



OUR VIEW: It's awful that Birmingham is tied for the highest sales tax rate in the nation among cities with more than 200,000 people

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If it's possible to be No. 1 with a bullet, Birmingham is. It sits tied with Montgomery atop the charts. But it's nothing you'd want to dance to.

Birmingham and Montgomery have the highest general sales tax rate in the country for cities with a population of 200,000. But events may be in motion that would make Birmingham the undisputed chart topper.



Right now, Birmingham and Montgomery have combined state, county and city sales tax rates of 10 percent, ranking them tops in the country for larger cities, according to the Tax Foundation, a nonpartisan tax research group in Washington, D.C.

The two cities, and others in Alabama, lead a national trend of local governments struggling to keep up with the effects of the economic downturn. They are raising sales taxes to try to balance budgets sapped by sagging tax collections.

Birmingham could be on its way to a combined sales tax rate of 10.5 percent. This week, Jefferson County began the push in earnest to win legislative permission on a "limited home rule" bill that would give the County Commission the authority to raise a variety of taxes (including sales, occupational, business and rental) to solve the money woes caused

by the loss of its occupational tax. Among the possible outcomes: County officials have talked of a possible 0.5 percent sales tax increase.

Although Birmingham remains tied for now with Montgomery for first place nationally among cities with more than 200,000 people, the competition closer to home is a lot tougher. Eight other Jefferson County cities -- Fairfield, Fultondale, Gardendale, Irondale, Leeds, Lipscomb, Midfield and Tarrant -- equal Birmingham with sales tax rates of 10 percent.

While Jefferson County has to ask for legislative permission to raise the sales tax, cities can raise it on their own, making it an easy way to balance budgets. The trade-off: Sales taxes hit hardest on those cities' poorest people.

Poor people pay a much higher percentage of their incomes on sales tax than wealthier people do. It is the main reason Alabama's tax system is one of the nation's most unjust. Alabama families in the lowest 20 percent of income (an average of \$10,400 a year) pay 4 percent of their incomes on general sales tax, according to the Institute on Taxation & Economic Policy. Alabama's wealthiest families (in the top 1 percent of income with a \$1.2 million a year average) pay just 0.6 percent of their incomes on general sales tax. Even worse, Alabama is one of just two states that apply the full sales tax to groceries, ratcheting up the unfairness on the poor.

Alabama's overreliance on sales tax has pushed the state to 10th highest nationally in combined sales tax rate, according to the Tax Foundation. Another statistic from the Tax Foundation is even more damning: Alabama's property tax rate of \$495 per person ranks 50th in the country. It could be doubled and still badly trail the U.S. average of \$1,352 per person.

By counting so much on sales tax collections, which mirror the economy's surges and dips, governments set themselves up for tough times when the economy crashes. Yet, they have no appetite for tilting the tax system away from volatile sales taxes by rewriting property tax and income tax rules.

"I've butted my head against that wall many times, and I learned we're not gonna get anywhere," James Bryce, a University of Alabama law professor and expert in state and local taxation, told News staff writer Veronica Kennedy.

It is a Great Wall of China-like barrier to tax fairness built through state constitution and code to protect special interests, particularly large landowners. The practical effect forces local governments into relying far too heavily on the sales tax, since that is the one most easily raised.

Which means people all over Alabama, not just those in Birmingham and Montgomery, better get used to double-digit sales tax rates. That should be music to no one's ears.