

## FairTax Act of 2025

This bill replaces federal income, payroll, estate, and gift taxes with a federal sales tax beginning in 2027 and eliminates the Internal Revenue Service.

The bill establishes a 23% tax-inclusive (30% tax-exclusive) federal sales tax rate on taxable property and services to be administered primarily by each state. The federal sales tax rate is adjusted annually beginning in 2028 so that it is the sum of the

general revenue rate (14.91%); old-age, survivors and disability insurance rate; and hospital insurance rate.

The bill includes exemptions for property or services purchased for business, investment, and certain state government functions.

Registered, qualified families may receive a monthly sales tax rebate in the amount of the monthly federal poverty level (or twice such amount for married individuals) multiplied by the federal sales tax rate. Each family member must have a Social Security number and be a lawful resident of the United States.

Federal sales tax revenues are allocated to general revenue, the Social Security trust funds, and the Medicare trust funds. (Special allocation rules apply for 2027.)

The bill eliminates appropriations for the Internal Revenue Service after FY2029 and establishes an Excise Tax Bureau and a Sales Tax Bureau within the Department of the Treasury.

Finally, the bill terminates the federal sales tax if the Sixteenth Amendment to the Constitution (authorizing a federal income tax) is not repealed within seven years from the date the bill is enacted.