



OUR VIEW: The state House of Representatives should approve a bill ending the state's 4 percent sales tax on groceries and nonprescription drugs

By Birmingham News editorial board

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When the Alabama House of Representatives debates a bill today that would remove the state sales tax on groceries, you can bet opponents utter these words, or some variation, more than once:

"The whole bill is a redistribution of wealth." (In fact, that's what state Rep. Mac Gipson, R-Prattville, said when the House Education Appropriations Committee voted last week to send the bill to the House.)

Bill sponsor Rep. John Knight, D-Montgomery, prefers another term: "a redistribution of fairness."

So do we. The wealthy, with some justification, can complain about paying high federal income tax rates that fund a seemingly ever-increasing number of programs which benefit the poor. They can hardly make the same argument about Alabama's tax system.

Not just because state government shortchanges the poor when it comes to providing services, but because the state's income tax system is upside down compared to the federal system. While federal taxes are "progressive" -- a higher income means paying a higher percentage of that income in taxes, generally speaking -- Alabama's taxes are anything but.

That's because poorer Alabama families pay a much higher percentage of their incomes in state and local taxes than the wealthiest Alabamians do. Alabama families with the lowest 20 percent of incomes (those who earn an average of \$10,400 a year) pay 10.2 percent of their incomes in state and local taxes, according to a November analysis by the Washington, D.C.-based Institute on Taxation and Economic Policy. But the top 1 percent of income earners (with an average income of \$1.2 million a year) pay just 4 percent of their incomes in state and local taxes.

Put another way, the best-off 1 percent of Alabamians who are not elderly reaped 19.6 percent of the state's income in 2007 while paying 11.5 percent of the taxes on state residents, according to the ITEP. At the same time, the poorest 20 percent of Alabamians got just 3.4 percent of statewide income but paid 5 percent of Alabama taxes.

"The Alabama tax system actively redistributes income away from those living below the poverty line and towards the state's millionaires," the ITEP noted this week. "HB 1 would reduce this 'Robin Hood in reverse' effect somewhat, but would not eliminate it."

Knight's bill would end the 4 percent state sales tax on groceries and nonprescription drugs, and pay for the lost tax revenue by phasing out higher-income Alabamians' ability to deduct the federal income taxes they pay from their taxable state income. Alabama is one of just three states which grant that deduction in full, and one of just two that don't give some kind of tax break on food.

The federal deduction would remain in place for singles earning up to \$100,000 a year and for married couples earning up to \$200,000. The deduction would be reduced gradually as income rises, ending completely for singles who make more than \$150,000 a year and couples making more than \$300,000 a year.

Many Alabama families are struggling. The state's jobless rate, now in the double digits, is at its highest point in 26 years. Getting rid of the state sales tax on food and medicine won't cure anyone's economic ills, but it will save most Alabama families at least a few hundred dollars a year and make their lives just a little bit easier.

It's possible to make a case against a progressive tax system and instead argue the need for a flat-tax system. It's impossible to make the case for a regressive tax system like Alabama's, which props up the wealthy at the expense of the poor.

Let's hope the House of Representatives decides to redistribute a little fairness today.

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