

OUR VIEW: The time is right for the Legislature to grant sales tax relief to Alabama families struggling to make ends meet

By Birmingham News editorial board

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When the nation's economy catches a cold, Alabama gets pneumonia, the saying goes.

And when the nation's economy catches pneumonia, as it has during the Great Recession? Let's just say Alabama's economy is gravely ill and struggling.

In recent months, the state's unemployment rate has crossed the double-digit threshold. In December 2007, Alabama's jobless rate of 4 percent bested the national rate of 5 percent. Two years later, Alabama's jobless rate had climbed to 11 percent, higher even than a national rate that had doubled to 10 percent.



More than one in 10 Alabama workers are unemployed.

Many other Alabama workers who lost their jobs and found new ones have settled for part-time jobs or jobs that don't pay what previous jobs did. Still others who have held onto their jobs have taken pay cuts, had to pay more for benefits or have even lost those benefits.

Yet through the past two years of staggering pain, our state remains one of just two -- Mississippi is the other -- that doesn't offer a break on sales taxes for groceries. Every other state either doesn't tax groceries, taxes them at a reduced rate or offers income tax credits to poor families to help offset the state sales tax on food.

If ever there were a time to help struggling Alabama families make ends meet, it is now. But if ever there were a time you will hear excuses for not ending the state sales tax on groceries, it is now. The argument goes something like this: Getting rid of the state sales tax on food requires raising taxes on wealthier Alabamians to make up the difference, and it's wrong to raise taxes on those who create jobs and keep the economy going.

The better argument goes something like this: The \$405 million consumers of all income levels save from not having to pay the state sales tax on groceries will be pumped back into the retail economy. And, as important, why should poor Alabamians pay a 4 percent state surcharge on every loaf of bread, every jug of milk they buy, in effect subsidizing an unfair tax break for the wealthiest Alabamians?

Here's how the latest proposal, sponsored by its longtime champion, Rep. John Knight, D-Montgomery, would work: His bill would remove the 4 percent state portion of the sales tax on groceries and make up for the lost revenue by ending for the state's highest-income earners the state's full deduction for federal income taxes paid. Only Alabama, Iowa and Louisiana allow that full deduction. That deduction costs the state \$770 million, and the state's top 3 percent of income earners claim half that amount, according to Kimble Forrister, state coordinator for Alabama Arise, a lobbying group for the poor.

Under Knight's proposal, couples earning up to \$200,000 and single filers making up to \$100,000 would continue to take the full deduction for federal income taxes paid. Couples making \$300,000 or more and singles making at least \$150,000 would lose that deduction and see their taxes increase. For couples making between \$200,000 and \$300,000, the deduction would phase out over several years.

While people with higher incomes will pay higher state income taxes -- Alabama Arise puts the increase at about 1 percent of income -- 96 percent of Alabamians will get a tax break, the group estimates.

No one likes to pay higher taxes, but the truth is, wealthier Alabamians have been getting tax breaks forever on the backs of poorer people in this state. In November, a new set of numbers by the Institute on Taxation and Economic Policy made that clear: Alabamians in the lowest 20 percent of income earners (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 (average income of \$1.2 million) pay 4 percent of their incomes in state and local taxes after the federal deduction.

That's just wrong. The Legislature can take a big step toward fairness, and help the overwhelming majority of Alabama families, by ending the state sales tax on food. If ever there were a time to do so, it is now.