

# ***Prebate Made Easy: Points to Remember***



- **Individuals and corporations fare better under the AEFA**
- **The AEFA is revenue neutral**
- **Looking at the Effective Rate chart, from \$0 to poverty level spending, no eligible Alabamian pays the total consumption tax. The Prebate covers poverty level spending on new goods and services for life's necessities**
- **The tax is progressive in a positive sense**
  - At 1.5 times poverty level spending, the effective tax is 2.85%
  - At 2 times poverty level spending, the effective tax is 4.28%
  - At 4 times poverty level spending, the effective tax is 6.41%
  - At 8 times poverty level spending, the effective tax is 7.48%
  - Etc.
- **Actual spending doesn't reach the current 4% state sales tax rate until about 2 times poverty level spending**
- **Actual spending doesn't reach the current 5% income tax rate until about 4 times poverty level spending**
- **The 8.55% maximum rate isn't approached until 128 times poverty level**
- **For those worried about taxes on groceries:**
  - If desired, single persons could spend \$1,091 per month on groceries tax free
  - A family of four could spend \$2,948 per month on groceries tax free
  - A family of nine could spend \$4,856 per month on groceries tax free

# 2020 AEFA Effective Rate



FCA Multiples	Total Spending	Effective Tax Rate %	FCA Multiples	Total Spending	Effective Tax Rate %
1 X FCA	12,760.00	0.00	1 X FCA	34,480.00	0.00
1-1/2 X FCA	19,140.00	2.85	1-1/2 X FCA	51,720.00	2.85
2 X FCA	25,520.00	4.28	2 X FCA	68,960.00	4.28
4 X FCA	51,040.00	6.41	4 X FCA	137,920.00	6.41
8 X FCA	102,080.00	7.48	8 X FCA	275,840.00	7.48
16 X FCA	204,160.00	8.01	16 X FCA	551,680.00	8.01
32 X FCA	408,320.00	8.28	32 X FCA	1,103,360.00	8.28
64 X FCA	816,640.00	8.41	64 X FCA	2,206,720.00	8.41
128 X FCA	1,633,280.00	8.48	128 X FCA	4,413,440.00	8.48