

# Tax Fairness Amendment: A giant step forward

**Alabama should not tax people deeper into poverty.** A fair tax system will provide adequate funding for the common good, collect revenue according to ability to pay, give exemptions on the necessities of life, and collect funds in a simple, transparent way. The Tax Fairness Amendment, HB 274 and SB 431, will move us forward.

<i>Alabama Taxes Are Not Fair</i>	<b>\$\$\$</b>	<i>Tax Fairness Plan 2008</i>
<p><b>Alabama is one of 2 states with a full sales tax on groceries.</b> To buy \$100 worth of groceries, a Pensacola family pays \$100; a Montgomery family pays \$110 – an extra \$10 week after week, month after month.</p>	<p><b>Return about \$300M to taxpayers</b></p>	<p><b>The Tax Fairness Plan will remove the 4 percent state portion of the grocery tax,</b> leaving Mississippi as the only state with a state tax on groceries with no rebate or lower rate.</p>
<p><b>Alabama is one of 2 states that levy more than \$300 in income tax on a family of four at the poverty line.</b> For a family of four making \$21,201 (the federal poverty line), Alabama’s income tax is \$423.</p>	<p><b>Return about \$100M to taxpayers</b></p>	<p><b>The Tax Fairness Plan will expand the standard deduction to \$11,100</b> in 2009 for all couples and index it to inflation. Middle-income couples now have a standard deduction of only \$4,000 – the same it’s been since 1982.</p>
<p><b>Alabama is one of 2 states where a family of 4 has to pay tax on an income as low as \$12,600 a year.</b> In Mississippi, the income tax threshold is \$19,600; in most states it’s above the poverty line.</p>	<p><b>Return about \$150M to taxpayers</b></p>	<p><b>The Tax Fairness Plan will expand personal exemptions to \$2,200</b> for every person at every income level – a long-overdue update for inflation. It’s more simple and fair to make deductions equal for adults and children.</p>
<p><b>Alabama is one of 3 states that give a full deduction for federal income taxes.</b> Only Alabama, Iowa and Louisiana still offer this deduction. There’s a good reason why most states ended it: <b>It’s unfair.</b> It has become a huge tax break for high-income people. Of the \$550 million we lose to this loophole, 80 percent goes to the richest 20 percent of taxpayers. For those who make more than \$300,000 a year, it lowers state taxes by thousands of dollars. For most of those who make under \$100,000, it lowers state taxes by less than \$100.</p> <p><b>There is a fairer way to structure deductions:</b> expand family-friendly deductions like the standard deduction and the personal exemption.</p>	<p><b>Close a loophole worth about \$550M</b></p>	<p><b>By ending this unfair deduction, we gain about \$550 million to make our tax system fairer,</b> while leaving the education funding stream intact.</p> <ul style="list-style-type: none"> <li>• <b>We can raise the income tax threshold to \$20,000</b> for a family of four in 2009. This won’t just help low-income families. The most basic household income will be exempt from taxes for <i>all</i> Alabamians.</li> <li>• <b>We can slightly improve</b> the balance of who pays taxes in Alabama. This plan will lower overall state taxes by about 1% of income for those at the bottom, lower them slightly for those in the middle and increase them by about 1% of income for those at the top.</li> </ul>