



HOUSE OF REPRESENTATIVES

ALABAMA STATE HOUSE

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MONTGOMERY COUNTY

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FROM THE DESK OF JOHN KNIGHT

It Will Take More than Courage to Eliminate the Food Tax

Alabama and Mississippi have the unfortunate distinction of being the only states in the nation taxing groceries. Working families dividing shrinking wages for rising rent, mortgage, health insurance and fuel costs must strain to keep food on the table. In our state, many must also find a way to carve out more money to pay taxes on that food. This is morally wrong, and clearly unfair.

Alabama has one of the most regressive tax systems in America. Its wealthiest citizens pay the lowest taxes in the nation, while the bottom third of the population ranks closer to top of the tax-burden chart. Central to this travesty is the sales tax on food. Because our property taxes are the lowest in the nation, we rely too heavily, on sales taxes to fund government. As a result, in sluggish economies, cities and counties often raise sales taxes to make ends meet, and in counties, like my own (Montgomery County) people are paying 10 cents on every dollar they spend in sales taxes.

I have sponsored HB116 to remove the state's four percent tax on groceries, a constitutional amendment, which would require a state-wide vote to become law. Since Alabama sales taxes are earmarked for education, exempting food could take \$400 million from cash-strapped schools. We found a way to avoid this loss and create a fairer tax system by changing the way taxpayers deduct their federal income taxes on their state income tax returns.

Alabama is one of only three states that allow a full deduction of federal income taxes (FIT). With my plan, single taxpayers using the FIT deduction with adjusted gross income (AGI) less than \$75,000 can continue to fully use this deduction. Some deductions are even allowed up to \$200,000. Married couples filing jointly with AGI less than \$200,000 can deduct 100 percent of the FIT paid. Some FIT deduction is also allowed on income up to \$400,000.

Reducing the sales tax on groceries will save money for all taxpayers. The non-partisan Legislative Fiscal Office estimates that even with a new FIT scale, with the money saved in the

checkout line, at least 92 percent of Alabamians will receive a tax cut. Unfortunately, in the past two weeks, three party-line votes have prevented voters from deciding this issue.

Last week, I conducted an exercise that was sobering to say the least. Like many families across this state, I attempted to use a \$50 budget at a local store to purchase groceries for the week. \$5 had to be reserved to pay taxes, so \$45 would have to buy food for seven days. Relying on coupons and sales, the basket had little more than one chicken, canned vegetables, a frozen meal, milk, rice, potatoes, bread and lunchmeat. There was no money for fresh vegetables and barely enough for a bag of apples.

My grocery cart was rolled onto the floor of the House after days of defeat and focus on businesses, deductions and LLCs. While it was dismissed by some members and reporters as a prop, it was a reminder of what this fight is all about – FOOD – sustenance for working men and women and nourishment to fill the bellies of their children.

I challenge the members of our Republican Caucus, who contend that a savings plan for 92% of our citizenry is an unfair tax increase, to head to their local grocers this week with \$50 for groceries; then, come back and vote against this bill. I dare the 44 to feed their families with only canned vegetables and cheap meat, and dismiss potential savings as insignificant by distorting the issue to save millions of dollars for creative tycoons, those most able, but least willing to pay their fair share.

Because that's what this is really about. It's why they remain unwilling to compromise. Of the few who would pay more, most are wealthy businesses playing a shell game, not individuals. Why else would expensive corporate lobbyists line the State House to defeat the bill? Are they really that concerned about you and I, or are they interested in preserving a loophole that loses billions of dollars in state revenue?

Did you know that a man with a wife, two children and a registered company doing \$500,000 worth of combined business in Alabama, Georgia and Florida can wholly deduct federal income taxes paid on half-a-million dollars of revenue on his individual income tax return in the state of Alabama, though he has only done one-third of his business here? Using the FIT loophole, that taxpayer would not pay one single penny in income tax to the state of Alabama. Imagine how those savings translate for the heads of companies making millions.

At a time when our nation has been crippled by growing greed and materialism, forty-four stood in solidarity against 92 percent of our state, saying to those who have lost homes, jobs, businesses, financial security, and life and college savings, that they are unimportant. Forty-four stood against a compromise that would have preserved some or all of the state's useful FIT deduction for folks making up to \$1.2 million in combined income in a transparent mask of support for "small" business. Forty-four stood against the rights of Alabamians to vote on this most important issue.

But as those 44 stood, I too, will stand. I stand ready and willing to come back to the table, to do whatever it takes to fight for people and eliminate this most immoral of taxes. This clash of big business versus big dreams is not about the cowardice of a few, but compassion for many.

State Representative John Knight is a democrat, representing House District 77 - Montgomery County. He hosts a site at www.alabamafoodtax.com to share the facts of his plan.