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Sales tax on food back on agenda

By Markeshia Ricks

The annual attempt to remove the state portion of the sales tax from groceries will be at the top of the agenda for the House today, but the bill's sponsor says he's not sure he has the votes to get it passed this year.

Last year's version of the bill made it out of the House on a controversial vote, but this year Republican opposition appears strong even if there aren't enough votes to block the bill.

State Rep. John Knight, D-Montgomery, said the latest version of his bill has several changes in it, but that's not why the House should pass it.

He said the House should pass the bill because removing the state sales tax from food is a constitutional amendment on which the people get to decide.

"The most important thing is that what we're offering a proposal to go to the voters so that they can decide," he said. "If somebody has got a different plan, then fine."

Under Knight's bill, the state sales tax on food would be removed starting Jan. 1, 2011. The bill offsets the lost revenue by putting a cap on the state deduction for federal income taxes.

Single people who make \$75,000 or less and married people who make \$125,000 or less will be allowed to continue to receive the full deduction. But for taxpayers who make more, the deduction would phase out on a sliding scale before disappearing for couples who make \$400,000 or more, and singles who make \$200,000 or more, according to the Alabama Arise Citizens' Policy Project.

Alabama Arise's Kimble Forrister said the bill really borrows heavily from legislation sponsored by state Rep. Robert Bentley, R-Tuscaloosa.

"This bill is now half Democrat and half Republican," Forrister said.

Forrister said he doesn't know if the changes in the bill will be enough to appease House Republicans who are formulating their own plan for removing the sales tax from groceries.

"We're concentrating on a half dozen moderates and hoping that we can find the last couple of votes," he said.

Knight said he also is unsure if the bill would get the 63 votes it needs to clear the House, but he said there isn't a legislator who has good grounds to vote against it.

"I think that people are afraid that people will support it," he said. "Overwhelmingly in polls people are saying that they want to take the sales tax off of groceries. But there are people out there with all kinds of smoke screens saying this is a tax increase.

"This proposal would benefit 95 percent of people across the state."

House Minority Leader State Rep. Mike Hubbard, R-Auburn, said with the current condition of the state and national economy, now is not the time to raise taxes on anybody.

"This bill just shifts the burden from one group to the other," he said. "We're opposed to raising taxes on individuals, particularly when we don't know what's going to happen with the economy."

Hubbard said the tax cuts implemented by President George Bush's administration are set to expire, and the party is opposed to anything that might make it more difficult for small businesses to create jobs.

He said the House Republicans would introduce a bill based on a plan that has made headway in Idaho. Under the Idaho plan, people receive tax rebates to offset the burden of a 6 percent sales tax on groceries in that state.

Rep. Paul DeMarco, R-Homewood, is expected to sponsor the bill, Hubbard said.

"The bill would provide a tax credit for those lower income people really needing a break without raising taxes," he said.

Auburn Montgomery economics professor Keivan Deravi said removing the sales tax from food is tricky for a number of reasons, but mostly because it requires a redistribution of wealth to offset the impact of lost revenue.

"Shifting the burden has to be very precise," he said. "There is really no such thing as revenue neutral."

Deravi points to several national attempts to tax everything from gambling to hazardous waste to generate income that didn't bear as much fruit as proponents had hoped.

"Rich people have the resources to hire smart accountants and no matter what you do, they can find a loophole," he said. "But facts remain undisputed, sales taxes are regressive and people with lower incomes are disproportionately impacted by them."

Deravi said the more pressing problem is that the economy remains shaky and the state's budgets still are staggering from the shock of it. A better time to remove the grocery tax might have been when the state's coffer was flush with cash just a few years ago, but there was no sense of urgency then, he added.

"As much as this is an issue of tax fairness, it is an uncertain time," he said. "The budgets are very much in a state of shock and to be subject to another shock at this point in time, in my opinion, would not be prudent."