



OUR VIEW: Lawmakers should make Alabama's tax system more fair and do away with the 4 percent state sales tax on food

By Birmingham News editorial board

March 31, 2010, 5:45AM

How does two weeks' worth of free groceries sound? That's what the great majority of Alabamians stand to gain if the Legislature removes the state's 4 percent sales tax from food and over-the-counter drugs.

Alabama Arise, a group that lobbies for the poor, uses that pitch to make the case for lawmakers axing the state sales tax. Obviously, saving 4 percent on grocery bills over the course of a year means saving 4 percent a year, which is roughly two weeks of that 52-week year. Even journalists can do that math.



The bill's supporters hope the math appeals to lawmakers, especially in an election year. Today, the House Education Appropriations Committee will debate the plan sponsored by Rep. John Knight, D-Montgomery.

Here's how the latest version of Knight's plan would work: State voters would decide Nov. 2 whether to change the state constitution to remove the 4 percent state sales tax on food and over-the-counter drugs. The plan would pay for that lost revenue by phasing out for higher-income people the ability to deduct the federal income taxes they pay from their taxable state income.

For individuals who make more than \$100,000 a year and couples who make more than \$200,000 a year, that deduction would be reduced gradually as incomes rose. The deduction would end for individuals making more than \$150,000 a year and couples with incomes of more than \$300,000 a year.

Fewer than 4 percent of individuals or couples in Alabama who file state income taxes -- 78,700 of more than 2 million filers -- would have large enough incomes to pay higher income taxes under the plan, according to Legislative Fiscal Office estimates.

If the Legislature and voters approve the plan, it would go into effect on Jan. 1. The plan would have no impact on city and county sales taxes.

More than one in 10 Alabama workers is without a job. Many others are underemployed in part-time jobs or jobs that don't pay what their previous jobs did. That's why now is a good time for the Legislature to bring some fairness to Alabama's horribly unjust tax system. And while raising the state income tax on a small number of wealthier Alabamians may not seem fair, they have benefited for decades from an unfair tax system that tilts heavily their way.

Alabamians in the lowest 20 percent of income earners (those with an average income of \$10,400 a year) pay 10.2 percent of their incomes in state and local taxes. Those in the top 1 percent of income earners (who average \$1.2 million a year) pay just 4 percent of their incomes in state and local taxes after the federal deduction, according to the Institute on Taxation and Economic Policy. That federal deduction, by the way, is granted in full by just three states: Alabama, Iowa and Louisiana. The deduction siphons \$770 million a year from the state treasury, and Alabama's top 3 percent of income earners claim half of it, according to Alabama Arise.

Only two states fail to give some relief for families buying groceries: Alabama and Mississippi. Every other state either doesn't charge state sales tax, taxes at a reduced rate or offers income tax credits to poor families to help offset the tax on food.

Getting rid of the state sales tax on groceries and ending the federal deduction for the wealthiest income earners would go a long way toward making the state's tax system more fair. And there's a bonus for everyone, not just the

poor: two weeks' worth of free groceries.

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