



works to create a more balanced tax system that invests in Tennessee.

Any tax system that makes the working poor and middle class pay more taxes as a portion of their income than the rich is out-of-balance and unfair.

Without fundamental reform in Tennessee, the sales tax will continue to go up, placing an even heavier burden on lower- and middle-income families.

How to restore common sense to our tax system:

- ★ Abolish the state and local sales tax on food and nonprescription drugs.
- ★ Reduce the overall sales tax rate on all other items.
- ★ Insure that all businesses pay their fair share.
- ★ Replace the lost revenue with a broad-based income tax (replacing the current Hall tax) with generous per person deductions that will lower taxes for middle- and low-income families.

The result will be a system that distributes the tax burden more equitably meaning lower taxes for most Tennesseans.

Will this mean more taxes? No, most people will pay less. The proposed income tax is to replace the current food tax and would not go into effect unless the food tax is repealed and the overall sales tax is reduced.

Who will benefit? This would benefit all those who are paying more than their fair share under the current inequitable tax structure; seniors, and low- and middle-income families. Even many of those who will pay more do so gladly because they know that our current tax system is unfair and it fails to meet our state's needs.

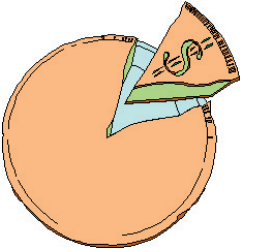
Tennesseans for Fair Taxation

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For more information, visit our web site at www.fairtaxation.org or call TFT toll-free at 1-888-671-5188.

Paying an Unfair Share

FACT: Tennessee has one of the most imbalanced and unfair tax systems in the nation. A family making \$14,000 a year pays more than three times the taxes as a portion of their income than a family making twenty times as much.



Why is our tax system out-of-balance?

- ★ Unlike other states that rely on a variety of revenue sources, Tennessee raises nearly 60% of its state revenue from sales taxes alone and 80% from sales and selective sales taxes on gas and other items combined.
- ★ Tennessee, at a maximum of 9.75%, has the highest average sales tax rates in the nation, and Tennessee taxes food. 36 states do not.
- ★ Sales and other consumption taxes place a heavier share on lower- and middle-income families by taxing what people spend on basic necessities and other goods, rather than on their total income.
- ★ As household income rises, a smaller portion of income is spent on food, clothing, transportation and other goods subject to the sales tax.
- ★ High-income families spend more of their income on services, savings and investments, thereby shielding their income from the sales tax.

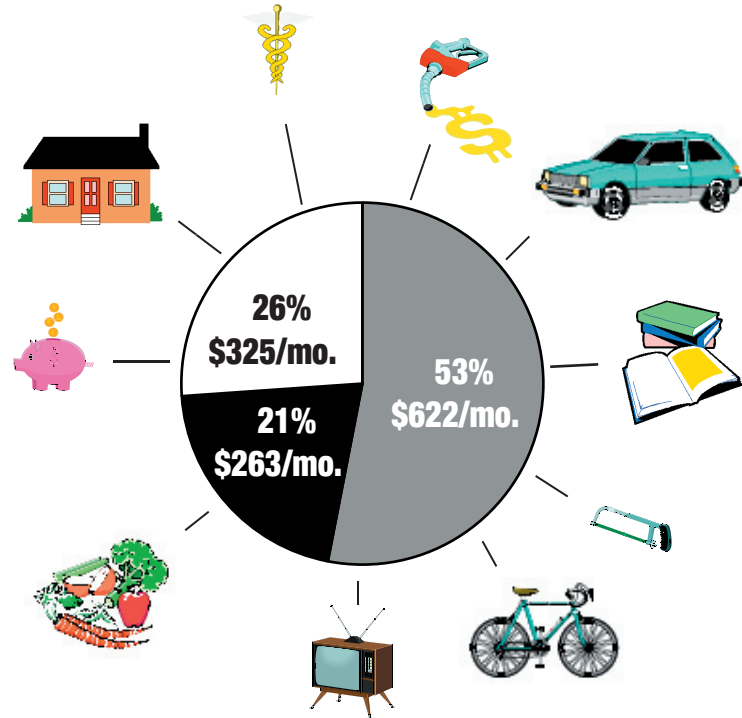


You don't need to be an accountant to see how Tennessee's tax system hurts low and middle income families. Turn the page and find out for yourself.



The sales tax in Tennessee

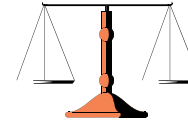
What's the typical budget for a family with \$15,000 per year take home pay?



3/4 ths of their family budget is subject to the sales tax.

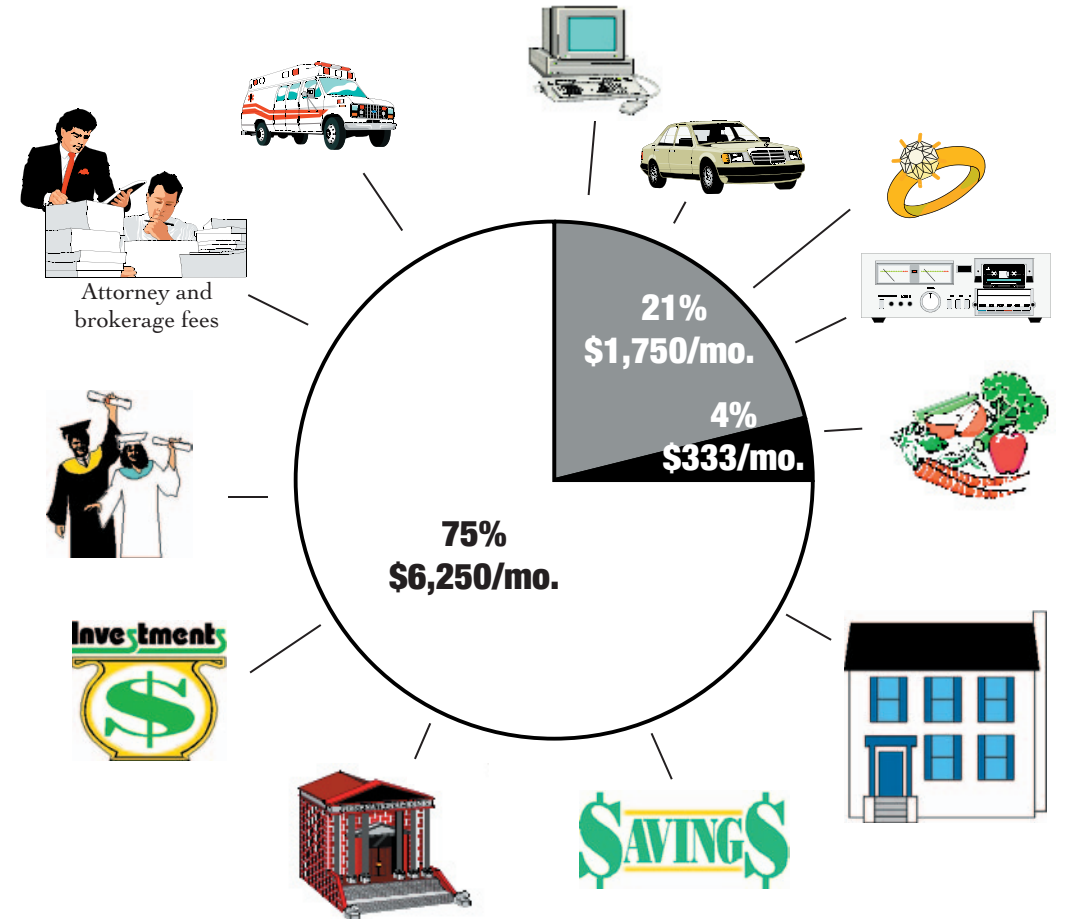
- Food for home consumption: 7.85% avg. state and local sales tax (8.25% max).
- Other goods: 9.35% avg. state and local sales tax (9.75% max).
- Expenses where the sales tax is typically not applied.

Data Source: U.S Bureau of Labor Statistics, 1995 Consumer Expenditure Survey



Who wins? Who loses?

What's the typical budget for a family with \$100,000 per year take-home pay?



Having a much larger pie, **only 1/4** th of their family budget is subject to the sales tax.