An Open Letter to Alabama’s Political Leaders: Only Real Tax Reform Can Save Our Children

By Susan Pace Hamill

The numerous studies showing how Alabama’s state and local tax structure unfairly burdens the poor and the fact that we are facing the most serious fiscal crisis since the Great Depression compels you to take action. Biblically based Judeo-Christian ethical principles, which most of you have adopted, hold you, as our political leaders, to the highest level of accountability to eliminate this injustice poisoning our state.

Instead of settling for a quick fix solution, you must remedy the inequities embedded in the tax structure. Only real tax reform can produce a fair system based on ability to pay that empowers the state and local areas to adequately fund vital services such as the public schools. And only real tax reform can close the enormous gap between the standards of justice that our faith requires and the oppression currently plaguing our state.

Real tax reform must be done in a careful and systematic way. First you must determine both the minimum standards of basic health, education and welfare that all Alabamians should have and the cost of these standards. For example, the public schools have told us that they need $1.6 billion of new revenues and I believe them. Almost ninety percent of Alabama’s public schools have grossly inadequate funding, which denies our children a minimum opportunity to better their situation.

Real tax reform must be revenue positive and ensure that the revenues are spent in an efficient manner. Blaming our chronic shortage of revenues solely on waste wrongfully caters to the self serving interests of powerful lobby groups.

Real tax reform must reduce the heavy tax burden currently imposed on low income Alabamians, which requires Alabamians at higher income levels and those owning property of significant value to pay more taxes. Making unqualified statements against higher taxes or supporting super majority thresholds to enact tax legislation wrongfully panders to powerful special interest groups, who are misleading the poor into believing that tax reform means higher taxes for them.

Real tax reform must principally focus on the three most important sources of revenue for state and local finance, the income, sales and property tax structures.

Real tax reform must raise the income tax threshold to exempt Alabamians at or below the poverty level. The income taxes of those with the greatest ability to pay must be increased equitably in a manner that produces positive revenues. Constitutional reform must be part of this because the 1901 Constitution locks in the income tax provisions that favor the wealthy.

Because Alabama’s extremely high sales taxes hit the poor the hardest, real tax reform must limit state and local sales tax rates, ideally to no more than six percent combined, and adopt appropriate exemptions for groceries, clothing, medicine and other basic needs. Real tax reform should also consider imposing sales taxes on services. This can be accomplished under the normal legislative process outside the constitution.
Real tax reform cannot be accomplished without reforming the property tax structure. This will require many property owners to pay more. Because all aspects of the property tax structure are hopelessly entrenched in the 1901 Constitution, real property tax reform is impossible without constitutional reform.

In addition to raising the millage rates, you must also examine the different classes of property and determine the proportionate share of the property tax burden each class of property should pay. Currently, commercial property pays well over fifty percent of Alabama’s property taxes with homes approaching one third.

Timber acres, which cover seventy-one percent of Alabama’s real property and account for substantial profits earned in the state, pay less than two percent of the property taxes, averaging less than one dollar an acre. The minimal property taxes paid by timber is the principal reason that rural parts of the state have no ability to adequately fund their public schools.

When re-drawing the proportions each class of property should pay, many factors must be considered such as the business cycle of the property involved and other taxes borne by the landowner. Nevertheless the evidence clearly shows that timber acres are paying a grossly inadequate share. Real property tax reform must address this inequity and require timber acres as a group to pay a far greater proportion of Alabama’s total property taxes. Merely raising property taxes across the board will magnify the current inequities and still leave the rural area schools grossly underfunded.

Once you have settled on the size of the property tax and what proportional share each class of property should contribute, you then must re-examine the exemptions. Real property tax reform may require greater homestead and similar exemptions for other types of property to ensure that the small homeowner or small landowner is not overtaxed. Current use valuation, which is the mechanism that is largely responsible for the low property taxes on timber and agriculture, should be phased out for large timber landowners.

In addition to a great deal of hard work, real tax reform requires courage to stand up to the special interests selfishly thwarting efforts to produce a fair system. Let me assure you that Alabama’s future depends on your willingness to do just that. The Bible requires political leaders to protect the welfare of our most vulnerable citizens. Because of our unfair and inadequate tax and constitutional structures Alabama’s children, as well as many other needy Alabamians, have suffered for generations. It is your responsibility to remedy this.

Only real tax reform can save our children, the “the least of these”, the most vulnerable and powerless segment of Alabama’s population, who also hold the keys to our future. Until you accomplish real tax reform, Alabama’s children, especially those from poor and lower middle class families, will continue to be denied the adequate education that the moral principles of Judeo-Christian ethics demand that they have. The moral well being of a society is judged on how the powerful treat “the least of these” and Alabama miserably fails this test. As our political leaders you have an awesome responsibility and opportunity to lift the dark cloud of injustice that hangs over our state and get our tax and constitutional structures right.
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