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Calendar notes

Mobile 6:30 p.m., Tues., April 6,
Arise presentation on HB 1, Dau-
phin Way UMC, 1507 Dauphin St.
For more info, call (334) 450-1839.

Auburn Noon – 1 p.m., Thurs.,
April 15, cluster meeting, Auburn
UU Busch Center.

Birmingham 9 a.m. – 4 p.m.,
Thurs., April 22, U.S. Department
of Justice hearings on Alabama's
compliance with the United
Nations Declaration of Human
Rights, location TBA.

Editorial round-up Did you catch these?

“How does two weeks’ worth of groceries sound? That’s what the great majority of Alabamians stand to gain if the Legislature removes the state’s 4 percent sales tax from food and over-the-counter drugs. . . . Obviously, saving 4 percent on grocery bills over the course of a year means saving 4 percent a year, which is roughly two weeks of that 52-week year. Even journalists can do that math.”

– *The Birmingham News*
March 31, 2010

“In the end, legislators – Democrats and Republicans alike – must view this bill as a slice of humanity, not merely as a piece of legislation. It’s time this bill’s critics do more than offer lip service on the plight of everyday Alabamians.”

– *The Anniston Star*
March 31, 2010

Report

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Vol. 13, No. 3

March 31, 2010

House committee OKs bill

One step closer to untaxing groceries

By *Chris Sanders, policy analyst*

A bill to remove Alabama’s state sales tax on groceries and over-the-counter medicines is one step closer to reality.

The House’s education budget committee voted Wednesday to approve HB 1, which would put money in the pockets of millions of Alabamians without cutting education funding. The bill now moves to the full House.

Action Alert: Urge your state senator and representative to “untax groceries” with HB 1.

The plan would cut taxes for more than 96 percent of Alabamians, the Legislative Fiscal Office (LFO) says. HB 1, sponsored by Rep. John Knight, D-Montgomery, would end the 4 percent state sales tax on groceries and OTC medicines and cap the deduction for federal income taxes for the state’s highest earners. Local sales taxes would be unaffected. The LFO projects the amount of money in the education budget would neither increase nor decrease.

Knight said the plan would cut taxes for most small business owners. He said the bill could close a loophole that lets some multistate business entities that report millions of dollars of income pay no state income taxes to Alabama.

Most Alabamians – couples making up to \$200,000 and singles making up to \$100,000 – would keep their full deduction. Those residents would be guaranteed a tax cut. The bill would eliminate the deduction for couples making \$300,000 or more and singles making \$150,000.

Couples between \$200,000 and \$300,000 and singles between \$100,000 and \$150,000 would keep a partial deduction.

The bill to “untax groceries” would bring Alabama’s tax system more in line with those of its neighbors. Mississippi is the only other state that offers no tax break on groceries. Iowa and Louisiana are the only other states with a full state deduction for federal income taxes.

Time is short for the bill to clear both the House and Senate before lawmakers go home for the year. Just six meeting days will remain in the 2010 regular session after this week. By law, the session must end no later than April 26. HB 1 would take effect in January 2011 if legislators give their OK and state voters approve the plan in November.

Health care reform A leap forward for Alabama

By *Anna Blair, health policy analyst*

After a long, difficult year of debate on health care reform, President Obama last week signed into law the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act. Together, these two laws will expand health care coverage to 31 million currently uninsured Americans through a combination of insurance reforms, mandates, subsidies and cost controls. The

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We see good economic news on the horizon, both from health care reform and from untaxing groceries.

Health care reform means jobs. As you saw in last month's fact sheet, we face a shortage of skilled workers in health care. When health coverage is extended to 642,000 more Alabamians, hundreds of doctors, dentists, nurses and other health care workers will be needed to serve them. We have until 2014 to expand our health care infrastructure and train workers so we can spend the federal dollars coming our way. We hope Alabama will be out of the recession by then, but the recovery may be so gradual that a hiring boost in the health sector really could help.

Untaxing groceries will shift \$405 million into the hands of shoppers.

Starting Jan. 1, more than 4 million people will have a few more dollars in hand, and they'll spend it to meet the needs of their families. A \$400 million boost in the retail economy may mean that your pharmacist has the cashier work more hours, or that you replace that balding tire a bit sooner.

HB 1 may also reduce hoarding.

HB 1 ends a tax break for the top 4 percent, the group that's been holding its cash until its confidence in the stock market returns, and gives an equivalent tax break to people who will circulate that \$400 million through the economy. Some are calling the bill "redistribution of wealth," but we say the wealth was shifted in 1964 when the state started giving this huge tax break to high-income people.

We're putting it back like it was.

High-income people shouldn't get a bigger break than all the vast middle class put together. And what's the outcome for the handful of high earners who would pay more? Even if you make \$1 million a year, your net tax increase will be less than 1 percent of your income. That modest increase is a fair swap for two weeks' worth of free groceries for millions of Alabamians.

With peace,

Thank you for your support!

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Health care reform

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estimated cost of \$848 billion over 10 years would be offset fully by spending cuts and new taxes. The bills would reduce the federal deficit by \$131 billion over the same period, analysts say.

Starting this year, these laws will benefit Alabamians by:

- offering tax credits to up to 47,100 small businesses in the state, enabling them to provide health insurance to their employees;
- preventing insurers from denying coverage of pre-existing conditions for Alabama's 1.1 million children;

- beginning to close the "doughnut hole" for 804,000 Alabama seniors;
- creating a high-risk pool for as many as 80,380 uninsured Alabamians currently denied coverage because they have pre-existing conditions;
- eliminating lifetime and annual insurance benefit limits;
- allowing 445,966 young Alabama adults to stay on their parents' health plans until age 27;
- requiring coverage of preventive care by new plans; and
- implementing processes that allow consumers to appeal insurance plan decisions.

To find out more about the new health care law, visit arisecitizens.org.