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Plan to cut sales tax on groceries passes House

Senate approval would send measure to November ballot

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MONTGOMERY - The state House of Representatives on Tuesday voted 63-38 to let state voters decide whether to overhaul Alabama's tax system, in part by taking the 4 percent state sales tax off groceries.

The plan also would lower state income taxes for many lower-income households but raise them on many upper-income households.

Rep. John Knight, D-Montgomery, the plan's sponsor, estimated that 80 percent of Alabama households would save money or break even under the plan, while 20 percent would pay more in taxes.

"It's a great day for working families in this state," Knight told House members after the vote.

The plan would rewrite the state constitution, so at least 63 House members had to vote for it to send it to the Senate.

If at least 21 of the 35 state senators also vote for it, voters statewide would decide Nov. 4 whether to give final approval to the tax plan or reject it. Knight has tried before to pass the tax plan, but this is the first year it gained approval by the House.

Sen. Lowell Barron, D-Fyffe, who chairs the Senate's agenda-setting Rules Committee, said he plans to bring the plan up for debate by the entire 35-member Senate. He didn't say how he thought it would fare or when it might come up.

Knight's plan would save consumers \$320 million a year by removing the 4 percent state sales tax from groceries for individuals, estimated the Legislative Fiscal Office. Corporations would not qualify for that tax savings.

The plan also would cut state income taxes for many lower-income households and some middle-income households by raising the standard deduction and raising personal and dependent exemptions for middle-class tax filers.

But it would raise state income taxes on some middle-income households and many upper-income households by ending the ability of taxpayers to deduct from their taxable state income the amount of federal income tax they paid.

All told, Knight's plan would raise state income-tax collections by \$345 million a year, for a net tax increase of \$25 million a year, the fiscal office estimated.

For couples who have two dependent children and file income taxes jointly, those making less than about \$137,000 a year would pay less in state taxes under Knight's plan, and those with higher incomes would pay more, the LFO estimated, assuming typical itemized deductions.

Speaker Seth Hammett, D-Andalusia, the House leader, said he was happy Knight's plan passed the House. "If it can be passed by the Senate and ratified by the voters, it would be a great step forward in terms of tax fairness," he said.

Rep. Patricia Todd, D-Birmingham, voted for the plan. "I'm just ecstatic. It's a good thing for the working people of Alabama," she said.

Rep. Mary Sue McClurkin, R-Indian Springs, voted against the plan. "This just takes a small percentage of sales tax off of food and imposes a large tax burden on those taxpayers that I represent," she said.

McClurkin also said she didn't want to take the state sales tax off groceries for illegal immigrants.

Rep. Cam Ward, R-Alabaster, also voted against the plan. "I think it's a redistribution of wealth," he said. "I think the majority of the folks in my district are going to have to pay for a very minimal amount of sales tax cut."

Fifty-eight of the 62 Democrats and five of the 43 Republicans in the House voted for Knight's plan. Thirty-seven Republicans and one Democrat voted against it. Three Democrats and one Republican were absent or not voting.

Some Republicans protested that at least four absent House members were recorded as voting for Knight's plan. But no lawmaker invoked a House rule that would have banned House members from voting the electronic roll-call machines of absent members.

Alabama Arise, a coalition of churches and civic groups that lobbies for poor people, has pushed for years to take the state sales tax off groceries.

"This is great," Alabama Arise Executive Director Kimble Forrister said after the House vote. "That's as close as it comes."

"It restores balance to our tax system," Forrister said. "Middle-income families will have the money to help make ends meet."

He said he thinks the plan can pass in the Senate. "We think we have the votes," Forrister said.

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