

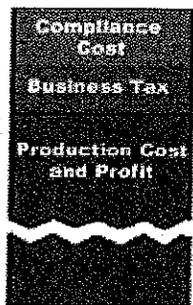
How we can bring an ...
ECONOMIC BOOM to Michigan!

Why A MI FairTax?

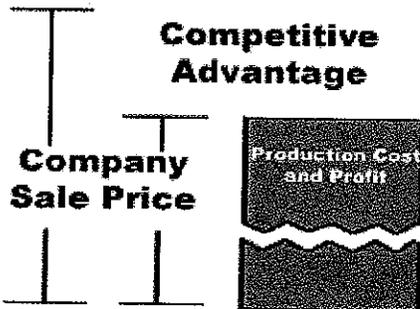
It will:

- Let us keep our entire paychecks by eliminating tax withholding. You earn it, you keep it!
- Replace Michigan's current complex and unfair tax system with a simple, no loophole, retail sales tax on all new goods and services with an effective tax rate of 0 - 9.75%.
- Provide a more stable revenue source and raise the same amount of money for Michigan government.
- Eliminate tax on necessities via a "prebate".
- Require public approval for increases.
- Eliminate current sales tax, Personal Income tax, Michigan Business Tax, Personal Property Tax, 6 mill State Education Tax on business and sales tax on all business purchases.
- Make Michigan products more competitive with foreign products and return jobs here:

Current Tax System



FairTax System



A Fair and Simple Tax

Frequently Asked Questions:

Is it possible to pass the MI FairTax?

Yes! Business, Labor, Economists and Citizens agree that MI must pass serious tax reform to: improve our business climate, cause companies to expand and locate in Michigan, and create jobs. MI citizens are learning that business taxes are actually passed on to them in higher prices, and MI jobs are being lost when MI companies can't compete in the global economy with our tax inflated prices.

Where can I get more information?

mifairtax.org for MI FairTax status and information
fairtax.org for related national FairTax information

What can we do?

Get involved!

1. Contact MI FairTax leaders in your community to see how you can participate in this initiative and help make history. Contact your MI FairTax leaders at www.mifairtax.org or call (586) 871-7147.
2. Invite a MI FairTax spokesperson to speak to local groups. Encourage news media to provide MI FairTax information to you and your neighbors.
3. Educate community leaders and 5 friends/relatives so they get behind the MI FairTax effort as you have.
4. Make a financial contribution via our website or by mailing a check payable to "MFTA", P.O. Box 703, Sterling Heights, MI 48311-0703

IT MAKES MICHIGAN No. 1 FOR BUSINESS LOCATION

And that means JOBS!

A nonpartisan plan for truth in taxation and job creation

MFTA, PO Box 703, Sterling Heights MI 48311

The Michigan FairTax Association is a 501(c)6 and personal contributions are not tax deductible but may be as a business expense.

The MI FairTax, The Fair Way To Fund Michigan's Government

Michigan has the highest unemployment rate in the nation and is losing more jobs than any other state. To retain and attract jobs to our state we need to be a place where businesses want to locate. Instead, the recently passed Michigan Business Tax (MBT) with its new taxes and higher tax rates, makes Michigan's business tax structure one of the least friendly in America. This discourages businesses from creating jobs in Michigan, causing our families to move out of state and our property values to decline. The MI FairTax virtually eliminates business taxes and says **Goodbye!** to the state income tax. It is simple, honest and fair.

MI citizens are realizing that taxing business is a deceptive way of taxing citizens, because it merely hides those taxes in the prices we pay. Those businesses pass on the cost of taxes and tax compliance, along with all other costs, in the price of their products. We are told that those rich corporations should pay their share of taxes, but as Dr. Alan Greenspan has lectured Congress, "Only people pay taxes." These deceptive hidden taxes are unemploying our citizens, as our businesses can't compete in the global economy with our tax-inflated prices. We must remove these hidden taxes from our prices, as our foreign competitors do, to compete in today's world marketplace. By adopting the MI FairTax and removing those tax costs, we will be the most attractive state in the country in which do business, and cause jobs, wages and property values to be pushed upward in a strong and growing Michigan economy.

With the MI FairTax, our taxes will be visible, appearing on every sales receipt, and we will be able to see our true tax burden. The current intrusive MI Personal Income Tax and business taxes cost Michigan residents and businesses billions of dollars every year in compliance costs and in less-than-optimal economic decisions made for tax minimization purposes. The MI FairTax almost eliminates tax compliance costs.

With adoption of the MI FairTax, lower business costs will allow Michigan-produced goods and services to be more competitive. Furthermore, we will have more money in our pockets to purchase these products, as we will receive our income without any reduction for MI Income Taxes. We'll save 4.35 cents on income taxes and pay 3.75 cents more in sales tax. Of course, every business will try to keep the savings derived from lower costs, but competition, and desire to keep and increase market share, will generally result in lower selling prices and more jobs. The MI FairTax will provide a more stable tax base, raise the same revenue as the taxes it replaces, allow us to better compete with foreign products, and result in jobs returning to Michigan.

The MI FairTax eliminates the sale of tax favors by government officials which today corrupts our representative form of government. It is real and lasting tax reform because it taxes consumption rather than income, treats everyone equally, and the change is constitutional. Even individuals that now have unreported income will be paying their share when they spend their money. It is a simple retail sales tax of 9.75% on services and new goods, with no loopholes. This may sound high unless we are aware of the hidden taxes that Michigan citizens are now paying on top of our current 6% sales tax and 4.35% income tax.

To protect the poor, and assure that no tax will be paid on necessities, the MI FairTax provides monthly "prebates" to all Michigan households in the amount of what the tax would be for purchases up to the poverty level based upon household size. This untaxes the poor and causes the MI FairTax to be progressive. Because of the prebate and other expenditures not taxed, a family of 4 spending \$22,050/yr. would have a 0% effective tax rate. If the family spent \$50,528 (median Michigan household income) it would have about a 2.5% effective tax rate. Because not all of our income would be taxed by the MI FairTax, every family's effective tax rate would be lower than the actual rate and would increase as expenditures increase. To calculate your effective tax rate, see the "prebate" document on the website. The MI FairTax also increases the constitutionally guaranteed revenue sharing for local units of government.

To learn more, go to the MI FairTax website: www.mifairtax.org. It is unconscionable that we allow ourselves to be taxed in a manner that invades our privacy, damages our economy, and costs us our jobs. There is no greater legacy for us to leave our children and citizens of Michigan than to adopt the simple, efficient and fair MI FairTax. Just think, truth in taxation, MORE JOBS and NO MORE TAX RETURNS!!!

Testimony 02/23/11 to MI Senate Finance Committee hearing

Chairman Brandenburg, Senators, thank you for taking public input on tax reform in Michigan. I am Ron Babin, Vice President, and like everyone in our organization, a volunteer for the Michigan FairTax Association. Governor Snyder, and frankly, the people of Michigan, have asked for reform of the tax code to include simplification, transparency, greater efficiency and a fairer application.

This committee has already heard testimony on removing certain taxes from our structure. Few, if any, find these taxes to be beneficial to the states growth prospects. The opposition, from those that have it, only relates to 'what then' for revenue if we do so. Unlike all other proposals, the Michigan FairTax Proposal addresses these concerns for all sides.

Even the Center for Michigan's Community conversation group of 10,000 plus participants have said "they wanted a simplified and stable tax code, a wholesale review of the state's \$30 billion patchwork of tax breaks and incentives, and business tax cuts to spur growth." Also "In terms of revenues, Community Conversation participants were most supportive of broadened sales and consumption taxes, such as sales tax on services."

Besides being more supported by the citizens, a major benefit of the consumption tax is that **today** it provides the most stable source of state revenue from large tax generators. Yes, they may go down during a slowing of the economy, but only a fraction of what the Income and business taxes drop by. With a broader and more stable base the Sales & Use Tax is a much preferred source of revenue. In the three fiscal years 2001 to 2003, the adjusted income tax revenue dropped between 2-7% each year. In that same time frame the Sales tax grew each year. In fiscal 2009, as the economic drop really took hold, the income tax drop was almost twice that of the sales tax drop (20% vs. 10%). The business tax is worse yet!

The reason we are discussing change is because the current tax structure is hurting Michigan. Any tax is going to hurt the economy, the question is which has the lesser impact and generates the funds we need. The Michigan FairTax Proposal is a replacement tax! Constitutionally repealing the MI Personal Income Tax, any general business tax (MBT), the business Personal Property Tax, the 6 mil SET only on business real estate and the sales tax on business purchases driving down the wholesale price of goods and services in Michigan (Show Chart).

These current tax costs ALL go through the business process which makes our companies and employer's less competitive. Why should

we get less tax revenue from a product made in China, India or Ohio than the same product made in Michigan if it's sold here? This is what we do! It is the current structure that contributes to businesses losing along the border counties, it is the current structure that generates less revenue to local communities, it is the current structure that generates less jobs and less educational opportunity!

The replacement is approximately a 9% retail only consumption tax on NEW purchases of goods and services across the board. No business to business transactions are taxed while worker's earn their money free of state taxation, no deductions, no returns.

Although the MFTP eliminates the Personal Property Tax, it does not remove the base and these allocations are dedicated and paid by the state to the local municipality directly from sales tax collections. No change.

Senator Warren mentioned wanting revenue certainty, the MI Chamber supports a transition of knowing what the replacement is first, the MML and my local Mayor don't want to lose more revenue, and Chairman Brandenburg wants no replacement of the business tax!

Senators, the MI FairTax gives all of that and more. It puts a limit on state government growth by a vote of the people. It constitutionally forces down the sales tax rate in excessive growth years after the Budget Stabilization Fund is filled.

The MFT is considered a voluntary, progressive tax because it has an allowance for each legal household to cover 100% of the tax on their poverty level purchases. Through an automatic, electronic, simple Prebate, that tax cost is removed. Purchases beyond the necessities are optional and each household can choose their tax consequence based on their decisions to consume and when. It is not fair that today a poor family has to pay sales tax on their children's clothes to go to school yet I can go to the store and buy caviar without tax! The poor effectively pay nothing under the FairTax until their abilities grow.

As I mentioned, the MFT is a replacement tax! It is revenue neutral, in that the tax applied is equal to the tax cost we pay today. Whether a business is in Senator Proos district in Niles along the border or Senator Bieda's district in Warren, the current tax costs apply to and disadvantage them the same. The MFT also applies the same, but at zero!

Who actually pays the tax costs today, especially when considering service providers such as myself? Individuals in every case! Only people pay taxes! People confuse businesses with business owners. Business owners are individuals too and will pay their full share when

they benefit like everyone else. Don't let the demagoguery get you as the citizens of Michigan lose if you do. Businesses have to pass their tax burden on to an individual somewhere or they close shop or move elsewhere to stay afloat. Neither is good for Michigan or its citizens.

The Snyder proposals, according to the Tax Foundation's corporate index, could move us from 48th to 22nd in five years. Which of you, will be satisfied by moving to only 22nd after five full years? Michigan has some job losses to make up for and we need to be #1 sooner than later. The Michigan FairTax is not in opposition to whatever the legislature is going to agree upon with the Governor. That's a short term fix that will help. But we need a long term fix, a game changer if you will, that gives the business community constitutional certainty, communities' stability, and the public a voice.

Neither the legislature, nor the Governor can enact the MFTP, it must be passed by the people as a constitutional ballot Amendment. We ask you to give your constituents the choice! Put the Michigan FairTax on the ballot and let's get jobs rolling again!

Thank you Senator's for the opportunity for the people to be heard.

Figure 16

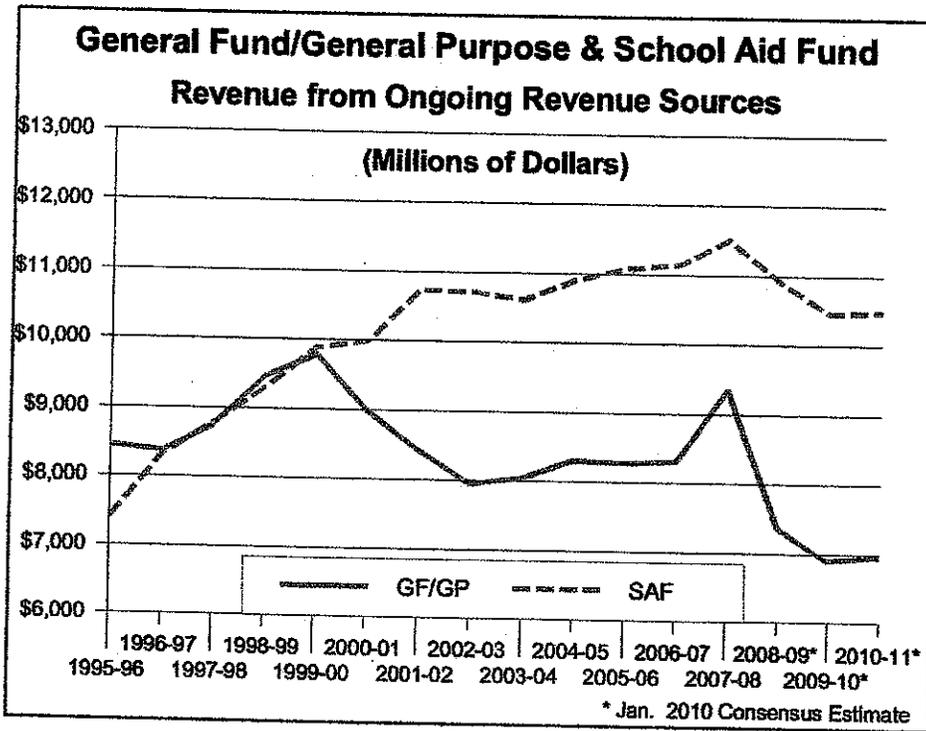


Figure 17

