

State Taxes 2005: What Alabama Thinks

- **92% of Alabamians are concerned or very concerned about finding a solution to the State's continuing budget shortfalls.**
- **More than half of Alabamians (58%) believe that the State tax structure is not fair, but only 40% agree that State taxes are too high.**
- **Over sixty percent of Alabamians indicate support for increases in cigarette and tobacco taxes (63% support) as well as beer, wine, and alcohol taxes (74% support). There is also strong support for a state lottery dedicated to education (66% support), and a video gaming tax for education (61% support).**
- **Well over half of Alabamians oppose increasing the sales tax rate (75% oppose), income tax rate (64% oppose), or property tax rate (65% oppose), and the attitudinal profile of Alabamians on this subject has changed only marginally during the past six months.**

(Auburn, May, 2005) The *Ask-Alabama* statewide Spring 2005 public opinion survey points out that nearly all Alabamians favor action to find a solution to the constant revenue shortfalls in the State¹. Most also agree that the Alabama's tax system is not fair, but that the tax burden is not excessively high.

By a margin of three to one, Alabamians express a willingness to increase the tax rate on alcoholic beverages. Taxpayers would also support a lottery dedicated to education as well as increases on tax rates for cigarette and tobacco products by margins of nearly two to one. Opposition is very strong, however, against any increases in the major sources of state revenues, including the state income tax rate, sales tax rate, or property tax rate.

During the last six months, there has been virtually no change in the attitudes of Alabamians on these issues².

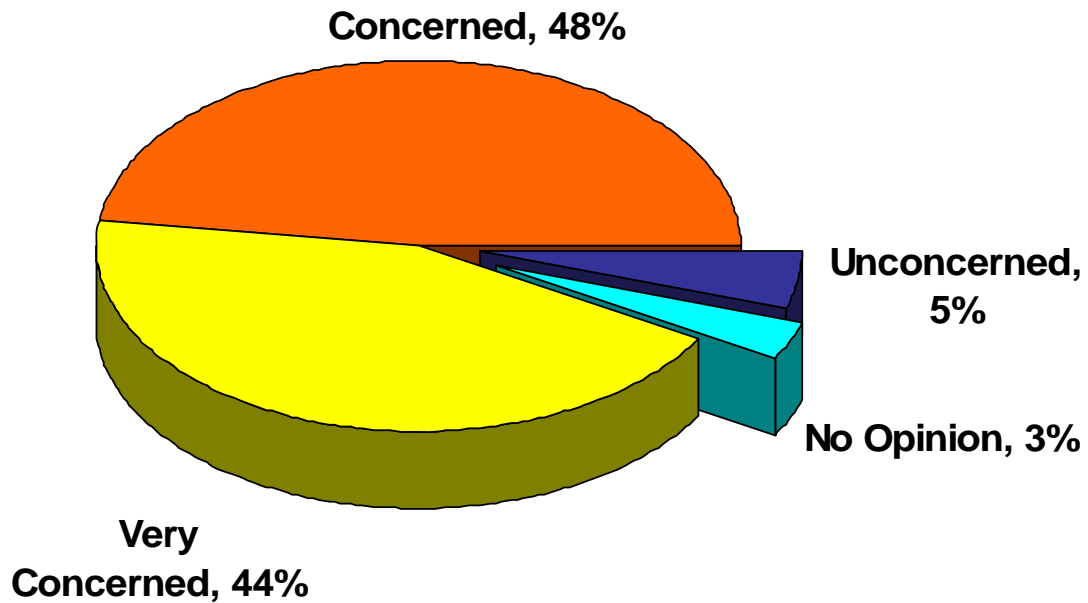
¹ The survey of a random telephone sample of 603 Alabamians was conducted from April 6-18, 2005. The average estimated margin of error is +/- 4%.

² See www.askalabama.org *Enhancing State Revenues: What Alabama Thinks*, Volume 1, Number 5 (November 2004).

Public is Concerned about State Revenues and Tax Structure

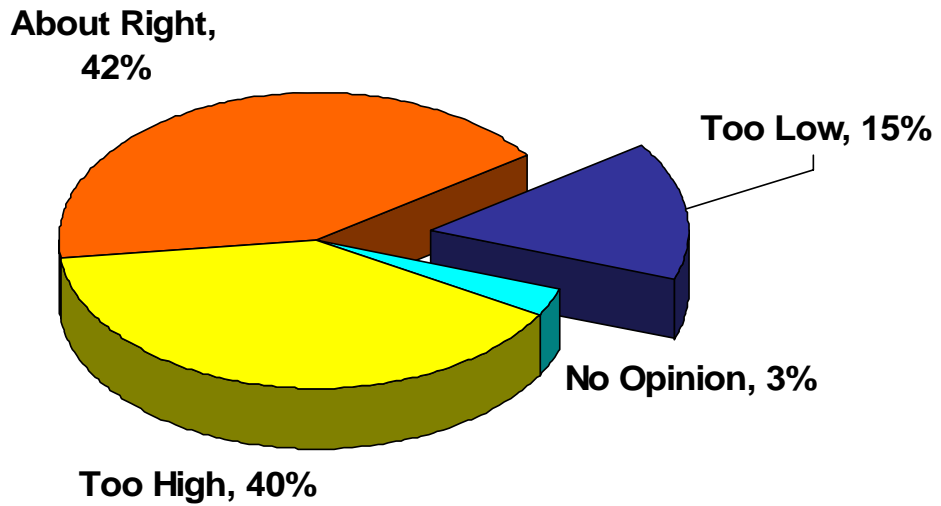
Recurring tax revenue shortfalls are a matter of concern for the vast majority of Alabama's taxpayers. An overwhelming majority of Alabamians (92%) express concern about finding a solution to Alabama's continuing budget shortfalls, and 44% were *very concerned* about this problem. Only 5% were *unconcerned* about this issue. The distribution of responses to this question is essentially unchanged from six months ago.

High Level of Concern about Budget Shortfalls in the State

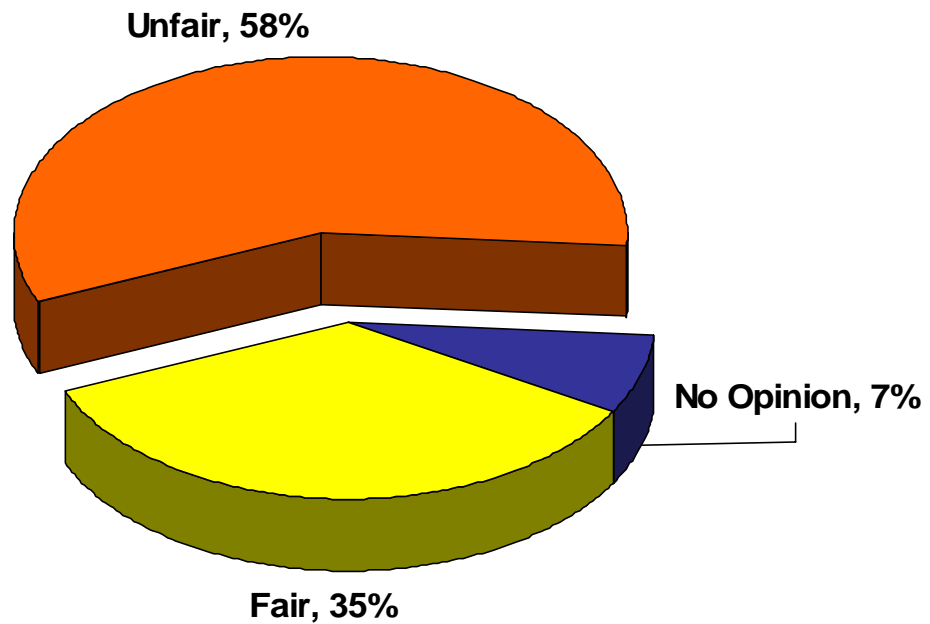


Most Alabamians do not consider their state tax burden to be excessive, but most also perceive that the state tax structure is less than fair. Forty-two percent of the respondents believe that taxes in the State are at *about the right level*, 15% state that taxes are *too low*, and approximately 40% of respondents feel that taxes in Alabama are *too high*. A majority of Alabamians (58%) also believe that the tax structure is not fair to all Alabamians, while 35% believe that the system is fair. Again, the profile of attitudes on these issues has not changed materially during the past six months.

Most Alabamians Perceive the Level of Taxes to be *about Right*



Many Believe the Alabama Tax Structure to be Unfair



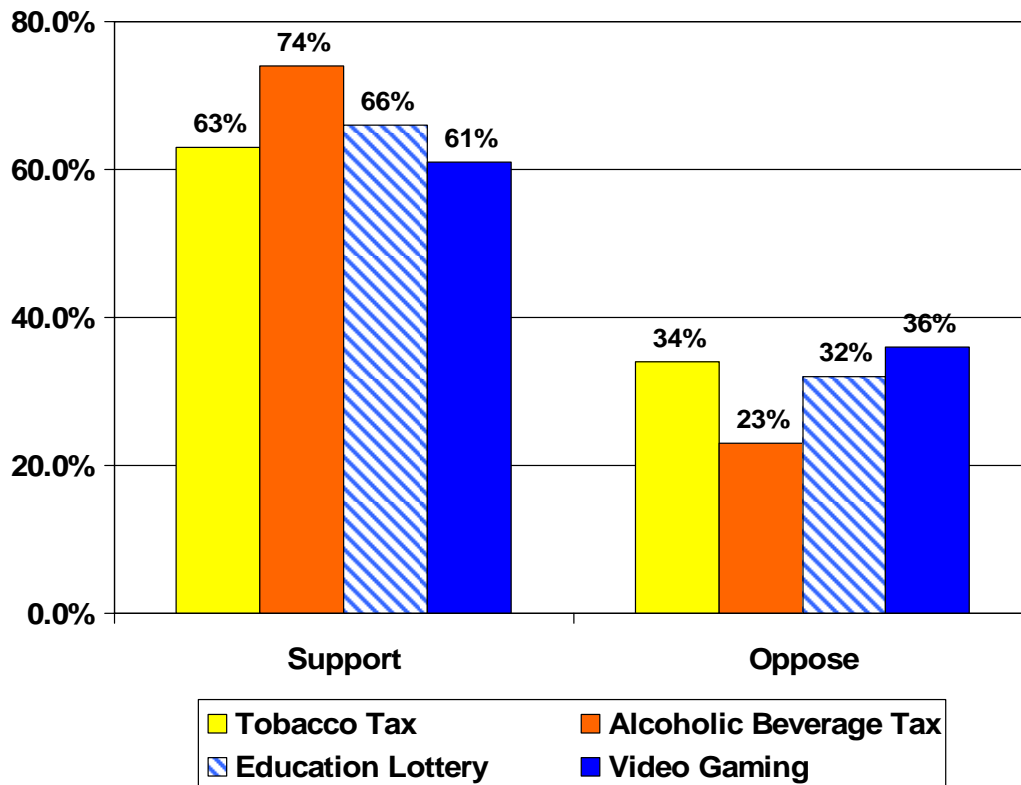
Continued Support for “Sin Taxes” as an Approach to Revenue Enhancement in the State

Survey respondents were not opposed to all attempts to increase revenues within the State. More than 60% of Alabamians support an increase in the taxes levied on cigarettes and tobacco products, and 74% would support an increase of taxes on beer, wine, and hard liquor. Substantial majorities support a lottery (66%) and legalization of video gaming (61%) if the proceeds are restricted to fund education.

The level of *strong support* for raising these “sin taxes” is high. Thirty-two percent *strongly support* increased levies on tobacco products, including cigarettes; and 30% would *strongly support* an increase on the tax on beer, wine, and alcohol products. Thirty-five percent also *strongly support* a lottery to benefit education, and one quarter of the respondents (25%) *strongly support* video gaming with tax revenue earmarked for education. For each of these measures, the level of support runs two to three times as high as the level of opposition.

There is not much strong opposition to these revenue measures. Only 13% *strongly oppose* increases in cigarette and tobacco taxes, 8% *strongly oppose* increases in taxes on alcoholic beverages, 15% *strongly oppose* a lottery, and 14% strongly oppose video gaming legalization.

Support for a Lottery and Video Gaming Tax, and for Increases in the Tobacco and Alcohol Tax Rates



Opposition to Increases in the State's Major Tax Sources

While most Alabamians would support increases in sin taxes and other taxes of choice, they are not supportive of increases in the major sources of revenue that fund state government. By two-to-one margins or more, survey respondents opposed increases in the sales tax rate (75%), increases in the state income tax rate (64%), and property tax rates (65%). Opposition to increases in these major revenue sources has not weakened since 2004.

On the other side of the equation, strong support for increases in these taxes is weak, at best. Only 4% *strongly support* an increase in the sales tax rate, 6% *strongly support* an increase in the income tax rate, and 10% *strongly support* an increase in the property tax rate. It would take a major and coordinated effort to overcome the resistance to changes in those taxes that have a major impact on the State's finances.

Public Opposition to Increases in State Sales, Property, and Income Tax Rates

