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Help for working poor

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THE ISSUE: A new report says Alabama should do more to help low-income families get ahead.

Alabama's economy is arguably the best it has ever been. Unemployment is at an all-time low - lower even than the national average. The state's growing auto industry, space and biotech industries mean thousands of good-paying jobs.

Unfortunately, the boats of all Alabamians have not risen with the state's rising tide of recent prosperity. As a report released this week by the Arise Citizens' Policy Project makes clear, too many state residents have been left behind.

More than one-third of the state's working families are low income, according to Arise, basing the classification on what a typical family needs to earn to meet basic needs without public assistance - about twice the federal poverty level, or about \$40,000 a year.

The report suggests the state take specific action to help the working poor by putting more money into Medicaid; establishing a savings matching program (Individual Development Accounts) for job training, college tuition and homebuying; providing more financial aid for two-year college; and offering more public transportation and subsidized child care. It also so makes another plea for tax reform, one of the simplest and most effective ways to help the working poor by letting them keep more of their hard-earned money.

For years, Arise and this newspaper have supported efforts to lower the tax burden on the poor who, mainly because of high sales taxes and the low threshold at which the state begins collecting income taxes, pay a higher percentage of their earnings in local and state taxes.

In past years, the most ambitious legislation to reform taxes was sponsored by Rep. John Knight, D-Montgomery. Last year, the Knight bill would have removed state sales taxes on groceries and lowered or eliminated the income tax on low-income workers by raising the threshold. To make up for the loss of tax revenues, Knight would have ended the deduction on state income tax returns for federal taxes paid. Under such a plan, most Alabamians would see their state taxes decrease.

This year, Arise again is pushing a similar plan. Two years ago, Riley and the Legislature managed a significant, yet insufficient, advance toward tax fairness. They raised the threshold for the income tax from \$4,600 a year to \$12,600 - a move that took the state from worst in the nation in taxing the income of the poor to the fifth worst.

Arise would like to see the starting point for paying state income tax to match the federal poverty level. Last year, the amount was \$20,650 for a family of four.

That would be a big, much-needed boost for working poor families.