and I assume also H.R. 1040) will be revenue neutral. Mr. Bennett’s fellow co-conspirator, Steve Curtis, OH FairTax® Director and Vice President & member of the Steering Committee of the new AFFT Board, deceptively tried to fool the audience in our debate on Liberty Radio Ohio into believing that my Flat Tax would produce less than ½ of the revenue needed to be revenue-neutral. He complained that 10% of $13T of Taxable Income would produce only $1.3T of revenue, which is less than ½ of the total $2.7T tax revenues. He hoped that the audience was too unsophisticated to understand the numbers that he and I certainly understood. Specifically, that $1.3T was all that is required to replace the taxes repealed by my Flat Tax (and it is thus revenue-neutral) – the other $1.4T that Mr. Curtis was referring to were taxes that my Flat tax *would not*** **repeal, i.e., SS/Medicare and federal Excise Taxes. Thus, not only did Mr. Curtis prove that my Flat Tax is revenue neutral, but he exposed his (AFFT’s) attempt at defrauding its gullible, unsophisticated target audience. See that debate and more at** [**http://media.wix.com/ugd/acdb03\_88cfd87ba1d14e2590528fd91c7ceb59.docx?dn=%22BTR%20-%20Debate%20vs%20Steve%20Curtis%205-7-14.docx%22**](http://media.wix.com/ugd/acdb03_88cfd87ba1d14e2590528fd91c7ceb59.docx?dn=%22BTR%20-%20Debate%20vs%20Steve%20Curtis%205-7-14.docx%22%20%20)

**In any event, I have added a safety feature to my Flat Tax. That is, if for any reason, JCT scored my bill and said the rate needed to be 12% instead of 10%, then I would accept that change – but, my bill requires that any tax revenues in excess of the 10 year budget mark, must be devoted to reducing the tax rate rather than to increasing total federal tax revenues.**

Second, in arriving at his range of 40 to 70% for the FairTax, he uses the tax exclusive rate of 30% for the FairTax as his starting point; he refuses to acknowledge that the use of that calculation approach introduces a bias in favor of income taxes into any comparison with income taxes.

***SAY WHAT!* The FairTax® *IS* a *SALES* tax - it is *NOT* an Income Tax. I am comparing an Income Tax to an Income Tax – I am *not* comparing an Income Tax to a Sales Tax because they are *not c*omparable and that would be like trying to compare apples-to-oranges.**

Third, he states that state income taxes should be added to the FairTax rate in order to reach a true rate. He states that state sales taxes average 10%, even though there is no state in the nation with a sales tax rate that high. Even if you add in county and local taxes, there are relatively few legal jurisdictions (and no entre states) with a rate that high. The bigger issue, however, is that those state sales taxes are being paid now and would still be paid under either the FairTax or the FTT. Yet, Mr. Eldridge apparently feels that it is only necessary to add 10% to the FairTax rate.

**Not true at all. I can understand why Mr. Bennett feels the need to evade the truth. I am not saying that the State sales tax must be added to the FairTax® “to reach a true rate”. What I am trying to expose specifically is what the consumer would be confronted with , i.e., a marginal in-your-face total sales tax of at least about 40% to start – a tax sticker shock that alone would enrage consumers and would result in a diminution in sales and in legal sales, resulting in great harm to our economy.**

**My own State/County has a combined sales tax rate of 9.75% and the County next door has an 11.75% sales tax. In a Charleston, S.C. restaurant, I paid 11.5% sales tax for food and 15% for wine. Many States have combined rates that approach my 10%, which I use a convenient, simple, round, illustrative rate.**

**I do not mention current State sales tax because I am not trying to change that system – I am proposing to change *only* the federal Income and Estate & Gift Tax systems. Also, I am not trying to show the *total* tax burden on citizens, nor even to compare my Flat Tax to the total tax burden of the Fairtax® because both are supposed to raise the same amount of revenue.**

Fourth, Mr. Eldridge apparently believes some of the FairTax critics who have calculated a higher (revenue neutral) rate. What he fails to mention is that none of those critics have scored the FairTax as written. They have invariably modified the design of the bill and scored their modified version, then dishonestly attributed their elevated rate to the FairTax.

***ABSOLUTELY FALSE!*  I believe that Mr. Bennett alludes to Treasury’s scoring of the FairTax® several years ago, wherein Treasury did two things.**

 **First it scored the Fairtax® *as written (i.e., they* *did not change it for purposes of that scoring*) and found that it needed a 55% tax rate. Second, it *scored its own different* *version* of a national retail sales tax (i.e., *not the FairTax*®), one that had a sensibly narrower tax base and exemptions targeted to the poor rather than a Fairtax® Prebate – at an illustrative 30% evasion rate, in order to be revenue-neutral, the sales tax rate needed to be an astounding 150%!**

Fifth, Mr. Eldridge ignores the removal of the embedded costs of the current system when he projects enormous increases in after-tax prices. Dr. Karen Walby of AFFT (Americans For Fair Taxation) estimates those costs at approximately 12.5% for U. S. produced goods.

***False and misleading!* First, in this charge against the FairTax® I am not addressing the total cost of goods under the FairTax®, but since Mr. Bennett has raised it I will take the opportunity to address it as well. The point I made is about the 40% tax sticker shock that would enrage consumers*, no matter what the impact on total prices (i.e., even if total prices remained the same, which was AFFT’s original lie and which some of their local propagandists continue to tell to this day) –* Mr. Bennett just does not seem to want to grasp that reality.**

**I believe that total prices will increase by 25-30% because of the FairTax®. Yes, AFFT’s Karen Walby, PhD said prices would first come down by 12.5% mostly by removing “embedded taxes”*, before* *adding 30% FairTax®,* resulting in a 14% net price increase. However, she disclosed that one component of her 12.5% decline was 7.9% for business Income (not SS/Medicare) Taxes. My calculations can only come up with 2+% for business Income Taxes – please have Ms. Walby provide further details and sources for her numbers so that I can “audit” them. Until she does, when I adjust her 12.5% decline for that difference, her numbers agree with those of Harvard Professor Dale S. Jorgenson, who ultimately suggested a 7% price decline which translates to a 21% net increase *after adding in 30% FairTax®.***

 **it was amusing to note that when Dr. Jorgenson was first hired by AFFT -- and AFFT interpreted what he said as there would be an immediate 22% price decline (he initially said that would occur over many years) for “embedded taxes”-- he was treated by AFFT as a deity. However, when he later explained that instead of 22% his decline would be only 7%, AFFT (who should have known it was only 7%) then converted him from a deity to “just one of many economists that they consulted” Incidentally, Dr. Jorgenson (who was engaged by AFFT) also said something like “In trying to replace all 3 taxes, the Fairtax® takes on a burden which is too heavy for it to bear”.**

**Next, that 7% initial price decline (before adding 30% FairTax®) is their (adjusted) prediction, which *ASSUMES* that 100% of the *maximum* remaining “embedded taxes” would actually be removed from retail prices. In round numbers, 4% of the 7% is the employers’ share of the SS/Medicare Taxes, which economists general think of as a cost of labor which may be passed on to employees over time and thus would not be available for price reductions. The remaining roughly 3% would be for business profits and reduction in compliance costs. I submit that it is wiser to assume that only ½ of that would be passed on to customers, this resulting in a 28-30% net price increase.**

**Also, as Mr. Bennett points out, any price reduction *might* apply to US produced goods and are thus *not available* with respect to the substantial amount of *foreign goods* imported into the US*.***

Sixth, the FairTax rate has been validated by several of the premier economists in the nation on multiple occasions. This is a fact that Mr. Eldridge is aware of, but conveniently ignores.

**FALSE! Even the FairTax® economists believe that the rate must be higher than their 30%. AFFT engaged Beacon Hill Institute (BHI) to write several reports long after the FairTax was first introduced in Congress in 1999. In one, BHI reported that the 30% needed to be 31.2% (but they simply rounded down to 30%) *AND* also assumed ZERO evasion and avoidance (you see, economists can *ASSUME* anything. In another report, BHI said that the rate needed to be 35.1%. – see my 2011 paper, *Replacing the Income Tax* at** [**http://media.wix.com/ugd/acdb03\_b02bfb71574e489e89f5833dad7a8a5d.docx?dn=%22Replacing%20the%20Income%20Tax%20(FINAL%202011).docx%22**](http://media.wix.com/ugd/acdb03_b02bfb71574e489e89f5833dad7a8a5d.docx?dn=%22Replacing%20the%20Income%20Tax%20(FINAL%202011).docx%22)

**To ASSUME ZERO evasion and avoidance is patently ludicrous and deceptive.**

 Seventh, Mr. Eldridge’s inflated rate is ostensibly necessary to compensate for a 30% evasion rate of the new tax. That number is apparently another of Mr. Eldridge’s exaggerations pulled out of thin air. The explanation for the compliance issue is shown in the rebuttal to Charge #3 below.

**Once again, the 30% evasion/avoidance rate I am using is merely *ILLUSTRATIVE* (Treasury illustrated at rates** **of 15% & 30%) because no one can predict how high those rate would go under such outrageously high sales tax rates and independent analysts believe it will be extremely high.**

**Charge #3:** Non-compliance would skyrocket under the FairTax.

**Rebuttal:** This is one of many areas where, despite Mr. Eldridge’s assurances that he can support his assertions in detail, he has failed to do so. Here are the facts.

There are five good reasons why evasion under the FairTax will likely be lower than the current system.

1. Eighty-five percent of retail sales occur in the largest 10% of retailers such as Walmart, Kroger, Home Depot, Target, etc. They are not going to conspire with you or me to evade the tax at the risk of sanction – the risk reward ratio simply does not make sense and the probability of detection is much too great.

**Mr. Bennett conveniently *ASSUMES* that 85% of sales will continue to take place at those stores (the very “static scoring” that he complains of), even though their prices will be nearly 30% higher than before and in any event, consumers will greatly resent paying 40% sales taxes, no matter what the final price.**

1. There are currently approximately 120 million tax returns number (individual and corporate combined) filed annually. The FairTax would require approximately 14 million retailers to file annually. It is much easier to enforce the revenue laws when there are fewer points of collection/ enforcement.

**Mr. Bennett makes a false argument. Not only can auditing retail sales at retailers be more difficult than auditing income, but Mr. Bennett totally ignores what I consider to be a rather significant probability i.e., that the government (i.e., the Sales Tax administration Authority, or STAA) will have to audit 150+MM *consumers* in order to merely hold down (i.e., not eliminate), evasion. See my slide set, Flat Income Tax vs the FairTax®** [**http://media.wix.com/ugd/acdb03\_5b28fb40c57b407c9095a94da4227457.pptx?dn=%22Flat%20Income%20Tax%20vs%20FairTax%20(7-14-14).pptx%22**](http://media.wix.com/ugd/acdb03_5b28fb40c57b407c9095a94da4227457.pptx?dn=%22Flat%20Income%20Tax%20vs%20FairTax%20(7-14-14).pptx%22) **slides # 26 -30 which include an illustration of possible the STAA Pre-Audit Questionnaire than would later morph into a required filing of an “Annual FairTax® Summary”.**

1. The current tax system exceeds 73,000 pages currently (and growing each year) according to CCH (Commerce Clearing House). The FairTax bill is less than 150 pages. Even if Treasury has to issue 500 additional pages of amplifying instructions, that would still mean that the new sales tax system would represent a simplification of approximately 99.1% if you accept the number of pages in the system as a reasonable approximation of the simplicity of the system.

**Mr. Bennett seeks to fool readers with numbers that have no probative value. The fact that there may be 99% fewer pages of tax law *does* *not* mean that there will be 99% less evasion. Mr. Bennett fails to take into account legal *avoidance –* i.e., voluntary reduction in spending, spending and consuming outside the U.S., etc. Bear in mind, than *any* *amount* of evasion or legal avoidance reduces the FairTax® target revenue which is the same as today’s (or projected) revenues *but which is AFTER* evasion/avoidance.**

1. If there appears to be a compliance issue, it isn’t difficult to fix by requiring firms exempt from collecting the tax to report their business to business sales for purpose of tracking. This shouldn’t be necessary. Records could be checked on an as needed basis.

**I don’t understand the point that Mr. Bennett is trying to make here. Why would the STAA require reporting of business-to-business sales under any circumstances – those are exempt from Fairtax®? Is he suggesting that the federal government would track 100% of the inventory of goods sold in the US? – Only a government lawyer like Mr. Bennett might think such things are practical and talk about being invasive.**

**Is Mr. Bennett suggesting that all retailers will operate in a fully legal manner? If so, that is extremely naïve. Retailers today, fail to report all of their sales (perhaps not so the big box stores). What about the new and creative Black Market that will arise when sales tax rates are an outrageous 40+%? Is Mr. Bennett, a NJ resident, telling us that he has never heard the name Tony Soprano? And what about the creative new legal avoidance market that will arise?**

It will take two to cheat. **Even when dealing in cash, all your customers will know if you are collecting the tax. I simply cannot believe that Mr. Bennett is still trying to foist this lie upon the AFFT’s target audience of the unsophisticated and naïve – I have explained this simple point to him many times. You pay the FairTax®, but the merchant does not report that sale. Mr. Bennett, I know you are not a CPA, but how many people did that take to cheat, 1 or 2? This happens even today with only 5-10% sales tax rates.**

You will have hundreds of potential witnesses against you. If you aren’t collecting it in the first place, you will have many competitors reporting you. **They won’t report you if they are doing it too.**

 If you are collecting and not remitting, a relatively simple audit will detect that quickly. ***WRONG!* You can cook the books to fool the auditor – that happens all the time even today at 5-10% sales tax rates.**

 Because of the enormous economies of scale (see #2 & 3 above), regardless of what level of resources are allocated to enforcement under the FairTax, those resources will be deployed far more efficiently and with higher rates of compliance than they would under the far more complex income tax system.

**Mere verbiage! Mr. Bennett suggests that government resources will be employed *efficiently* – that’s a joke. General auditing of retailers will not do the trick – my methods of auditing *consumers* will.**

**Charge #4:** The FairTax rate assumes 100% compliance – in spite of Charge #3 above.

**Rebuttal:** Evasion was included in the FairTax calculations according to Dr. Lawrence Kotlikoff3 of Boston University. The FairTax base starts with PCE (?)which comes from NIPA(?). Kotlikoff explains, NIPA underreported income is very closely related to NIPA unreported consumption. For example, a waitress that doesn’t collect the FairTax on tips under the FairTax, probably isn’t reporting the tips under the current system. So this revenue doesn’t show up under either system. The evasion is already reflected in the base used to calculate the FairTax. Whether there will be more evasion under the FairTax is nothing more than his opinion. As indicated in #3 above, we strongly believe that compliance will be greater under the FairTax than under the current system, for all of the reason discussed in that rebuttal.

**Despite Mr. Bennett’s claims that the NIPA figures contain a cushion against FairTax® revenue shortfall supposedly because all figures are not reported to NIPA, NIPA disputes this assertion and I believe even makes a small addition to its final figures for potential unreported sales.**

**Charge #5:** The FairTax would increase “welfare”

The FairTax “may” be more progressive than the current system, but if so, only because it replaces payroll taxes. The payroll tax is the most regressive of all taxes today. The poor pay it from the first dollar and higher earners are capped at about $100,000 subject to the payroll tax. That makes it regressive. The FairTax applies to everyone equally as does the prebate.

**First, note well that Mr. Bennett admits that the FairTax® is *more* Progressive than the current system. Note well *also*, that Mr. Bennett also stated that The FairTax® is even more Progressive than today’s Income Tax would be if we rolled back the Reagan-Bush tax cuts to 90+% tax rates (see Mr. Bennett’s response to the author of the 7-19-14 Letter to the Editor in the Rochester, MN Post-Bulletin, “Restoring post-World War II tax rates would reduce rewards of greed”. Next, the very Progressive-Socialist Mr. Bennett whines that the payroll tax are the “most regressive of all taxes” – you see in his Progressive-Socialist world, those of us who have succeeded at all in life must pay for the pension and medical needs of those who have not succeeded or simply failed to save because they knew that there was a public safety net was available (i.e., that Judeo-Christian charity is a matter between each of us and our g-d; it is *NOT* a proper matter for our non-Socialist government’s enforcement).**

**Even though Mr. Bennett is not a CPA, he is not stupid. He must understand the deception in his last sentence. That is, while the sales tax and Prebate are calculated the same for all, *the bottom line* is that the middle class (mostly) will wind up transferring more wealth to the poor – this is the Progressive-Socialist goal that Mr. Bennett hides and that I expose. See my paper, The FairTax® INCREASES WELFARE at** [**http://media.wix.com/ugd/acdb03\_c09d69364d4147af82d113eaccf9f1de.pdf**](http://media.wix.com/ugd/acdb03_c09d69364d4147af82d113eaccf9f1de.pdf) **and, several AFFT propaganda pieces showing negative tax rates for the poor (which are in fact much higher negative rate than they show) and which is admitted to by Mr. Bennett earlier in this his REBUTTAL – see your full state slide sets linked to on** [**https://sceldridge.wix.com/sceldridge**](https://sceldridge.wix.com/sceldridge) **on “The So-Called FairTax ®” page.**

Under the current system, the US incurs over $900 billion a year in tax expenditures. That is the name for all the exclusions, exemptions and deductions under the current system. Many of these tax expenditures are regressive, only used by those who itemize and not available generally to the middle or lower classes. The FairTax replaces that $900 billion in lost revenue with a $440 billion a year prebate that goes to every family equally and is designed to untax everyone up to the poverty level without attracting lobbyists to the halls of Congress to remove their goods or services under some tax preference.

**What Progressive-Socialist gibberish? Mr. Bennett reminds me of one of the crowd in the Roman arena who was complaining that not *ALL* the lions were devouring the Christians alive. The wealthy and the not-so-wealthy (even after all of those deductions that are geared to them, only and not to the poor), still pay *ALL* of the all taxes, while the poor pay no Income nor any Payroll Taxes and even *RECEIVE* negative taxes.**

**The Prebate, which started at about $475B (it would be closer to $600B today) does not replace those “tax expenditures” – elimination of those “tax expenditures” would only make the tax code even more Progressive. As Mr. Bennett admitted fully, above, the FairTax® goal is to be even more**

**Progressive than today’s tax and even more Progressive than the 90+%tax rates under the Pre-Reagan-Bush tax law. What Mr. Bennett is admitting to, is that that he believes that it is wrong to “give away” $900B in “tax expenditures” to taxpayers who pay over 100% of the total tax, and even taking away those tax benefits is *STILL* not Progressive enough for his Progressive-Socialist heart. Karl Marx would be so very proud of Mr. Bennett and the AFFT.**

**While he repeats the FairTax® deceptive mantra, i.e., that the Prebate “untaxes” the poor up to the poverty level (as if we all agreed that is the right thing to do – many of us do not), Mr. Bennett has seen my paper, The FairTax® INCREASES WELFARE**

[**http://media.wix.com/ugd/acdb03\_c09d69364d4147af82d113eaccf9f1de.pdf**](http://media.wix.com/ugd/acdb03_c09d69364d4147af82d113eaccf9f1de.pdf%20)  **which exposes the lie of his claim, but as a good propagandist, he keeps telling the same lie over and over again until the unsuspecting public adopts** **his lies as the truth – Joseph Goebbels would be so proud of Mr. Bennett and the AFFT.**

The reason that we used the word “may” in the first paragraph is that under the current system, one needs to distinguish between theoretical progressivity and actual progressivity. Here is what we mean. The term “progressive” in relation to a tax system refers to a situation in which those at higher levels on the tax base (whether that base be income or consumption based) pay not only proportionately higher amounts, but also higher rates. The current system has a “progressive” rate schedule, which means that higher income individuals pay higher marginal and effective rates – in theory. However, because of the “tax expenditures” described in the last paragraph, actual progressivity may be quite different than theoretical. For example, when Ted Turner and Jane Fonda were getting divorced in Atlanta in the 90s, Mr. Turner had to enter his tax return into evidence during the trial. That document was therefore available to the news media. The Atlanta Constitution reported that for the previous tax year, Mr. Turner reported taxable income of approximately $125 million and paid taxes of approximately $5 million. That is an effective rate of less than 5%. We are certain that there are many taxpayers with incomes of a tiny fraction of Mr. Turner’s who would love to have an effective tax rate below 5%. This is the difference between a theoretically progressive tax system and an actual one.

**Mr. Bennett utilizes superficial numbers to deceive readers. Here he whines his complaint that Ted Turner did not pay enough in Income Taxes – i.e., $5MM was still not enough for Mr. Bennett’s Progressive-Socialist passions (I guess that Mr. Bennett will not pay $5MM over the course of his lifetime, and it is irrelevant that he will not earn enough money to pay $5MM – only a Progressive-Socialist feels that the rich should pay more, just because they can afford to pay more (remember, Mr. Bennett is still not happy enough even if we went back to 90+% tax rates).**

**I did not see that AJC article nor the details of that tax return, but offhand, I find it hard to imagine how Mr. Turner could pay only $5MM on $125MM in income (even charitable contributions – for which he should receive great credit - are limited to no more than 50% of income) and if a lot of his income came from “tax-free” municipal bonds, he *effectively* more tax via receiving a lower interest rate that is generally paid on such bonds versus corporate bonds. If Mr. Bennett sends me that article, I may be able to comment further.**

Because of the way that the rebate operates, the FairTax is truly and consistently progressive (in a tax sense, not in a political sense). **More Progressive in a tax sense *IS* also more Progressive in a political sense.** Mr. Eldridge has made it clear with his tax reform proposals that he does not care about the impact that a tax system has on those at the lower end of the economic ladder**. I do care - that every person who benefits from the US military and Constitutional government infrastructure pays into the tax system. I do care that our Republic cannot survive when ½ pay over 100% of the tax and the other ½ receives tax dollars but still votes and are thus pandered to by politicians seeking public office.**

The FairTax was designed using a methodology which sought to determine what the American people, as a whole, wanted in a tax system. One of the findings was that Americans across the political spectrum do not want a tax system that is punitive to those at the lower end or that makes it extremely difficult for lower income Americans to be able to afford the necessities of life. This is not a democratic ideal, nor a republican ideal – it is an American ideal. Mr. Eldridge is of the opinion that in a nation of 300+ million people, there is only one opinion that counts: his.

**Mr. Bennett, the admitted extreme Progressive-Socialist, wants the mob rule of a Democracy, which our founders wisely rejected, opting instead for a Republic built on Constitutional principles that all citizens are entitled to equal opportunity, not the more equal outcomes that Progressive-Socialist Mr. Bennett desires. AFFT’s alleged pre-1999 research studies have never been made public and their bona fides never examined. If you take a poll of people whose political beliefs are those of Mr. Bennett’s, you will get Progressive-Socialist results.**

**Charge #6:** The FairTax is equivalent to “Marxism on steroids”.

**Rebuttal:** From the ten planks of The Communist Manifesto by Karl Marx:
2. A heavy progressive or graduated income tax
<http://laissez-fairerepublic.com/tenplanks.html>

**The fact that the Communists wanted a very progressive Income Tax (and to confiscate estates) does prevent the FairTax® is from being even more Progressive than that – remember, Mr. Bennett thinks that even 90-+% tax rates are not Progressive enough and claims that the FairTax® is even more Progressive than that would be.**
Then from two of the more prominent Framers of the United States Constitution:
“It is a singular 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 purposed – that is, an extension of the revenue.”
Alexander Hamilton in Federalist Paper #21.

**So, Mr. Bennett is relying on Hamilton’s assertion of the benefit of a consumption tax to rationalize the FairTax®. Can anyone find a Hamilton quote that favors a Prebate or a 30% tax on all consumption, plus a host of other hidden taxes - see The FairTax’s® HIDDEN TAXES** - <http://media.wix.com/ugd/acdb03_c2cd62e9baf142079d318ae71bb8d53f.pdf>

It will be of little avail to the people that the laws are made by men of their own choice, if the laws be so voluminous that they cannot be read, or so incoherent that they cannot be understood; if they be repealed or revised before they are promulgated, or undergo such incessant changes that no man who knows what the law is today can guess what it will be tomorrow.”
James Madison in Federalist Paper # 62
<http://www.westillholdthesetruths.org/quotes/document/the-federalist-papers>

**I fully agree with Madison which is why I abhor the current tax code. Madison’s quote does *NOT* rationalize the FairTax’s® added tax welfare and financial scam. Madison would *not* be upset with my simple Flat Income tax – his comments on the ills of a tax law do not apply to my very simple Flat Tax.**

Furthermore, the United States Constitution makes only one distinction as to types of taxes – direct vs. indirect. The Framers believed that direct taxes (such as income taxes) were the tools of despots and tyrants while indirect taxes (such as sales taxes) were more compatible with their concepts of freedom and liberty? **Mr. Bennett, how do you think the framers would have felt about Prebates and redistributing wealth to the poor? Ben Franklin said something like “The poor must be made to be uncomfortable in their poverty, so that they may lift *themselves* out of it”.**

 For that reason, they incorporated two different requirements for taxes in the Constitution: apportionment for direct taxes and uniformity for indirect. Apportionment is a much higher hurdle **I disagree – I believe that is a very easy hurdle to overcome. Apportionment means that all you have to do is count the number of people in a State and in the whole country and apportion a tax so that the residents of each State pay (in total) a sum equal to the total tax, times the number of people in their State divided by the total population in the country. Theoretically, the States would figure out how to apportion that its State share of the national tax burden to each of its residents – my *YOUR SHARE* would take away that discretion from the State (we did not reject a single King to get for 50 royal Princes)** so much so that there has never been a direct apportioned federal tax in the 235+ year history of our republic. It is doubtful that such an imposing barrier to this type of taxation would not have been recognized by the Framers who were undoubtedly one of the most brilliant groups of men ever assembled in one place. **I do not think that is the reason we have never had a Direct Tax – I believe the federal government wanted to retain that centralized power. It was only when the Progressives stirred up sufficient hatred of the wealthy that the 16th Amendment was passed and the Income Tax and Estate & Gift taxes were enacted.**

So the historical record does not support Mr. Eldridge’s hyperbole that the FairTax is “Karl Marx on steroids”. If anything, the current system would seem to fit that description far better than the FairTax.

**It is Mr. Bennett’s hyperbole and double talk that that does not support the FairTax®. In his last sentence here, he claims that today’s Income Tax “far” more closely resembles “Karl Marx on steroids”, yet in his comment on the Letter to the Editor in the Rochester, MN noted above, he claims the exact opposite, i.e., that the FairTax® is not only more Progressive than today’s Income Tax , but it is even more Progressive than our pre-Reagan-Bush 90+% tax rates - I guess this sort of double talk is just too much for AFFT’s gullible, naive target audience to see through.**

**Charge #7:** Sales tax audits are inevitable under the FairTax when revenues come up short.

**Rebuttal:** As discussed in the rebuttal to Charge #8 below, sales tax audits would be limited to retailers, and those audits would be far less intrusive and administratively burdensome than the income tax audits that the FairTax eliminates.

**Exactly where in the FairTax® statute are such audits expressly limited to retailers? If the STAA decides to audit consumers (I think they will), those audits of retailers may be extremely more intrusive, if they hope to reduce evasion.**

**Charge #8:** Sales tax audits are **(I say “may well be”, especially for consumers)** more intrusive and administratively burdensome than income tax audits and the new Sales Tax Administration Authority (STAA) would **(I said “could”)** be worse than the current Internal Revenue Service (IRS).

**Rebuttal:** First, each state will have a choice whether to collect the tax from retailers, pay another state to collect it, or let the STTA collect it. The expectation is almost all states will collect it themselves. Forty-five states already collect a sales tax, so collecting the FairTax can actually help them simplify their base. They will be paid a small percentage of the taxes collected for their collection efforts. So, the STAA will be collecting the tax from the states, not from any consumer personally.

**First, not to get too technical with Mr. Bennett, even though he is a lawyer, the State is also the STAA. The State is not operating on its own – the FairTax® is a *FEDERAL* law not a State law and the State STAA will have to follow the FEDERAL government’s guidance and rules. Yes, the States sales taxes will likely be simpler, assuming they conform to the FairTax®, but States would lose control over their own local tax base – those rules are made by the FEDERAL government. Also, although the State *COLLECTS* primarily from retailers, consumers are still liable to pay the FairTax® and *MAY* be audited.**

Only personal services and new retail consumption are taxed**. Mr. Bennett deceives anew. Used goods *MAY* be subject to tax because the exemption for these might just be a cruel FairTax® hoax – the paperwork necessary to establish that the goods qualify for this exemption are impossible to comply with, as a practical matter. Mr. Bennett, you are a lawyer – read the Fairtax® statute Sec 2(a)(16).**

Your consumption choices are voluntary. **So,** **Food, clothing, shelter, medicals are all voluntary ???**

There is absolutely no reason for a federal agency to even make contact with a consumer, and a very small possibility an individual would need to be contacted by the state authority. **The FEDERAL or State STAA has *EVERY* reason to make contact with the consumer to protect the FairTax® revenues from evasion -I believe they may very well decide that they must make such contact to protect the revenue.**

If one state became abusive with its rates or collection practices, one can appeal to the federal government or have 49 other choices of domicile. **Again, it is not one State’s decision versus another State’s decision – it would all be FEDERALLY controlled, so don’t think you can appeal an abusive State’s actions to the Federal government because the abuse will *flow down* from the federal government. This is a part of AFFT’s deception that the FairTax® is State administered, but in truth is a FEDERAL law that will be controlled by the FEDERAL government.**

Also, of the 45 states that currently have sales taxes none of them have the kind of invasive and abusive audit processes that Mr. Eldridge envisions for the FairTax. That is zero for forty-five**. That is because the States’ sales taxes are not that large a portion of States’ total revenues. However, the FairTax® would constitute 7/8ths of all federal revenues and thus would be CRITICALLY important to protect - therefore, auditing would have to be most stringent. Again, it is NOT the State that is auditing you, but the Federal government controlling the States’ audits.**

**Important Observation here: Because the States receive a .25%-of- FairTax-collections fee, the States are collection agent working on a commission for bringing in more total FairTax® revenues (in addition to their own State sale tax revenues).**

Mr. Eldridge claims that individuals would be subject to audit and would have to retain sales tax receipts, in spite of the fact that there is no requirement in the legislation for individuals to retain such records, nor is there any provision in the legislation for audits of individuals. To support this assertion, he cites a specific section of the FairTax bill:

Sec. 101. Imposition of the Sales Tax

(d) Liability for Tax-

`(1) IN GENERAL- The person using or consuming taxable property or services in the United States is liable for the tax imposed by this section, except as provided in paragraph (2) of this subsection.

`(2) EXCEPTION WHERE TAX PAID TO SELLER- A person using or consuming a taxable property or service in the United States is not liable for the tax imposed by this section if the person pays the tax to a person selling the taxable property or service and receives from such person a purchaser's receipt within the meaning of section 509.

The purpose of this section is to make sure that congress cannot issue waivers from the sales tax to itself and its friends. In other words, to permanently end the trading of campaign cash for tax preferences which have become so pervasive in the current system. If there is any confusion over whether or not individuals are required to retain sales tax receipts, that could probably be cleared up with some additional language, since that is clearly not intended by the authors of the bill.

**I do not understand Mr. Bennett’s gibberish of how consumers’ liability to pay the FairTax®, which the statute says is satisfied if they pay the tax and receive a receipt, somehow disappears according to Mr. Bennett. Nor do I understand how Sec 101(d) somehow ends the trading of campaign cash for tax preferences because those special rules can still arise in the future, anyway and have nothing at all to do with the language of Sec 102(d).**

**I am not all l surprised that Mr. Bennett, a lawyer, fails to understand that it matters very little what a statute’s *PURPOSE* is – what matters is what the statute *SAYS* (SCOTUS Justice Scalia would thrash Mr. Bennett)*.* Sec 101(d) makes consumers liable to pay the FairTax® (just like any State *USE* tax) and absolves them of that liability if they *RECEIVE* a receipt – how in the world will they STAA know that unless the ask the consumer to *PRODUCE* that receipts and also perform other financial tests (see Flat Income Tax vs FairTax®** [**http://media.wix.com/ugd/acdb03\_5b28fb40c57b407c9095a94da4227457.pptx?dn=%22Flat%20Income%20Tax%20vs%20FairTax%20(7-14-14).pptx%22**](http://media.wix.com/ugd/acdb03_5b28fb40c57b407c9095a94da4227457.pptx?dn=%22Flat%20Income%20Tax%20vs%20FairTax%20(7-14-14).pptx%22) **se slides # 26-30).**

 **Sec 101(d) is not confusing and the FairTax® people wrote it – they meant to sneak that in while they keep telling people they will not be audited and they don’t need to keep receipts (does this sound familiar? “If you like your doctor, you can keep your doctor”).**

However, this brings up another important point. Critics such as Mr. Eldridge have a bill which is laid out in extreme detail that they can use to “nit-pick” and make exaggerated and unfounded claims about. There is no comparable bill for critics of his approach to examine, since his approach to tax reform only exists in his fertile imagination.

***Mr. Bennett is DEAD WRONG!* Please read 3 Flat Taxes at https:http://media.wix.com/ugd/acdb03\_15f02bfdf41f4c078fbada6dfd57eb5b.docx?dn=%223%20Flat%20Tax%20Plans%207-22-14.docx%22**

For those of us in the business world who have real world experience in accounting for small businesses, the claim that sales tax audits are more onerous than income tax audits is laughable. One of our supporters is a former financial officer in a number of entrepreneurial high-tech companies. In one of these, a sales tax audit by the state was conducted. One auditor for the state came to the company office a little after 9 am one morning and presented his credentials and announced that he was there to perform a sales tax audit. The controller gave him the conference room to work out of and provided him with the financial records that he requested. His task required him to compare the sales reported on the quarterly sales tax reports submitted to the state to the audited financial statements and requesting a reconciliation of any differences between the two. That auditor completed his work by lunchtime and the company was given a clean report with no adjustments. That is one auditor spending approximately three hours on the premises. Had that been an income tax audit, there would have been multiple auditors spending approximately a week, not to mention the inevitable debates over differing interpretations of income tax law which could have consumed many hours long after the audit was completed. The claim that sales tax audits are more onerous and administratively burdensome than income tax audits is one that does not hold up to scrutiny nor to recent history.

**Mr. Bennett is *NOT* in the business world but is a civil servant**. **Having worked in the real world of business taxation and finance all my life, I have the experience to predict that the audits that would have to take place under the FairTax® will be more extensive and intrusive than today’s Income Tax audits. Audits for businesses will have to be very intensive if evasion is to be slowed. That fact that some sales tax audits *today* are conducted poorly, does not mean that under the FairTax® audits won’t have to be conducted more effectively to stem evasion – today, sales taxes are not as critical to State tax revenues, but under the FairTax® sales taxes would become a critical revenue source to the federal government (i.e., 7/8 of the total of all federal revenues).**

**Charge #9:** The FairTax is equivalent to “a Bernie Madoff financial scam”.

**Rebuttal:** This is typical Eldridge hyperbole and fear-mongering. As we indicated above, we strongly disagree with his contention that (a) the rate would have to be 40 to 70%, **yet I explained above that the 40% is the sum of the FairTax’s 30%, plus an illustrative 10% State & Local rate and 70+% was the rate needed if evasion/avoidance reached 30%** and (b) non-compliance and evasion would be excessive. **I explained above that the FairTax® has absolutely no allowance for evasion (and BHI economists admitted to that), and analysts who are *independent of the AFFT* believe such evasion would be enormous - and that does not even take into account legal avoidance.**

In addition, it is highly unlikely that Bernie Madoff employed a team of some of the nation’s premier economists to develop his Ponzi scheme**. A financial scam is still a financial scam whether you employ a group of economists or not** **(other than the letter of mostly student economists, AFFT has never named their original economists nor produced their original pre-1999 papers and supporting documents so we really can’t judge the work of their claimed “nation’s premier economists” – Mr. Bennett asks us to simply trust him, after all, he’s a lawyer). Professionals don’t merely swallow hype – we audit and analyze.**

 If Mr. Eldridge has anything substantive to support that contention, other than paranoid and exaggerated fears, he has yet to “support it in detail”. **Mr. Bennett *insists* on sticking his head in the sand and insists upon ignoring the truth, by refusing to read the *substance* that I have put in front of him. He simply needs to read the full set of materials that I have posted my website** <http://sceldridge.wix.com/sceldridge> **which has previously been distributed extensively to the public.**

**Below were apparently Mr. Bennett’s footnotes:**

http://en.wikipedia.org/wiki/List\_of\_countries\_by\_military\_expenditures

http://en.wikipedia.org/wiki/National\_debt\_of\_the\_United\_States

Lawrence J. Kotlikoff, PhD, is a William Fairfield Warren Professor of Economics at Boston University, Fellow of the American Academy of Arts and Sciences, Research Associate of the National Bureau of Economic Research, Fellow of the Econometric Society and former Senior Economist, President’s Council of Economic Advisors. Coauthor of The Coming Generational Storm and Spend ‘Til the End, and author of The Healthcare Fix and Jimmy Stewart is Dead, Kotlikoff has been published extensively in the nation’s leading newspapers, magazines and

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