



OUR VIEW: Only in Alabama: The nation's lowest-tax state reaps the nation's highest amount from its poorest taxpayers

By Birmingham News editorial board

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Alabama stands atop two national rankings. Auburn fans should be upset. But so should fans of the Crimson Tide.

Obviously, we're not talking BCS and AP pre-season college football rankings. Instead, we're talking about two seemingly contradictory rankings of the state's tax system that expose just how screwy it is.

Alabamians pay the nation's lowest state and local taxes per person, according to the U.S. Census Bureau. Yet Alabama families at the poverty level pay the nation's highest income tax bill, according to a yearly report issued Thursday by the Center on Budget and Policy Priorities, a nonprofit research group in Washington, D.C.

How can that be? Kimble Forrister, executive director of the Arise Citizens' Policy Project, explains:

"Alabama may be called a 'low-tax state,' but our taxes aren't low for everyone. Low- and middle-income Alabamians struggle to make ends meet, but compared to others across the country, they pay a high sales tax on groceries, and they pay twice as large a share of their incomes in state and local taxes as the top 1 percent of earners do. Alabama's tax system is upside down and out of step with our neighbors."

Let's start with some data from the CBPP report. The five states that collect the highest state income taxes from a two-parent family of four at the federal poverty line (\$21,947) are: Georgia, in fifth place, at \$218 a year; Montana and Iowa, tied for third, at \$225 a year; No. 2 Hawaii, at \$266 a year; and No. 1 Alabama, at an astounding \$468 a year. That's 76 percent more than the second-highest state.

It's not much better in Alabama for a single-parent family of three at the poverty line (\$17,102). That family must pay \$333 a year in state income taxes, which ranks Alabama No. 1. That's 58 percent higher than No. 2 Hawaii's \$211 a year.

Plus, as Forrister noted, Alabamians pay high sales taxes on groceries compared to people in other states. Alabama is one of just two states (the other is Mississippi) that tax the full amount on food. Other states exempt food, charge a reduced amount or offer tax credits to poor families.

The Legislature in its session that ended last month refused to consider a bill that would have removed the 4 percent state portion of the sales tax. The bill would have paid for the lost revenue by ending for the wealthiest Alabamians the ability to deduct the federal income taxes they pay from their taxable state income.

The high state income tax and full sales tax on food help explain why poor families fare so, well, poorly in Alabama. Families with incomes in the lowest 20 percent (with an average income of \$10,400 a year) pay 10.2 percent of their incomes in state and local taxes, according to the Institute on Taxation and Economic Policy. Yet, those in the top 1 percent of incomes (with an average income of \$1.2 million) pay just 4 percent of their incomes in state and local taxes after the federal deduction. Alabama, Iowa and Louisiana are the only states that grant the federal deduction in full.

The ITEP data show that at least 60 percent of Alabama families pay a higher share of their incomes in taxes than the state average.

Understand, as damning as these data are, Alabama's tax system is the way it is on purpose. Over the years, the Legislature has carved out loopholes and exemptions for special interests in tax law and the state constitution that shelter much of the state's wealth from being taxed and skew the tax system to favor the wealthy over the poor. It's no wonder so many Alabamians can't believe the state has the nation's lowest tax burden, because for them, it

doesn't.

Add it all up, and the No. 1 rankings for Alabama -- the highest income taxes on the poor in the lowest-tax state in the country -- make perfect sense. Alabama really is, as Forrister says, upside down and out of step. Unlike the Crimson Tide's BCS championship, these No. 1 rankings are nothing to celebrate.

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