

Alabama no longer worst in taxing working poor families

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MONTGOMERY, Ala. (AP) — A tax break approved by the Legislature means Alabama is no longer the worst state in the nation when it comes to levying state income taxes on working poor families.

It's just next to worst. That's because Alabama was not alone in enacting income tax cuts to help the working poor.

A study released Tuesday by the Center on Budget and Policy Priorities said that with the new changes, Alabama stands second to Montana in having the lowest income tax threshold for both a single-parent family of three and a two-parent family of four.

Study author Jason Levitis said it's heartening to see that Alabama has taken action to get out of the worst spot that it held for many years, but it's clear further action is needed.

Republican Gov. Bob Riley agrees and is asking the Legislature to enact more tax cuts. "We made a lot of progress, but this is something we need to keep pushing," Riley said Tuesday.

At Riley's urging, the Legislature voted in April to raise the income tax threshold for the working poor. Phased-in tax cuts that started taking effect Jan. 1 will raise the level at which a single-parent family of three starts paying state income tax from \$4,600 to \$9,800. For a two-parent family of four, it will go from \$4,600 to \$12,500.

According to the center's study, Montana will now have the lowest threshold: \$9,300 for a family of three and \$11,300 for a family of four.

Besides Alabama, eight other states provided tax cuts for 2007 to help the working poor. Six of those — Arkansas, Hawaii, Michigan, Oklahoma, Oregon and West Virginia — were low-ranking states like Alabama.

Levitis said good economic times for most states made it easier to enact changes. Also, he said helping the working poor move toward the middle class is an issue that cuts across party lines.

Even with the change, Alabama will still be one of 15 states taxing families of four below the federal poverty line, which is \$20,615.

Riley is asking the Legislature to increase the threshold for a family of four to \$15,000 over four years and increase the personal exemption, dependent exemption and standard deduction for households with incomes of \$100,000 or less. Based on the center's study, that would put Alabama in a tie with fourth-place Indiana.

Some legislators have objected to further cuts because state income tax payments support public education. But Riley said the time is right because a strong economy is producing record income tax collections.

"These are the times we have to look at these changes," he said.

Kimble Forrister, executive director of the Alabama Arise Citizens' Policy Project, said the first tax cut was a good first step, but "we must maintain our momentum toward tax fairness."

Forrister's group, which is funded by religious and community groups, lobbies the Legislature on behalf of Alabama's poor and helped win legislative approval of the new thresholds.

Forrister said he expects other tax cut plans to be presented in the current session of the Legislature, including one lifting the threshold beyond \$15,000 in one year.