

## OUR VIEW: Most Alabamians don't get to celebrate having the nation's lowest state and local taxes

By [Birmingham News editorial board](#)

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Imagine that Nick Saban's Alabama Crimson Tide wins the national championship this year, but only the special-team players -- and not the majority of the team -- get to celebrate.



If you can imagine that, you get a better sense of what it means for Alabama, the state, to finish first on the list of states with the lowest state and local taxes collected per person. Alabama collected \$2,909 per person, ranking lowest among the 50 states in fiscal year 2007, according to U.S. Census Bureau reports on state and local taxes nationwide and state population estimates. (See story [here](#)) Alabama ranked third lowest in average state and local taxes collected per person as a percentage of personal income, at 8.98 percent. Only New Hampshire, at 8.71 percent, and South Dakota, at 8.87 percent, ranked lower.

All that sounds great if you like low taxes, but there's an elephant in the room so large it makes UA's Big Al look Beanie Baby-sized by comparison. That elephant is the state's hugely unfair tax structure.

If you start breaking down by income the average 8.98 percent that goes to state and local taxes in Alabama, what you find is that those in the lowest 20 percent in family income (making \$16,000 or less each year) pay the largest percentage: 11.2 percent of their income went to taxes in 2008, according to the Institute for Taxation and Economic Policy. The next-lowest 20 percent paid just more than 10 percent of their incomes, while the middle 20 percent in income paid just below 10 percent, the ITEP reported last year.

What this means is that at least 60 percent of Alabama families pay a significantly higher percentage of their incomes in taxes than the state average of 8.98 percent. The tax system is so distorted, the highest earners are the biggest winners, at the expense of the poorest.

Families in the top 1 percent of incomes (making \$316,000 or more each year) pay just 4.3 percent of their incomes in state and local taxes, according to the ITEP.

Another study, released last week by the Center on Budget and Policy Priorities, showed that an Alabama family of four at the poverty level (\$22,017) pays the nation's highest state income-tax bill. Alabama's \$12,600 state income tax threshold, raised by the Legislature from \$4,600 in 2006, is still the nation's second lowest among states with income tax.

Only the special team or, shall we say, the special-interest team in Alabama, gets to celebrate the national championship in low taxes. For everyone else, Alabama's tax system feels more like the football equivalent of this year's Vanderbilt team.

That's why many Alabamians find it so hard to believe the state has the nation's lowest tax burden. For at least the bottom 60 percent of income earners, it doesn't.

They subsidize the wealthy, the powerful and the connected, who reap the rewards of a tax code and constitution written to benefit special interests. They enjoy none of the loopholes and exemptions that shelter much of the state's wealth from being taxed. A *Governing* magazine study on state tax systems noted that Alabama's excludes about half the sales tax, 52 percent of personal income and 88 percent of property value from its tax base.

Yet the state's political leaders cheered the virtues of Alabama, the low-tax state, in a story this past Sunday by News staff writer David White. The nation's lowest ranking is not new. Alabama has been lowest-taxed for years.

That's a big reason why, according to state Sen. Lowell Barron, D-Fyffe, Democrats remain in control of the Alabama Legislature. State Republican Party Chairman Mike Hubbard, R-Auburn, said the state should take pride in low taxes. "I'm just not a big believer in the redistribution of wealth and taking from some and letting the government spend it," he said.

OK, how about redistributing the wealth to low- and middle-income Alabamians who pay a much higher percentage of their incomes in state and local taxes? Even Republican Gov. Bob Riley, who six years ago showed great political courage by taking on, albeit unsuccessfully, the state's unjust tax system, spouted the virtues of a low-tax state. Low taxes attract businesses and retirees, he said.

But there's a cost to too-low taxes that few politicians want to talk about: You get what you pay for. Alabama's \$2,909 in taxes collected per person is 72.5 percent of the \$4,011 national median -- 25 states had higher totals than the median, and 25 had lower totals.

"It's hard to be No. 1 in education if you're No. 50 in spending capability," said state school Superintendent Joe Morton.

If Alabama taxed at Mississippi's second-lowest \$2,989 rate, state and local governments would have \$373 million more to spend on schools and government services. If Alabama taxed at Tennessee's third-lowest \$3,005 rate, it would have \$447 million more.

It is true money doesn't always make a difference. But it does pay for good salaries to attract and keep quality teachers, successful instructional programs such as the Alabama Reading Initiative and the Alabama Math, Science, Technology Initiative, quality prekindergarten and technology. Money also pays for enough prison guards, better Medicaid benefits, more state troopers, adequate protection for abused and neglected children, stronger environmental enforcement and the like.

As long as most Alabamians believe they are taxed too high (and they are, in relative terms) and there is too much waste and corruption in state and local government (and no one can counter that argument given the spate of recent convictions of elected officials), Alabama will remain a low-tax state.

Alabama politicians will continue to crow about that as if it's a wonderful thing. But the truth is, taxes in Alabama are low only for those on the special-interest team. For everyone else, there's no reason to celebrate this No. 1 ranking.