



BOB BLALOCK: Untax food in Alabama? No how, no way

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By Bob Blalock -- The Birmingham News

If convincing a Democratic-controlled Legislature to take the state sales tax off food was like a climb up Mount Cheaha, getting the Republicans who now run the show to buy into the plan is akin to scaling Mount Everest.

Without Sherpa guides. Or crampons. Or ropes.

Or oxygen.

"That's where the uphill battle is," Kimble Forrister says in a tiny bit of an understatement. Forrister is state coordinator of Alabama Arise, a lobbying group for the poor.

For many years, state Rep. John Knight, D-Montgomery, has championed a bill that would end the state's 4 percent sales tax on food and pay for it by limiting the federal income-tax deduction allowed on state taxes. He has tinkered with many formulas trying to round up enough votes in the Legislature, always without success.

Each year, even with Democrats firmly in charge, an avalanche of Republican opposition, along with a few Democrats, killed his bill.

This year, Knight's bill would end the federal deduction for everyone, not just wealthier households. Getting rid of the deduction would raise \$565 million, of which about \$325 million would make up for the revenue lost by ending the sales tax on food. The other \$240 million would bolster the Education Trust Fund. (An aside: Where are the alternatives Republicans have offered in previous years, such as giving income tax credits to poor families or removing the 4-cent food tax one cent a year?)

Thursday, the session's 12th day, the Senate passed an austere General Fund budget for 2012 that wipes out funding for tourist attractions and museums, slashes spending at most state agencies except Medicaid and prisons, and requires state workers to pay more for health insurance and retirement benefits. A day earlier, the House's Ways and Means-Education Committee approved a \$5.59 billion education budget, which is more than \$1 billion less than budgeted spending on schools in 2008. The full House is likely to debate the bill this week.

Obviously, if the Legislature is about to approve budgets, there's no interest in generating new revenue through Knight's plan.

"It looks very bleak," Forrister said. "I think that the locomotive is moving too fast, so I think the role of the Knight plan in this context is to pose an alternative vision for people to think about."

It is a vision of tax fairness, and adequacy, that few people in or out of the Legislature seem to want to think about. Instead, many lawmakers, Republicans in particular, continue to argue there's no need for more money for state agencies and schools, no matter how much the recession has gouged tax collections.

Convincing Alabamians otherwise is another trek up Mount Everest. It's easy to see why. Tell them Alabama has the country's lowest state and local taxes per person (it does), and many don't believe you.

But why should they? Lower- and middle-income families in Alabama pay a much higher share of their incomes in state and local taxes than the wealthiest families do -- as much as 2½ times higher, according to the Institute on Taxation & Economic Policy. Is it any wonder so many Alabamians believe their taxes are too high?

Sales taxes, and not just on food, account for much of the unfair burden. But so does allowing the federal income-tax deduction on state taxes. (Alabama is one of just three states that allow a full deduction.) Plus, property taxes are by far the nation's lowest, especially for the largest landholders.

We are now two decades removed from the last large-scale effort to reform the state tax system, which came during Guy Hunt's second term as governor.

After three years of the recession ravaging the state economy -- Alabama's unemployment rate remains higher than 9 percent -- tax relief for poor- and middle-income people ought to be not just a priority, but a moral obligation.

Gov. Robert Bentley admirably has looked to close a few corporate income-tax loopholes, but there is much, much more to do. His Alabama Commission on Improving State Government is supposed to find ways to make state government more efficient, effective and responsive, and that should include the state's tax system. Bentley has said the commission's starting point is to look at old studies. The commission can find the 1991 Report of the Alabama Commission on Tax and Fiscal Policy Reform and the 1992 Report of the Tax Reform Task Force at <http://parca.samford.edu/taxes/taxindex.htm>.

It should be required reading.

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