



NEWS RELEASE

11/15/11

FOR IMMEDIATE RELEASE

For more information, contact:

Chris Sanders at (334) 832-9060

Income Tax for Alabama Family of Four at Poverty Line Climbs to \$498

State's Families Begin to Owe State Income Tax at Second Lowest Threshold in Nation, Study Finds

Two-parent families of four in Alabama owed \$498 in state income tax on poverty-line earnings in 2010, by far the highest amount in the nation, according to an annual report released today by the Center on Budget and Policy Priorities (CBPP), a nonprofit research group in Washington, D.C. The state's families also began to owe state income tax at the second lowest income level in the nation, the CBPP found.

Alabama had the nation's highest income tax for a two-parent family of four at the poverty line in 2010. A family of four at that income, which was \$22,314 in 2010, owed \$498 in Alabama income tax. The next highest state income tax for such a family was \$292 in Hawaii. By comparison, the same family in 2010 would have owed \$238 in Georgia and \$81 in Mississippi. Only 15 states collected any state income tax at all from such families in 2010, the CBPP found.

Alabama's income tax threshold of \$12,600 – the income at which a two-parent family of four begins to owe income tax – was the country's second lowest in 2010, besting only Montana (\$12,200). Unlike Alabama's income tax threshold, Montana's threshold increases along with inflation. If nothing changes, Alabama in the near future will again have the nation's lowest income tax threshold, as it did for years until 2007.

ACPP executive director Kimble Forrister said Alabama's high income tax for families at the poverty line is a sharp reminder that the state's tax system hits low-income residents hard, even though U.S. Census Bureau data show that Alabama had the nation's lowest state and local tax collections per person in 2009.

“Alabama may be called a ‘low-tax state,’ but our taxes aren’t low for most people,” Forrister said. “Low- and middle-income Alabamians pay a high sales tax on groceries, and they pay twice the share of their incomes in state and local taxes that the top 1 percent of earners do. Our state’s tax system will remain upside down and out of step with our neighbors unless our leaders do something about it.”

The full CBPP report, “The Impact of State Income Taxes on Low-Income Families in 2010,” is available at www.cbpp.org.

#

Arise Citizens' Policy Project is a nonprofit statewide citizens' organization comprising 150 congregations and community groups that promote public policies to improve the lives of low-income Alabamians.