



The Honorable Dave Camp  
Chairman  
House Ways and Means Committee  
U.S. House of Representatives  
1102 Longworth House Office Building  
Washington, D.C. 20515

The Honorable Sander Levin  
Ranking Member  
House Ways and Means Committee  
U.S. House of Representatives  
1106 Longworth House Office Building  
Washington, D.C. 20515

Dear Chairman Camp and Ranking Member Levin:

On behalf of the National Small Business Association, I would like to thank you for your leadership in holding a hearing on alternative tax systems, with a focus on tax systems—such as the Fair Tax—that are based on taxing consumption rather than income. As the nation’s oldest nonpartisan small business advocacy group, NSBA reaches more than 150,000 small businesses nation-wide, and our members continue to highlight tax relief as a top priority.

While our members operate a wide variety of businesses, all agree that the current tax code is irreconcilably broken and the number one regulatory burden faced by business owners. The current U.S. income tax system discourages personal savings and investments by taxing capital gains, dividends and earned interest. Business owners and wage earners struggle under the burden of a very regressive payroll tax. The income tax—not to mention the Alternative Minimum Tax—is unbelievably complex, time consuming and costly to administer.

In response to overwhelming sentiment calling for a simpler, more fair and efficient, and less intrusive system of taxation, NSBA became the first small-business organization to endorse the Fair Tax and has continued to support the legislation since its inception in 1998.

A 23 percent, single rate, national retail sales tax, is fair to all Americans, revenue neutral and would boost our economy while freeing Americans from the burdens of the IRS and the costs of compliance by applying to the sale of all consumer goods and services at the final point of consumption. The Fair Tax ensures that every taxpayer will be subject to the same tax rate with no exceptions and no exclusions. Those who are least able to share in the cost of government will bear no burden at all. Tax rates will depend on the amount of purchases made. Used items will not be taxed, which promotes reutilization. Business-to-business purchases for the production of goods and services will not be taxed. In addition, the Fair Tax will replace the individual federal income tax, the capital gains tax, all payroll taxes, corporate income taxes, the self-employment tax and the estate and gift taxes.

Contrary to opponents' arguments that the Fair Tax would harm elderly and low-income individuals, the system actually would place these individuals in greater control over how much they pay in taxes. The Fair Tax will include a rebate system, where all valid Social Security beneficiaries will receive a rebate equivalent to the tax paid on essential goods and services. This rebate will be paid in advance in equal installments each month. The size of the rebate will be determined by the government's poverty level for a particular household (defined as one or more individuals), multiplied by the tax rate. The Fair Tax also will be beneficial in terms of compliance costs, which are continually seen as one of the most detrimental characteristics of the current system. It is estimated that Americans spend at least \$225 billion each year to comply with the current tax code.


Under the Fair Tax, compliance costs will fall to less than \$10 billion, creating enormous net savings that eventually would be incorporated in lower product prices for consumers. The tax will be collected at retail businesses, taking the tax burden out of the hands of the consumers. Already, 45 states have a sales tax system, and the Fair Tax would simply add an additional line onto the current sales tax reporting form. Businesses will collect the tax and send it to the state's tax-collecting authority. All businesses serving as collecting agents will receive a fee for collection, and the states also will receive a collection fee. While the Fair Tax should not be interpreted as a tax cut, the reduction in work required to administer the new tax will certainly be a relief for business owners and consumers alike.

On Jan. 2, 2011, the first day of the 112th Congress, H.R. 25 (the Fair Tax Act) was introduced by freshman Rep. Rob Woodall (R-Ga.), with 48 original cosponsors—the most the Fair Tax has ever had at the time of introduction—and now has more than 60 supporters.

NSBA supports H.R. 25 as it will have a positive impact on the business community and small business owners see the Fair Tax as a reasonable, efficient, and intelligent solution to the frustration and inequity they face with our current tax system. Americans get 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.

The Fair Tax offers long-needed tax relief to our nation's small businesses. NSBA supports fundamental reform and continues to work with supporters of the Fair Tax to educate taxpayers about the proposal.

Sincerely,

A handwritten signature in black ink, appearing to read "Todd McCracken". The signature is stylized and includes a long horizontal flourish at the end.

Todd McCracken  
President