



## Repealing the state's grocery tax

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## Arise envisions an Alabama where...

All people have resources and opportunities to reach their potential to live happy, productive lives, and each successive generation is ensured a secure and healthy future

All government leaders are responsive, inclusive and justice-serving, and the people are engaged in the policy-making process

All people live with concern for the common good and respect for the humanity of every person

# Alabama Arise grocery tax rally 2020 and 2022



State portion of the grocery tax  
= 2 full weeks worth of  
groceries!



Grocery taxes generate nearly  
\$500M/year in state revenue.

UNTAX  
GROCERIES



PROTECT  
PUBLIC  
EDUCATION



The federal income tax deduction is a loophole that benefits middle-upper income taxpayers but costs our state over \$900M/year in revenue for education.

# Grocery Tax Legislation in 2022



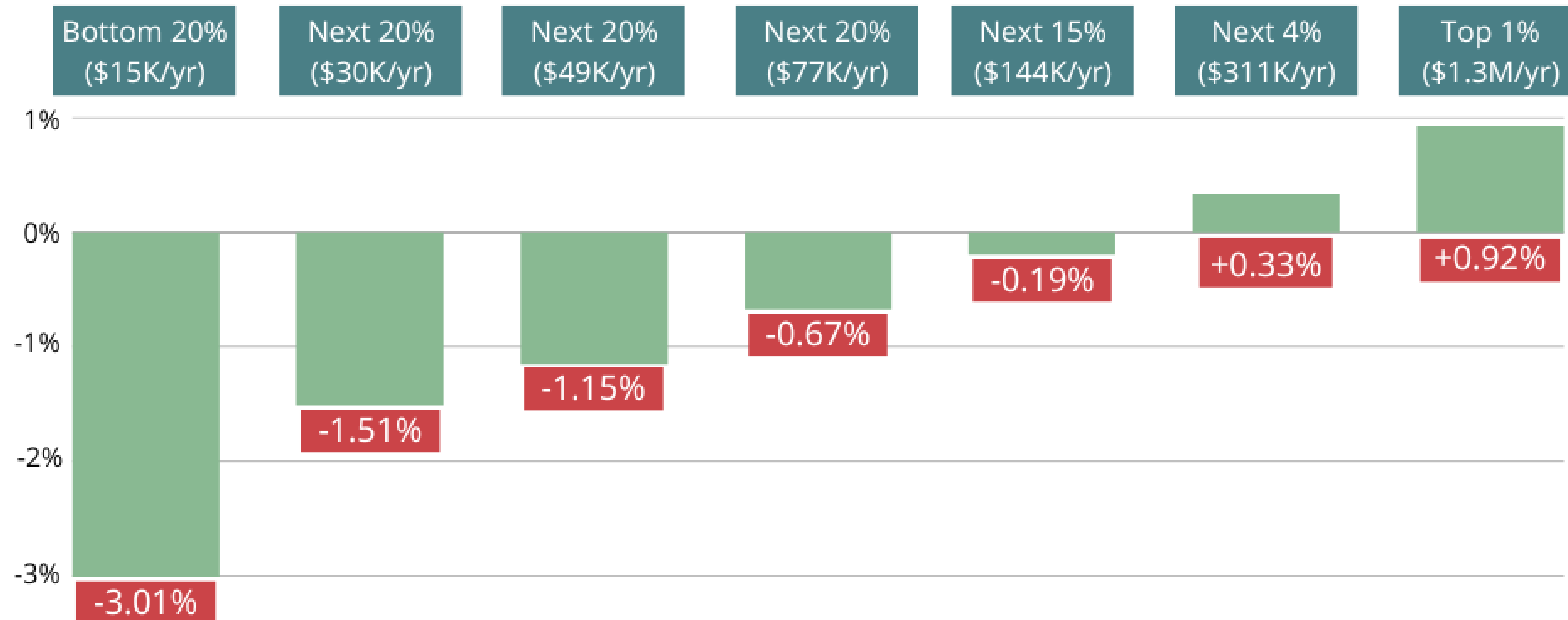
SB 43 (Jones)/HB 173 (Holmes), ended the state grocery tax, protected county revenue and replaced state revenue by capping the federal income tax (FIT) deduction

HB 174 (Holmes), ended the state grocery tax, protected county revenue and did not replace state revenue.

We believe that school funding must be protected, county revenue must be protected, and that bills capping or ending the FIT deduction and protecting county revenue are the most fair way to do it.

# Most Alabamians would get a tax cut under the untax groceries bill

Estimated net tax change as a share of income if Alabama capped its federal income tax (FIT) deduction and eliminated its state sales tax on groceries



Sources: Institute on Taxation and Economy Policy, August 2022; Alabama Arise calculations based on USDA Cost of Food at Home at Three Levels, U.S. Average, May 2022. Grocery tax savings are based on USDA food costs for a family of four with two children ages 4-5 and 9-11 (using low-cost food plan for the bottom 40% of taxpayers, moderate-cost plan for the next 55% of taxpayers and liberal plan for the top 5%). Dollar amounts are the average income in each group. Calculations are based on capping the annual FIT deduction at \$4,000 for single and head of household filers and \$8,000 for married couples.



# Next session...

## Prior bills

- Repealed the state's 4% grocery tax, which costs \$480M/year
- Would cap the FIT deduction, bringing in \$520M annually
  - \$4,000 annually for single, head of household or married filing separately individuals
  - \$8,000 annually for married couples filing jointly

## Proposed new bill

- Repeal the state's 4% grocery tax, including OTC drugs, which would cost \$513M/year
- Would cap the FIT deduction, bringing in \$594M annually
  - \$3,500 annually for single, head of household or married filing separately individuals
  - \$7,000 annually for married couples filing jointly

# If passed, revenue to the ETF would increase

Analysis of SB 43/HB 173 by the Institute on Taxation and Economic Policy concludes that imposing the FIT cap would generate \$595M in new ETF revenue.

# Revenue Increase Would Be Partially Offset By the Tax Cuts:

The Legislative Services Agency estimates that ending the grocery tax would reduce funding to the ETF by \$472M and that ending the tax on over the counter medications would cost \$42M.

# BOTTOM LINE

- Net revenue to the ETF should be around
- These bills protect counties' ability to levy grocery taxes



## Questions?

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