



Alabama House member proposes eliminating federal income tax deduction to raise revenue

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By **Bob Lowry, The Huntsville Times**

MONTGOMERY -- With a down economy and layoffs looming in the public sector, state Rep. John Knight today changed his game plan in his long-running effort to remove the state sales tax on food.

This time, he also wants to generate millions in new revenue for the state.

Knight said he would dump his old plan under which a certain level of federal income taxes were allowed as deductions on state income tax returns to finance the elimination of the food tax.

Instead, the Montgomery Democrat told a Statehouse rally by Alabama Arise, a lobby group for Alabama's poor, that he would push for legislation that would totally eliminate the federal income tax deduction.

By doing so, Knight said it would generate \$565 million in new revenue.

Of that amount, a little more than half would be used to make up for lost revenue from the elimination of the sales tax on food and over-the-counter drugs.

About \$240 million would be designated for the Education Trust Fund, with \$160 million going to elementary-secondary education and the rest to higher education.

Knight said the elimination of the federal income tax deduction would cost an Alabama family earning \$35,000 a year about \$58.

He called the current deduction "a windfall for millionaires."

The Alabama House passed a constitutional amendment in 2008 that would have eliminated the state's 4 percent sales tax on food, but the measure died in the Senate. It was based on a cap of federal income tax deductions that did not allow wealthier people to take the deduction.

But Knight said today that times have gotten tougher.

"We are facing some of the leanest times in our state budget we have seen in many, many years," Knight said. "We can't cut our way out of the problems that we face in this state."

Knight said there need to be careful cuts" in state budgets, but they should be based on priorities.

"It's unrealistic to think we can balance a budget without new revenue," he said. "We need selected revenue increases."

Sen. Scott Beason, R-Gardendale, said Republicans favor a phased-in reduction of the sales tax on food, based on growth in the General Fund. Beason said he had sponsored such a bill in the past, but not this session.