



March 19, 2019

Revenue options for Medicaid expansion

- **Remove the state deduction for federal income taxes (FIT):**
 - ▶ **\$719 million** in new revenue per year
 - ▶ Only two other states offer a full FIT deduction
 - ▶ This money would allow Alabama to achieve multiple goals:
 - Expand Medicaid (cost: **\$168 million** in first year, **\$25 million** per year thereafter)*
 - Remove the state sales tax on groceries (cost: approximately **\$400 million** per year)
 - Secure long-term funding for ALL Kids (cost: **\$38.4 million** for 2020, approximately **\$90 million** for 2021)*

- **Remove the state deduction for FICA payroll taxes:**
 - ▶ **\$261 million** in new revenue per year*
 - ▶ Only one other state offers a full FICA deduction

- **Raise the cigarette tax by \$1 per pack:**
 - ▶ **\$180 million** in new revenue in 2020

- **Other revenue options include:**
 - ▶ Make large landowners pay their fair share of property tax
 - ▶ Tax sugar-sweetened beverages and vaping-related products
 - ▶ Close corporate tax loopholes – for example, enact combined reporting*

** Would require transfer from Education Trust Fund to General Fund*

Bottom line:

Alabama's budget is an expression of our values. Medicaid expansion means healthier families, thriving communities and a stronger economy. Policymakers have a range of options for making this bold investment in a brighter future. Now is the time to choose.