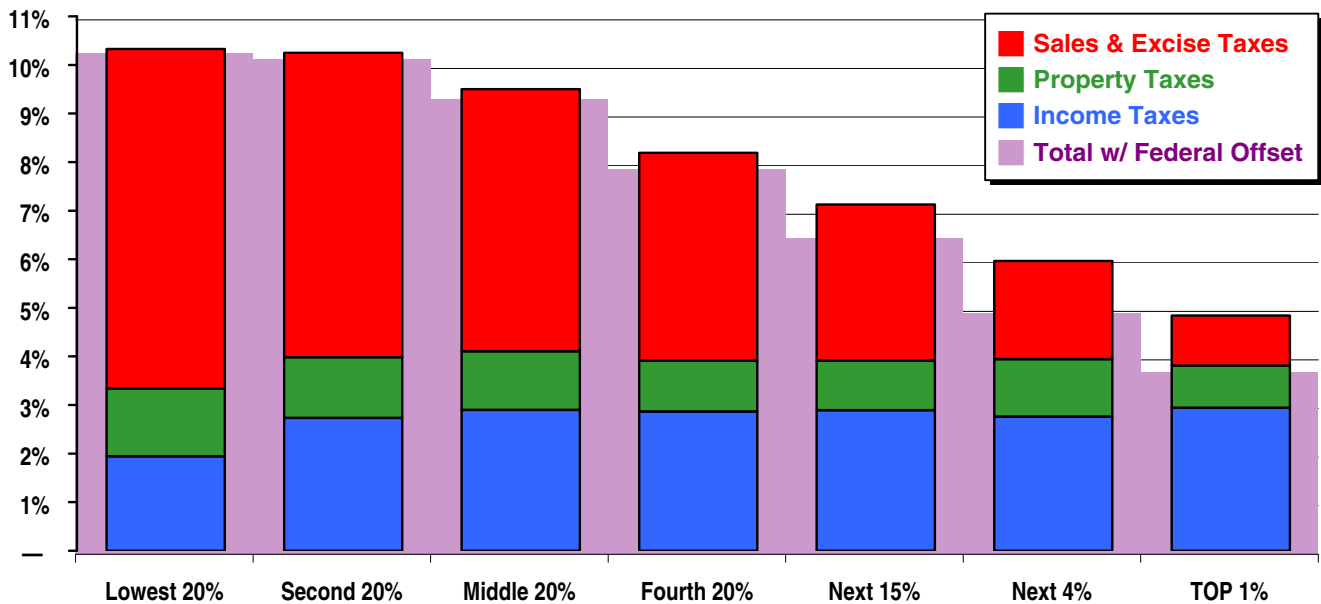


Alabama

State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$13,000	\$13,000 – \$21,000	\$21,000 – \$36,000	\$36,000 – \$58,000	\$58,000 – \$108,000	\$108,000 – \$229,000	\$229,000 or more
Average Income in Group	\$8,300	\$16,800	\$27,600	\$46,000	\$76,400	\$146,400	\$682,300
Sales & Excise Taxes	7.0%	6.3%	5.4%	4.3%	3.2%	2.0%	1.0%
General Sales—Individuals	3.9%	3.5%	3.1%	2.6%	2.0%	1.3%	0.6%
Other Sales & Excise—Ind.	1.7%	1.4%	1.2%	0.9%	0.6%	0.4%	0.2%
Sales & Excise on Business	1.4%	1.3%	1.1%	0.8%	0.6%	0.4%	0.2%
Property Taxes	1.4%	1.2%	1.2%	1.0%	1.0%	1.2%	0.9%
Property Taxes on Families	1.4%	1.2%	1.2%	1.0%	0.9%	1.0%	0.4%
Other Property Taxes	0.0%	0.0%	0.0%	0.1%	0.1%	0.2%	0.4%
Income Taxes	1.9%	2.7%	2.9%	2.9%	2.9%	2.8%	2.9%
Personal Income Tax	1.9%	2.7%	2.9%	2.8%	2.9%	2.7%	2.7%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
TOTAL TAXES	10.3%	10.2%	9.5%	8.2%	7.1%	6.0%	4.8%
Federal Deduction Offset	-0.0%	-0.0%	-0.1%	-0.3%	-0.6%	-1.0%	-1.1%
TOTAL AFTER OFFSET	10.3%	10.2%	9.4%	7.9%	6.5%	5.0%	3.7%

Note: Table shows 2002 tax law at 2000 income levels.

Alabama Details

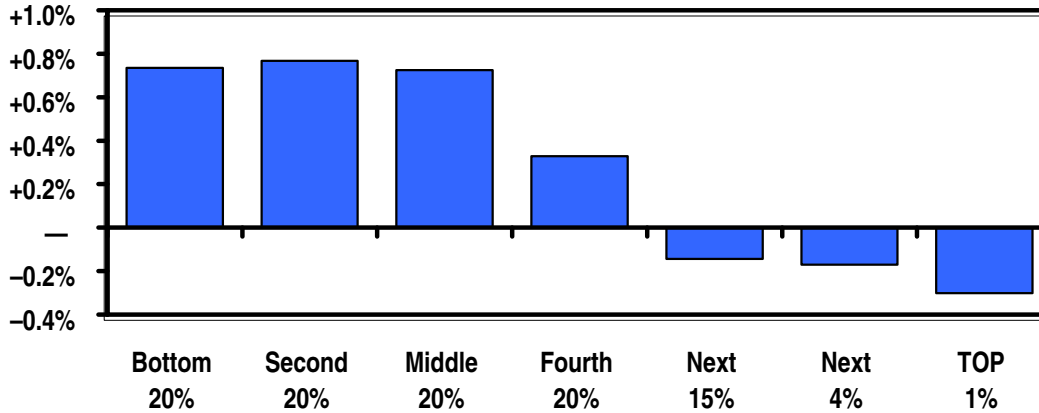
Progressive Features

- ✓ Property tax homestead exemption

Regressive Features

- ✗ Virtually flat-rate income tax
- ✗ Income tax not indexed for inflation
- ✗ Sales tax base includes groceries
- ✗ Income tax deduction for federal taxes paid

Changes in Tax as Share of Income, 1989 - 2002

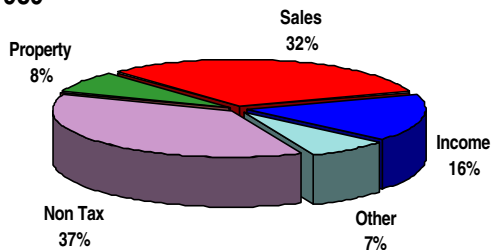


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Sales & Excise	-0.2%	-0.1%	-0.0%	-0.0%	-0.0%	-0.0%	-0.0%
Property	+0.2%	+0.3%	+0.3%	+0.3%	+0.1%	+0.1%	-0.0%
Income	+0.7%	+0.6%	+0.5%	+0.1%	-0.1%	-0.2%	-0.1%
Federal Offset	-0.0%	-0.0%	-0.1%	-0.1%	-0.1%	-0.1%	-0.2%
Overall Change	+0.7%	+0.8%	+0.7%	+0.3%	-0.1%	-0.2%	-0.3%

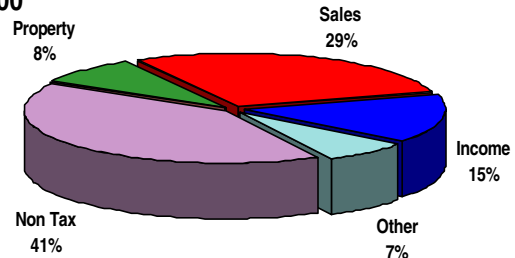
Alabama lawmakers have enacted very few tax changes since 1989. However, this inaction has resulted in substantial and regressive income tax hikes due to the lack of indexation of income tax parameters and smaller-scale reductions in excise tax burdens. Alabama's income tax, already one of the least progressive in the nation in 1989, is now one of the few personal income taxes that is actually regressive in its treatment of wealthier taxpayers. A steady increase in local sales tax rates has also occurred since 1989.

Composition of Revenues

1989



2000



Source: Government Finances, US Department of Census