

Volume 1, no. 5

Enhancing State Revenues: What Alabama Thinks

- **93% of Alabamians are somewhat or very concerned about finding a solution to the State's continuing budget shortfalls.**
- **More than half of Alabamians (57%) believe that the State tax structure is not fair, but only one-third (34%) agree that State taxes are too high.**
- **Two thirds or more of Alabamians indicate support for increases in cigarette and tobacco taxes (66% support) as well as beer, wine, and alcohol taxes (76% support). There is also strong support for a state lottery dedicated to education (67% support), and a video gaming tax for education (68% support).**
- **Well over half of Alabamians are opposed to an increase in the sales tax rate (71% oppose), increase in the income tax rate (64% oppose), and property tax rate increase (66% oppose).**

(Auburn, November 10) The *Ask-Alabama* statewide fall 2004 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.

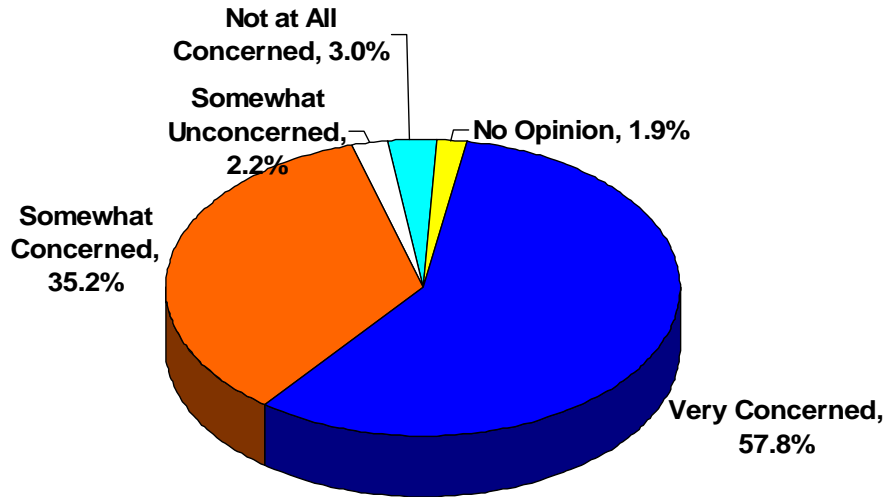
By margins of more than two to one, taxpayers would support increases on tax rates for cigarette and tobacco products, as well as alcoholic beverages. By similar margins, Alabamians favor the adoption of a lottery and video gaming if the proceeds are dedicated to education funding. There is very strong opposition, however, to increases in the major sources of state revenue, including the state income tax rate, sales tax rate, or property tax rate.

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. Nearly all Alabamians (93%) express some concern about finding a solution to Alabama's continuing budget shortfalls, and 58% expressed strong concern about this problem. Only 3% were not at all concerned about this issue.

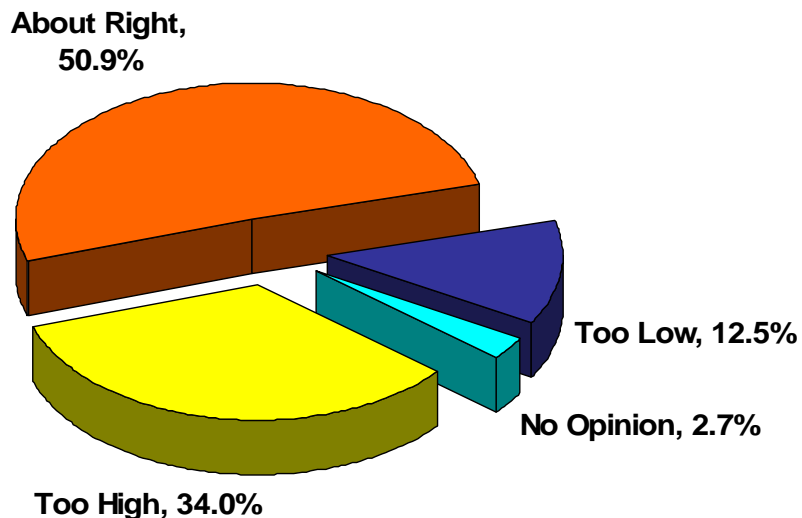
¹ The survey of a random telephone sample of 1,018 Alabamians was conducted from October 12-27, 2004. The average estimated margin of error is less than +/- 3%.

High Level of Concern about Budget Shortfalls in the State

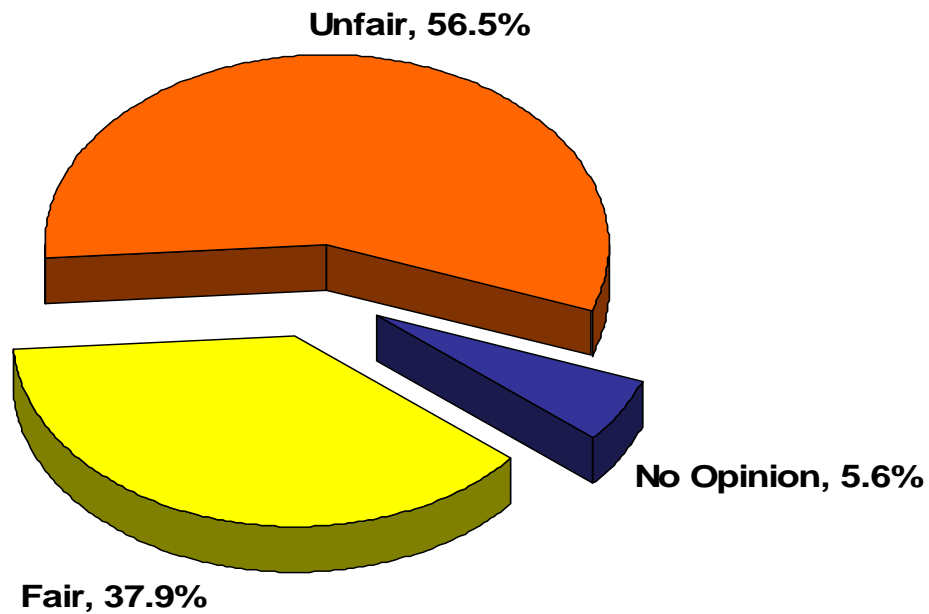


Most Alabamians do not consider their state tax burden to be excessive, but most also perceive that the state tax structure is less than fair. Over half of the respondents (51%) believe that taxes in the State are at *about the right level*, 13% state that taxes are *too low*, and approximately one third (34%) of respondents feel that taxes in Alabama are *too high*. More than a majority of Alabamians (57%) also believe that the tax structure is not fair to all Alabamians, while 38% believe that the system is fair.

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



Many Believe the Alabama Tax Structure to be Unfair

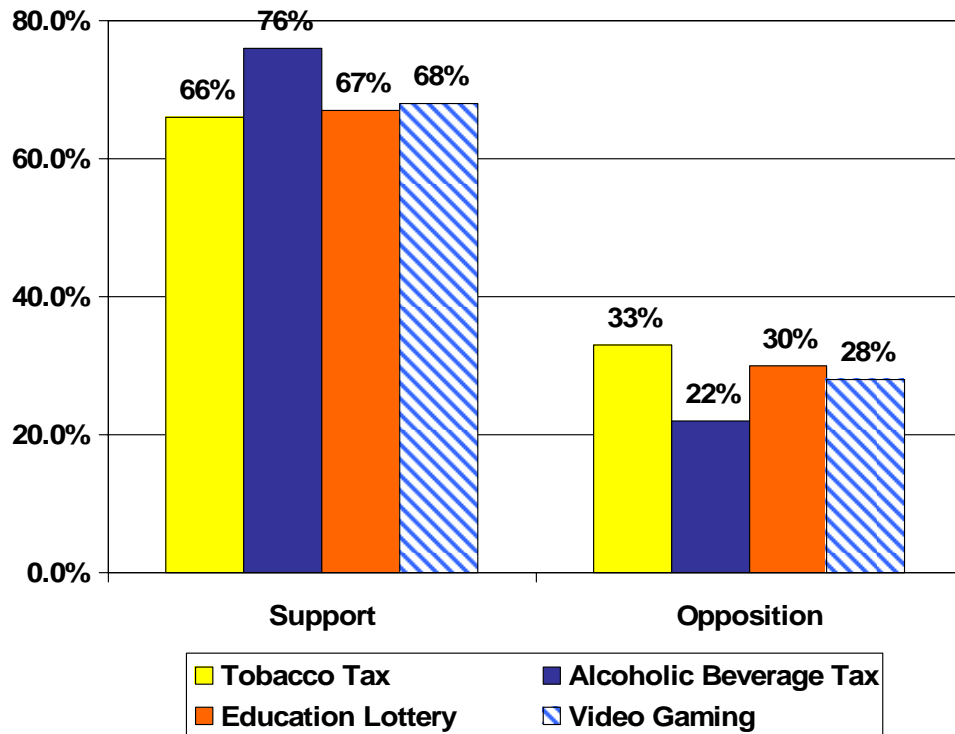


Support for “Sin Taxes” as an Approach to Revenue Enhancement

Survey respondents were not opposed to all attempts to increase revenues within the State. Approximately two-thirds of Alabamians support an increase in the taxes levied on cigarettes and tobacco products, as well as on beer, wine, and hard liquor. Similar percentages support a lottery and legalization of video gaming if the proceeds are used to benefit education. Nearly half of the sample (49%) *strongly support* increased levies on tobacco products, including cigarettes; and over half (55%) *strongly support* an increase on the tax on beer, wine, and alcohol products. Many (54%) also *strongly support* a lottery to benefit education, and nearly half (48%) *strongly support* video gaming with tax revenue earmarked for education. For each of these measures, the level of support is at least twice as high as the level of opposition.

The level of strong opposition to these measures is relatively weak, with 23% strongly opposing increases in cigarette and tobacco taxes, 14% strongly opposing increases in taxes on alcoholic beverages, 24% strongly opposing a lottery, and 19% strongly opposing video gaming legalization.

Support for Increases in Tobacco and Alcohol Taxes and Support for a Lottery, and Video Gaming



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 (71%), increases in the state income tax rate (64%), and property tax rates (66%).

On the other side of the equation, strong support for increases in these taxes is anemic, at best. Only 8% *strongly support* an increase in the sales tax rate, 13% *strongly support* an increase in the income tax rate, and 12% *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

