

# ***AEFA: Family Friendly***

- Protects *ALL* Alabama citizens from tax on essentials of life
  - Family Consumption Allowance
    - Monthly rebate of tax on life's essentials
    - Based on US Dept. of Health & Human Services poverty guidelines
    - Must be a legal U.S. *AND* Alabama resident with *verifiable* SSN to receive
  - Calculated by family size *NOT* income
    - Poverty Level times Tax Rate divided by twelve

# 2020 AEFA Rebate Schedule



## One-Adult Household

## Two-Adult Household

Size of Family	Family Consumption Allowance	Annual Rebate	Monthly Rebate	Size of Family	Family Consumption Allowance	Annual Rebate	Monthly Rebate
1 person	\$12,760	\$1,091	\$91	Couple	\$25,520	\$2,182	\$182
And 1 child	\$17,240	\$1,474	\$123	And 1 child	\$30,000	\$2,565	\$214
And 2 children	\$21,720	\$1,857	\$143	And 2 children	\$34,480	\$2,948	\$246
And 3 children	\$26,200	\$2,240	\$186	And 3 children	\$38,960	\$3,331	\$278
And 4 children	\$30,680	\$2,623	\$219	And 4 children	\$43,400	\$3,714	\$310
And 5 children	\$35,160	\$3,006	\$251	And 5 children	\$47,920	\$4,097	\$341
And 6 children	\$39,640	\$3,389	\$282	And 6 children	\$52,400	\$4,480	\$373
And 7 children	\$44,120	\$3,772	\$314	And 7 children	\$56,800	\$4,856	\$405

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## ***Data Source***



**For Families/households with more than 7 dependents, add \$4,480 to the annual consumption allowance for each additional dependent (includes grandparents, children, adopted children or children under legal guardianship). The annual consumption allowance is based on the DHHS 2020 HHS Poverty Guidelines as published in the Federal Register, January 17, 2020. The annual prebate equals 8.55 % of the annual consumption allowance.**

# 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



One-Adult Household			Two-Adult Household		
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