

The Anniston Star

Alabama income tax hits early, while aversion to taxation has kept rate same for generations

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Glasses clink and guffaws abound as local residents in Alabama's highest income tax bracket gather at a local eatery. Unlike their bourgeois counterparts in Mountain Brook or the Anniston Country Club, however, these patricians are all wearing nametags. They work at Betty's Bar-B-Q.

Lisa Lippzz's nametag just displays her first name. She's not wearing any designer clothing or jewelry from Tiffany's. Instead, she wears cut-off jeans that approach her knees.

Lippzz waits tables for \$2.38 an hour, plus tips, which equates to around \$9,000 in a good year. Like roughly two-thirds of Alabamians, her income places her within Alabama's highest income tax bracket, which starts at \$3,000 for individuals and \$6,000 for couples without children who file jointly.

Advocates for change argue that an effectively flat tax rate for all taxpayers disproportionately punishes the poor and working class. Others contend that because of the lack of rancor for tax reform among voters, the state should embrace the status quo.

"I love my job. And I do about as good of a job as a person can do," Lippzz is interrupted by the sight of two new patrons entering an adjacent booth.

"I need a Diet Coke and a Coke with crushed ice right here to these ladies!" Lippzz barks. Though the two women have not uttered a word, Lippzz knows their beverage preferences by heart.

Lippzz relies on food stamps and child support to provide for her two boys. She pays 5 percent of her income to the state in taxes, the same rate as anyone who makes more than \$3,000 a year.

"I'm below the poverty line. If I'm paying the same percentage as a millionaire on taxes, that's unfair," she quickly adds before rushing to deliver a hamburger to another hungry patron.

In poverty, still taxed

Alabama's income tax structure stands apart from other states in a few important ways.

For one, most states do not require families below the poverty line to pay any income taxes. Alabama begins taxing two-parent families of four at \$12,600, well below the poverty line of \$22,350.

Alabama's income tax threshold is second only to Montana's for the distinction of lowest in the nation. Because Montana's tax is tied to inflation, however, Alabama will soon have the lowest income threshold in the country.

As a result, an Alabama family at the poverty line pays more in income taxes than it would in any other state, according to Chris Sanders, a policy analyst at Alabama Arise, a research group that lobbies on behalf of low-income Alabamians.

Moreover, because an individual only needs to earn \$3,000 per year to qualify for the highest tax bracket, most families in Alabama pay the same rate. By comparison, North Carolina's highest bracket begins at \$60,000, and is taxed at a rate of 7.75 percent.

According to Sanders, all of these figures add up to one disturbing truth: Much of Alabama's tax burden rests on the shoulders of low-income families.

Sanders said that the primary reason that the state's tax structure is "upside-down" is neglect.

"When the income tax was first instituted in the '30s, it was pretty progressive. The top rates only applied to very few people at the time. But the rates haven't been updated since then," he said.

Alabama's tax structure has remained virtually unchanged since the Legislature first enacted it in 1935. That year, the average teacher made \$500.

Sanders said that most states use an income tax to counterbalance the effects of a sales tax, which is regressive and hits the poor the hardest since they spend a greater percentage of their income on basic necessities.

"The income taxes don't do that here because they kick in so soon on low-income people and the top rate flat lines very quickly. The result is a system where the less you make, the larger share of income you're paying in state and local taxes," he added.

Sanders said there is a dearth of political will to change the tax code because people don't push the issue out of fear that their taxes will be raised.

"Ultimately, I think it comes back down to people's personal experience and feelings that they pay too much. For most people, because of our upside-down tax system, that's true," he said. "Even when you see proposals that would cut taxes for most people, it's hard to convince them or to believe that it would do that."

Dennis Harper, who works on houses and yards for families in the county, embodies this cynicism. He and his wife earn around \$12,000 a year.

“My general take is that we are taxed too much all around. Everybody says that they aren’t going to take from the poor folks, but they always do,” he said.

No more taxes on wealth

State Rep. Randy Wood, a Republican from Anniston, posits that his priority is to keep taxes low for all families.

Wood said he would be willing to look at a proposal that eliminates the income tax for impoverished families, but would not pay for it by raising rates on more affluent citizens.

“I’m not going to increase rates on richer people. Let’s be fair and equal to everyone,” he contended. “Let’s tighten our belts. We’ve got a lot of government waste.”

Wood said that no one has ever broached the subject of the income tax structure to him, much less complained about it.

“My thing is, if it ain’t broke, don’t fix it,” he said.

Varquita Johnson, a volunteer at Community Developer Enabler in Anniston, thinks that the tax system is broken. Last year, she earned minimum wage as a housekeeper at Regional Medical Center. A mother of three, Johnson lives paycheck to paycheck and says she struggles to get by.

After learning of Alabama’s tax rate scale, she sits up a bit in her chair.

“If I’m paying the same rate as a billionaire, why am I not living like a billionaire?”