

National study finds Alabama's poorest pay more income tax than poor of other states

By [The Associated Press](#)

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MONTGOMERY -- A [national study](#) released Wednesday showed Alabama makes families living in poverty pay higher income taxes than any other state.

The study by the [Center on Budget and Policy Priorities](#) comes a few days after a U.S. Census [report showed Alabama residents and businesses overall pay less](#) in state and local taxes than their counterparts in any other state.

In the 2007 fiscal year, the average of state and local taxes collected per person in Alabama was \$2,909. Mississippi finished 49th at \$2,989. The national median was \$4,011.

That doesn't mean everyone in Alabama is enjoying low taxes.

"At the lowest incomes, we have some of the highest taxes in the nation because our system is upside down," said Chris Sanders, policy analyst for the Arise Citizens' Policy Project in Montgomery, which is funded by churches and other groups to speak out on behalf of Alabama's poor.

The nonpartisan Center on Budget and Policy Priorities in Washington publishes a report each year on how states rank in levying income taxes on the working poor.

Based on 2008 figures, the new report said a family of three earning at the federal poverty level of \$17,165 will pay \$333 in Alabama, which is the highest tax rate in the country.

The study said an Alabama family of four earning at the federal poverty line of \$22,017 will pay \$483, which is also the highest tax rate in the country.

For many years, Alabama had the lowest threshold for taxing the working poor. Changes enacted for 2007 dropped Alabama to third in the center's rankings. But the report showed Alabama is back to No. 1 in some categories and on the verge of being tops in other categories because other states have been reducing their taxes on the working poor.

The study said the level where a single-parent family of three starts paying Alabama's income tax is \$9,800, the lowest threshold in the country.

A two-parent family of four begins paying state income tax at \$12,600. Only Montana is lower at \$12,200. Montana's rate is adjusted for inflation, while Alabama's is not. That means Alabama will soon move back to No. 1, Sanders said.

Alabama is one of 16 states that levies a state income tax on a family of four making below the federal poverty line.

The study's author, Phil Oliff, said taxing the working poor undermines their efforts to work their way out of poverty. "It is especially harmful in the current recession, when people are already struggling just to get by," he said.

Sanders said that when the Legislature meets in January, Arise will again work with state Rep. John Knight, D-Montgomery, to try to pass legislation that would raise the threshold where Alabama families start paying an income tax and remove the state sales tax on food.

The bill enjoyed widespread support among Democrats in the spring legislative session, but Republicans succeeded in blocking it. They opposed a portion of the bill that would have recouped the money lost from the tax cuts by raising the state income tax on higher income Alabamians.