



Gordon Watts &lt;gww1210@gmail.com&gt;

## (2nd correction with more questions)

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Hello Gordon and hello Robert;

I will summarize what I understand to be your three concerns and then answer each the best I can:

1. The FAIRTax rate is calculated so as to be "revenue neutral." That is, it should provide the same amount (initially) to the federal government that it is currently getting.

On this one I must confess I personally have to take the economists who have studied this at their word / conclusion. The current tax system is so Byzantine I have no idea how they can estimate how much it will bring in in any given year.

It seems obvious to me though that income from taxing consumption should be a more steady stream than that from taxing income as there are fewer earners than consumers and also people consume from sources other than income.

Those who studied it concluded that economic activity will be heavily stimulated under the FAIRTax and growth will immediately accelerate thus accruing more income to government coffers than would have been the case under the current system. This would keep the government solvent whereas the current system seems to be headed for trouble.

What's curious to me regarding a potential shortfall is that people who have not been concerned for the last 50 years about the debt are all the sudden worried about deficit spending. I don't think that's fair for the argument.

2. The poor will be disproportionately harmed.

Typically one thinks of the poor as those who have very little money coming in. Let's look at what it means to be poor in a different way; the poor spend very little. If they were able to spend a great deal they wouldn't fit our definition of being poor right?

So, if we can agree on an amount that the truly poor spend to have food to eat and shelter from the elements we would be able to calculate how much tax would have been paid. That amount of money required for essential purposes is already calculated by the government. It's called the poverty level. That's how the prebate is calculated. Americans spending at or under the poverty are effectively untaxed; period. Since the prebate reimburses them even if they don't spend the money on new goods and services, they could actually realize a subsidy effect. How? The poor frequently buy used things because those are usually cheaper than new things correct? Under the FAIRtax nothing is taxed more than once. Used clothes, used cars, used anything is not taxed with the FAIRTax.

3. The rich corporations will benefit disproportionately.

Corporations are straw men. Rich INDIVIDUALS benefit from incorporating that's why they do it. Individuals either save their money or they spend it. If they save it, it makes cheap money available to society for building, expanding etc. If they buy new stuff and services they'll be paying an effective tax rate of 23%, that's more than they are paying now. (If you can't acknowledge that the rich beat the current tax system then there's not much we can agree on)

As for me, I'm more concerned with creating a better economy which helps the 99% little guys than punishing the 1% rich guys.

I hope I have made a fair attempt at answering your concerns. I do want to be fair but always worry I'm working from a completely different frame of reference.

There is one other issue you should find disturbing as a candidate Robert and that is the sale of tax favors. In my opinion it is the single greatest threat to the integrity of congress. There's a very informative documentary (made by liberals I might add) called "We're not broke" I think will be worth watching.

Very sincerely, frank

Ask me about how we are going to shut down the IRS... Very sincerely, Frank Wagener, Volunteer District Director for the Fair Tax, CA 20