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Most losing ground to wealthiest

In the United States, the adage "the rich get richer while the poor get poorer" isn't completely accurate. But in Alabama for the past few years, that old saying is right on target.

Since the late 1990s, the average income of the bottom 20 percent of Alabama families actually lost ground when adjusted for inflation, while the average income of the top 20 percent of families in the state increased significantly even after adjusting for inflation.

The result is that the income gap between Alabama's highest income and poorest families is the second largest in the nation, according to a study by the Center on Budget and Policy Priorities. Alabama trailed only New York State.

In the United States as a whole, a more accurate adage for what happens to the relative incomes of the lowest and highest income families would be: "The rich get richer at a faster rate than the poor become less poor."

The CBPP study found that on a national level, "the incomes of the country's highest-income families have climbed substantially, while middle- and lower-income families have seen only modest increases."

Alabama was far from the only state in which the income gap between families with the top 20 percent of incomes grew. There were 19 states in which average incomes grew more quickly among the top fifth of families than among the bottom fifth since the late 1990s.

Not only was Alabama second in the nation in the size of the disparity between families in the bottom and the top 20 percent in income levels, it also was second in the growth of that gap between the late 1990s and the mid-2000s.

Between the late 1990s and the mid-2000s, the inflation adjusted income of the bottom 20 percent of families declined by more than 17 percent, from an average of \$16,070 to an average of \$13,280. (The study included the cash value of food stamps, the Earned Income Tax Credit, subsidized school lunches and housing subsidies when figuring the income of families of two or more people.)

Meanwhile, the income of the top 20 percent of Alabama families increased by 9.6 percent, from an average of \$102,898 to an average of \$112,804.

The CBPP also found a widening gap in incomes between the middle 20 percent of families and the top 20 percent. Incomes for the middle 20 percent of families stayed roughly stagnant after inflation at an average of \$44,000. Again, that compares with more than 9 percent growth after inflation for the top 20 percent.

The CBPP study does have a flaw; it labels the top 20 percent of families in income as the "richest 20 percent." It seems a stretch to use the word "richest" to describe families earning an average of \$112,804 per year. That label would be better reserved for the top 5 percent of families in Alabama, who earned of \$178,770, or more than 13 times the average income of the bottom 20 percent.

So what does all this mean for public policy in Alabama? The widening gap between the poor and middle income Alabamians and families with significantly higher incomes is a strong argument for reforming the

state's tax system, which leans far too heavily on taxing poor and middle-income working families while levying relatively low taxes on the well-to-do.

One way to move in that direction would be for the Legislature and the public to pass a proposed constitutional amendment that would eliminate the state's 4 percent sales tax on groceries.

The amendment would make up the difference in revenue to the state by eliminating the deductability of the federal income tax on state tax returns. Essentially, the amendment would cause lower-income working families to pay less overall tax, middle-income families probably to pay about the same or a little less, and upper income families to pay more.

If approved by the Legislature and then by state voters in November, the grocery sales tax amendment would be a significant step toward keeping the income gap between the rich and the poor from continuing to widen.