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NAACP Condemns Plan to Abolish Home Mortgage Tax Credit

"National Sales Tax" would raise average Alaska home price by \$91,000

ANCHORAGE: The Anchorage NAACP is raising concerns about a proposal to eliminate the home mortgage deduction as part of the proposed "National Sales Tax." While this used to be a fringe Tea Party proposal, now [two out of three GOP Senate candidates](#) have endorsed it and it is a serious threat to Alaska working families. A 30% National Sales Tax would not just raise the cost of consumer goods but also could put home ownership out of many Alaskans' reach.

"The National Sales Tax would pull the rug out from under homeowners paying a mortgage, and would make it impossible for many Alaskans to buy a new home," said Kevin McGee, 1st Vice President of the Anchorage NAACP. "At a time when rent prices are sky-high, it is unacceptable to make home ownership even less affordable."

Press coverage of the National Sales Tax has focused on how it would [increase prices of consumer goods](#) and [shift the tax burden onto the middle class](#). However, for homeowners the single largest impact would be elimination of the home mortgage deduction.

According to [State of Alaska statistics](#), the National Sales Tax would increase the cost of the average single family home in Alaska by \$91,000. That cost would be even higher in Anchorage, Juneau, Nome, and other communities with above-average housing costs.

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National Sales Tax/Fair Tax – Radical Plan To Implement 30% National Sales Tax On Items Everything From Doctor’s Bills To A Gallon Of Gas

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Washington Post: “Fair Tax” Rate Is Actually 30% Tax On Consumers. “FairTax advocates say a 23 percent tax rate would maintain the same amount of money flowing into the Treasury, though that number is debatable. An item priced at \$1 would actually cost consumers 30 percent more, or \$1.30. FairTax advocates say that amounts to a 23 percent rate, because 30 cents is 23 percent of the product's after-tax cost of \$1.30.” [Washington Post, [12/27/07](#)]

CNN: Fair Tax Amounts To 30% Tax On Price Of Anything You Purchase. Reported CNN in October 2011, “You would pay what amounts to a 30% tax on top of the price of anything you purchase. So for something that costs \$1 you would pay \$1.30. The extra 30 cents represents 23% of the final purchase price (\$1.30). That's why you will hear Fair Tax supporters say that the tax rate under the Fair Tax is just 23%.” [CNN, [10/17/11](#)]

WSJ Editorial: Fair Tax Plan Radical, A 30% National Sales Tax. Wrote the Wall Street Journal editorial board in December 2007, “The political contradiction of his economic policy is that, even as he campaigns as a populist, his signature tax proposal is the most radical reform imaginable--the so-called "fair tax." The fair tax has been knocking around GOP precincts for years and has been heavily promoted by Texas millionaire Leo Linbeck, among others. We've heard their pitch in our offices and admire their passion. Their concept is to junk the federal tax code--payroll, income, corporate, Social Security, everything--and substitute a 23% national retail sales tax on nearly all goods and services. But while proponents use that 23% figure as an easier political sell, the rate is closer to 30% when it's calculated like any other sales tax, with the levy on top of the price. State sales levies would go on top of that.” [Editorial, Wall Street Journal, [12/9/07](#)]

Fair Tax Would Establish Sales Tax on Purchase of New Homes, Rent, Doctor Bills, Utilities, Gasoline, Legal Fees, Interest on Credit Cards, Mortgages and Car Loans. According to FactCheck.org, “With the FairTax’s 100 percent base, consumers would pay taxes on a great many things that may not intuitively seem like consumption. The list would include:

- * Purchases of new homes

- * Rent

- * Interest on credit cards, mortgages and car loans
- * Doctor bills
- * Utilities
- * Gasoline (30 percent in addition to current taxes, which would not be repealed)
- * Legal fees” [Factcheck.org, [5/31/07](#)]

Fair Tax Would Eliminate Home Mortgage Interest Deduction That Millions Of Middle Class Families Rely On. Reported the Associated Press in December 2007, “Republican presidential hopeful Rudy Giuliani criticized the "fair tax" plan that has been touted by rival candidate Mike Huckabee on Monday, saying it could hurt home buyers. The former New York City mayor cited the struggling U.S. housing market as a reason to avoid the plan, which would eliminate all taxes on income and investments in favor of a hefty federal sales tax. A questioner asked about the plan but did not mention Huckabee. Nor did Giuliani mention his rival in his response. ‘I think there are several tax deductions that are vital to our economy,’ Giuliani said. ‘This would not be a good time I don’t know if there would ever be a good time to do this to advocate ending the home mortgage deduction. The home mortgage deduction is considered by many critical to the ability of people to buy a home and keep their home.’” [Associated Press, 12/4/07]

More Than Half The Benefits Of Mortgage Deduction Go To Households Earning Between \$75,000 And \$200,000/Year. Reported Bloomberg in April 2013, “Real estate agents and homebuilders are in every congressional district, and more than half the benefits of the tax break go to households earning between \$75,000 and \$200,000, the homeowners both parties are pledging to protect. . . . In 2011, 36 million households claimed \$359 billion in mortgage interest deductions, according to the Internal Revenue Service. That was down from 37 million and \$387 billion the year before.” [Bloomberg, [4/5/13](#)]

WSJ Editorial: “Fair Tax” Would Hit Young, Middle-Income Families Hard. Wrote the Wall Street Journal editorial board in December 2007, “Though the fair tax includes a complicated rebate system to shield the working poor, a levy on consumption would nonetheless hit hard the young, middle-income families that Mr. Huckabee is courting. It would also tax medical services and home prices, sure to be flashpoints this election season in particular.” [Wall Street Journal Editorial, 12/5/07]

Former Treasury Department Official: “There Would Be An Enormous Shift In The Tax Burden From The Wealthy To Those With Lower Middle Incomes.” According to a January 2008 fact check from Politifact, “Bruce Bartlett, a former Treasury Department official, says the prebate does little to change the regressive nature of the tax, because people will spend their prebate and it will be taxed at the same 23 percent rate. ‘Even with the rebate counted the way the Fair Tax supporters want it calculated — as a reduction in tax liability rather than an increase

in income — there would be an enormous shift in the tax burden from the wealthy to those with lower middle incomes,' Bartlett wrote in a story for the magazine Tax Notes." [Politifact, [1/23/08](#)]

Retirees, Who Have Paid A Lifetime's Share Of Income Taxes, Would Be Taxed Again For Future Purchases, Increasing Taxes On Savings By At Least 30%. "The impact of instituting a national sales tax- like the so-called "Fair Tax"—on seniors and others with large amounts of savings would be harmful. "A change-over would also negatively impact people who've saved, especially senior citizens. Retirees, who already have paid taxes on their income, will be taxed again on purchases they make from savings they already paid taxes on." [PolitiFact.com, [1/23/08](#)]

President Bush's Advisory Panel On Tax Reform Rejected The "Fair Tax" Because It Would Create "The Largest Entitlement Program in History" Or Shift Tax Burden To The Poor. Reported the Washington Post, "Even President Bush's Advisory Panel on Federal Tax Reform dedicated a chapter of its 2005 final report to dismissing such proposals. 'After careful evaluation, the Panel decided to reject a complete replacement of the federal income tax system with a retail sales tax,' the panel said. It concluded that such a move would shift the tax burden from the rich to the poor or create the largest entitlement program in history to mitigate that new burden." [Washington Post, [12/27/07](#)]

Washington Post: "Tax Experts And Economists Of All Political Stripes" Say That The So-Called "Fair Tax" Won't Work, Federal Spending Would Spike If Instituted. Reported the Washington Post in December 2007, "A national sales tax won't work, at least not according to tax experts and economists of all political stripes... federal spending would shoot up because the government would have to pay sales taxes on purchases. To compensate, the sales tax rate would have to rise to more than 40 percent for the government to take in as much as it does now, said William G. Gale, a tax economist at the Brookings Institution. State and local governments, facing a new burden on purchases, would have to increase taxes to maintain current levels, as well." [Washington Post, [12/27/07](#)]

Businessweek: "The Fair Tax Would Weigh Heavier On Lower-Income Households." Reported Businessweek in April 2011, "The FairTax would weigh heavier on lower-income households, because they spend a larger proportion of what they earn. That's why Woodall's proposal calls for a 'prebate,' a monthly advance rebate that covers the cost of the tax up to the federal poverty level. Compared with the current system, the FairTax would be a boon to the highest earners, who spend a relatively low share of their income each year and would no longer have to pay taxes on capital gains." [Businessweek, 4/7/11]

Impact On Alaskans

Fair Tax Would Mean 30% Tax On Everyday Items:

Item	Current Price	Price Under Fair Tax	Increase
Grocery bill (weekly cost in Bethel)	\$336.85	\$437.91	\$101.06
Rent (monthly cost in Kodiak)	\$1,461	\$1,899.30	\$438.30
Half-gallon of milk (Anchorage)	\$2.43	\$3.16	\$0.73
Doctor visit (Fairbanks)	\$168.67	\$219.27	\$50.60
Gallon of gasoline (Dillingham)	\$7.09	\$9.22	\$2.13
Single-family home (statewide)	\$303,626	\$394,713.80	\$91,087.80

[State of Alaska Labor Stats, [July 2014](#)]