



Understanding the

Alabama Economic Freedom Act

The Alabama Economic Freedom Act, aka Alabama FairTax, is a new way to collect revenue for the state. It is a consumption tax on all NEW goods and services; an inclusive tax that replaces ALL current income and sales taxes including individual, corporate, inheritance, gift, and business-to-business taxes. Once an object is taxed, it is never taxed again. Used goods have already been taxed and are not taxed again. The individual Alabama resident has no need to accumulate receipts for tax purposes and no need to fear audits from Alabama income tax system.

To better understand the Alabama FairTax, let's take an example of a new item priced \$100 on the shelf. When you pay at the counter you will pay \$100. Included in the price of the item is \$8.03, the state, county and local taxes. The state tax is 5.75% and the remainder is split 60% for the city and 40% for the county on a per capita basis.

Because we think no legal Alabama resident should be taxed on the necessities of life, we have included a prebate, which is a monthly return of all taxes you would pay, up to the poverty level. A single person can spend up to \$12,490 before effectively paying any state, local, or county tax. The prebate is paid at the first of the month before you spend any money. In order to receive the prebate, you must be a legal US and Alabama resident and yearly fill out the only form required of individual taxpayers. The prebate is based on family size, not income. The form asks for family size, address, and valid social security numbers for each legal dependent. Receipt of the prebate is totally optional. Those who wish to remain anonymous, do not need to apply for the prebate.

The size of the prebate is based on Health and Human Services poverty level guidelines that are published at the beginning of every year. \$12,490 is the 2019 poverty level for a single person. A single legal Alabama resident would receive \$84 monthly to cover the taxes paid up to \$1,041 that month. That means a single person could spend \$1,041/month without incurring any state, county or local tax consequences. The amount of prebate for a couple would be twice that of a single person. For a family of four, a couple with two children, the poverty level is \$33,840. The prebate for that family would be \$226/month received on or before the first of the month.

The prebate eliminates the tax consequences for all legal Alabama residents up to the poverty level. A single person spending \$12,490 or less per year will pay no consumption tax. If that person spends twice that amount, he will pay an effective tax rate of 4% on all his purchases. To actually pay an effective tax rate near 8.03%, that person would have to spend 128 times that amount or \$1,598,720. A couple with two dependents would have to spend \$4,328,960 to pay an effective tax rate of 7.96%.

Retailers will collect the tax and remit it to the state. They will be paid for the collection and be subject to audit by the state. The form retailers fill out for tax remittance is short and based on inventory sold per collection period. It is possible and most likely that retailers will lower their prices because of lower costs and competition. Wal-Mart is a good example of how competition drives lower prices.

Farmers and businesses that sell their products to other businesses incur no business-to-business tax. For example a farmer who sells to another business would pay no tax on the machinery used to grow and produce their product. However, a farmer who sells produce at a farmer's market or on the side of the road would be responsible to collect the tax. Taxes are collected only on end products at retail.

The Alabama FairTax is a win for all legal Alabama residents. It has been pointed out that some cities and counties have chosen to pay more local or county tax to raise funds for roads, schools, or other projects. With the Alabama FairTax everyone will pay a uniform 8.03% plus any extra voted on by the community. You will have the chance to decide just how you think this tax will affect you. In order to implement this tax, there will have to be a vote on a constitutional amendment to abolish Alabama's current tax system. You will have a chance to talk to your legislators and let them know how you feel about a total change in the way taxes are collected in our state.

For more information go to <http://www.alfairtax.org>.

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2019 AEFA Rebate Schedule



One-Adult Household				Two-Adult Household			
Size of Family	Family Consumption Allowance	Annual Rebate	Monthly Rebate	Size of Family	Family Consumption Allowance	Annual Rebate	Monthly Rebate
1 person	\$12,490	\$1,003	\$84	Couple	\$24,980	\$2,006	\$167
And 1 child	\$16,910	\$1,358	\$113	And 1 child	\$29,400	\$2,361	\$197
And 2 children	\$21,330	\$1,713	\$143	And 2 children	\$33,820	\$2,716	\$226
And 3 children	\$25,750	\$2,068	\$172	And 3 children	\$38,240	\$3,071	\$256
And 4 children	\$30,170	\$2,423	\$202	And 4 children	\$42,660	\$3,426	\$285
And 5 children	\$34,590	\$2,778	\$232	And 5 children	\$47,080	\$3,781	\$315
And 6 children	\$39,010	\$3,133	\$261	And 6 children	\$51,500	\$4,135	\$345
And 7 children	\$43,430	\$3,889	\$324	And 7 children	\$55,920	\$4,490	\$374

2019 AEFA Effective Rate



One-Adult Household			Two-Adult, Two-Child Household		
FCA Multiples	Total Spending	Effective Tax Rate	FCA Multiples	Total Spending	Effective Tax Rate
1 X FCA	\$12,490	0.0%	1 X FCA	\$33,820	0.0%
1-1/2 X FCA	\$18,735	2.7%	1-1/2 X FCA	\$50,730	2.7%
2 X FCA	\$24,980	4.0%	2 X FCA	\$67,640	4.0%
4 X FCA	\$49,960	6.0%	4 X FCA	\$135,280	6.0%
8 X FCA	\$99,920	7.0%	8 X FCA	\$270,560	7.0%
16 X FCA	\$199,840	7.5%	16 X FCA	\$541,120	7.5%
32 X FCA	\$399,680	7.8%	32 X FCA	\$1,082,240	7.8%
64 X FCA	\$799,360	7.9%	64 X FCA	\$2,164,480	7.9%
128 X FCA	\$1,598,720	7.96%	128 X FCA	\$4,328,960	7.96%