

Alabama's Immoral Tax Structure

A fact sheet made possible by the Ford Foundation

February 4, 2003

by Kwamena Blankson, *Arise policy analyst*

In the spring of 2002, Professor Susan Pace Hamill took a sabbatical from the University of Alabama School of Law to pursue a Masters in Theological Studies at the Beeson Divinity School of Samford University. Her master's thesis used Judeo-Christian ethics to argue that Alabama's tax structure should be reformed.

Because the overwhelming majority of Alabama's citizens and legislators call themselves Christians, Hamill suggests that the principles of Judeo-Christian ethics can provide moral motivation that could make up for what Alabama's tax reform efforts have lacked in political and economic motivation.

An immoral tax structure

Part One of Hamill's thesis sheds light on the major components of Alabama's current tax structure: income, sales, and property taxes.

Alabama's income tax is the most unfair income tax in the nation. It allows both a full deduction for federal income taxes paid and full use of exemptions, thus favoring high income taxpayers while requiring lower-income Alabamians to pay a much higher percentage of their earnings in taxes than upper-income Alabamians pay.

Alabama's sales taxes burden lower-income citizens disproportionately with unreasonably high rates that apply to necessities such as food, clothing, and over-the-counter medicines. The seemingly-reasonable 4% state sales tax is deceptive: Most Alabama counties and cities increase this percentage significantly, making the combined sales taxes averaging 8% among the highest in the nation.

Alabama's property taxes the lowest in the nation are the most unfair taxes imposed in the state.

Not only do they directly favor the wealthy (who tend to own the greatest concentration of valuable property), but they also fail to raise adequate revenues for public schools. In particular, a low 10% assessment ratio for farm and timber, combined with special current use formulas, leaves owners of timber acreage paying less than 2% of all property taxes, even though timber acres make up over 70% of Alabama's land mass. In rural areas where timber acres make up the most significant source of wealth, outrageously low property taxes keep public schools underfunded.

Alabama's tax structure economically oppresses low-income Alabamians and fails to raise sufficient revenues to fund essential services adequately. But do Judeo-Christian ethical principles compel Alabamians to undo the injustices created by such a tax structure? In Part Two of her thesis, Hamill elaborates on the ethical obligation of Christians to exercise their constitutional rights and support comprehensive tax reform.

What do Judeo-Christian ethics say?

Part Two of the thesis begins with two measurements of fairness.

Vertical equity addresses a taxpayer's *ability to pay* a tax, while horizontal equity requires taxpayers with *similar abilities* to pay at similar rates. Alabama's income, sales, and property taxes each fail to measure up when compared to traditional standards of vertical and horizontal equity.

But beyond these Western standards, can we also look to biblical standards that applied to cultures thousands of years ago in lands far away? Perhaps the specific life situations faced by the Bible's original readers are not so different from the contemporary experiences of the 90% of Alabamians who practice Christianity in some form.

The Bible says a lot about how individuals and communities should interact with the poor and powerless among them. The first chapter of Genesis says that human beings are created in God's image. Thus a wrong committed against another person amounts to a wrong committed against God.

This ethic is elaborated further in the code of law established in Exodus, Leviticus, and Deuteronomy. These books echo the general proscription against oppression, but they also list specific actions that are particularly oppressive. For example, creditors are forbidden to take a person's cloak or millstone as collateral or in satisfaction of a debt owed (because the cloak and millstone were necessary for staying warm, feeding one's family, and earning a living).

Similarly, people who held economic power over others were not allowed to charge interest, hold back wages, or sell food at a profit. These examples demonstrate God's intention for the poor and powerless to be protected as well as the need for safety nets to allow them to meet their basic needs and improve their lives. The mandate was that all people should be given at least a minimal opportunity to do more than barely survive.

Centuries later, Jesus declared that he had come to fulfill the Hebrew scriptures. To that end, he reaffirmed the ancient connection between our love for God and our love for other people. Jesus paid special, sustained attention to the plight of the neediest people in society. In the face of systems that cheated and marginalized the poor, he dared to take steps toward a social structure that would put the needy at the top of the social ladder. His ministry prioritized the downtrodden and forgotten of society, empowering them so that they could work to improve their lives.

Jesus' ministry was a living example of ethical standards established generations earlier. Prophets like Isaiah, Amos, and Micah preached of God's displeasure toward those who called themselves the people of God, yet did nothing to change conditions that oppressed the neediest members of society. Jesus brought to these scriptures the real-life relevance of God's compassion: "Whatever you did not do for one of the least of these, you did not do for me."

With these beliefs in mind, Alabamians who profess faith in God should feel compelled *at the very least* to vote for candidates who support tax reforms to redress injustice. But scriptures take the rationale a step further. Jewish and Christian scriptures place greater moral responsibility on those who are privileged with wealth, status, education, or political influence. Like people in biblical times, we also are tempted to serve both God and money. But Jesus radically defied conventional notions of wealth and responsibility, teaching that "from everyone who has been given much, much will be demanded; and from the one who has been entrusted with much, much more will be asked."

Moreover, the moral obligation extends beyond those who have been blessed financially. Judeo-Christian ethical principles also place

great responsibility on the political leaders of the power structures that can cure injustice. Even greater responsibility lies on religious leaders to speak out publicly against attempts to justify current injustices.

Here in Alabama, religion, politics, and economics often mix.

The influential Christian Coalition, which uses theological arguments to steer conservative voters, states that one of its goals is to defend the rights of the poor and marginalized. Ralph Reed, who was the Christian Coalition's longtime spokesman, went so far as to call this a biblical mandate requiring Christians to care for those in need. However, the political positions of this and other faith-based organizations are often inconsistent with these goals. For example, the Christian Coalition endorses flat taxes and sales taxes, which have been proven to benefit upper-income families at the expense of middle- and lower-income families.

So a double-edged sword remains at the necks of the poor: Alabama's tax structure does not raise enough revenue to fund public services that could enhance the quality of life of all Alabamians, and the neediest Alabamians are forced to pay a larger percentage of their incomes in taxes.

Epilogue

Hamill didn't stop with her tax reform thesis. After exploring the moral, political, and economic justifications for tax reform, Hamill took the next logical step: endorsing constitutional reform. She used her tax research as a basis to argue that constitutional reform is a necessary step towards making Alabama's tax structure fair and efficient. The constitution itself harbors many of the tax structure's injustices.

The explicit purpose of Alabama's 1901 constitution was to deprive African-Americans and poor people of political power. (In his opening

speech, convention president John Knox said that the convention had met to establish white supremacy by law.) A hundred years later, the requirement to pass a constitutional amendment any time a county wants to make even minor tax changes obstructs Alabamians' efforts to improve their quality of life, whether they need to raise local school taxes or to repair the imbalanced tax structure statewide.

The success of tax reform and constitutional reform in Alabama rests in the hands of millions of Christians who can either let their faith lead to meaningful action or continue to let their fear accommodate economic and racial injustices that have been ignored for decades. Elevating faith above fear, Hamill has given lower-income Alabamians and their advocates more tools to use in the campaign to make Alabama the sweet home that it claims to be.

A link to Professor Hamill's thesis can be found at <http://www.law.ua.edu/staff/bio/shamill.html>.

"The Least of These: Tax Reform and the Commands of Faith" is a 3-page summary of the article with more than 40 scripture references. You can order free in bulk from Sean Flynt at (205) 726-4197 or saflynt@samford.edu, or print from the PDF file at www.samford.edu/leastofthese/.

This paper may be reproduced in whole or in part, as long as Arise is credited.

Arise Citizens Policy Project

P. O. Box 1188

Montgomery, AL 36101

(334) 832-9060

www.arisecitizens.org