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Alabama's Tax Burden

State Tax Revenues

Tax collections per resident by the State of Alabama were among the lowest in the nation in Fiscal Year 1997. According to data recently released by the Census Bureau, state tax revenues totaled \$5.48 billion, or \$1,269.78 for each man, woman, or child in Alabama. This compares to an average of \$1,660.36 for the United States as a whole. Alabama ranked 46th on state taxes paid per person, ahead of only New Hampshire, South Dakota, Texas, and Tennessee. State taxes were highest in Alaska and Hawaii, and among the contiguous states, in Connecticut, Minnesota, and Delaware.

Across the nation, an average of 33.7 percent of state tax revenues came from general sales taxes in FY 1997, with 32.7 percent from individual income taxes. The other primary state revenue sources were selective sales taxes on items, including alcoholic beverages, insurance premiums, motor fuels, public utilities, and tobacco, generating 15.5 percent of revenues nationwide.

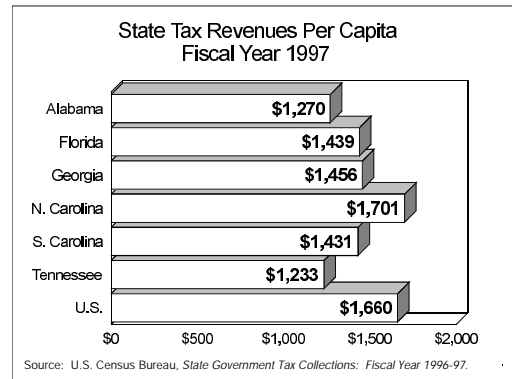
Alabama's tax structure differs substantially from that of the average state. Individual income taxes brought in 30.8 percent of state tax revenues in FY 1997. At \$390.74 per capita, Alabama's income tax burden ranked 38th, higher than five states that tax income (Arizona, Louisiana, Mississippi, North Dakota, and Tennessee) and seven states with no state income tax. General sales tax revenues to the state amounted to 27.4 percent of total tax revenues, for an average of \$348.63 per person, higher only than Vermont and

Virginia among states that tax general sales. Five states do not have a general sales tax.

The primary difference in Alabama's state tax structure falls in the selective sales tax category, where Alabama generates 24.8 percent of its revenue compared to 15.5 percent for the average state. Public utilities sales taxes are especially high, with the average Alabamian paying \$95.87 in FY 1997 compared to the average across all states of \$32.22. Only residents of Hawaii, New Jersey, and West Virginia paid more. Sales taxes on alcoholic beverages brought in \$27.09 per capita compared to an average of \$13.77 nationwide, while taxes on tobacco products amounted to an average of \$16.18 in Alabama compared to \$27.89 for all states. Taxes on insurance premiums and motor fuels were slightly above average.

Total Tax Revenues

Of course, state tax revenues do not tell the whole story of the tax burden. Federal taxes are the largest share of the cost, while there are local tax revenues from sources such as property taxes and the local portion of the general sales tax. Recent data from the Tax Foundation provide an estimate of tax burdens across states. Total taxes in Alabama (federal, state, and local) for Fiscal Year 1998 averaged an estimated \$7,468 per person, compared to the U.S. average of \$9,881. Of this total, \$5,322 was paid in federal taxes and \$2,146 as state and local taxes. Total taxes took up 32.9 percent of the



income of the average Alabama resident, compared to 35.4 percent across all states.

At 9.5 percent of income in FY 1998, the state and local burden brought Alabama a 46th place ranking. Only residents of Alaska, New Hampshire, Tennessee, and Wyoming spent a smaller percentage of income in the form of state and local taxes. State and local taxes cost the average American 11.4 percent of their income in FY 1998.

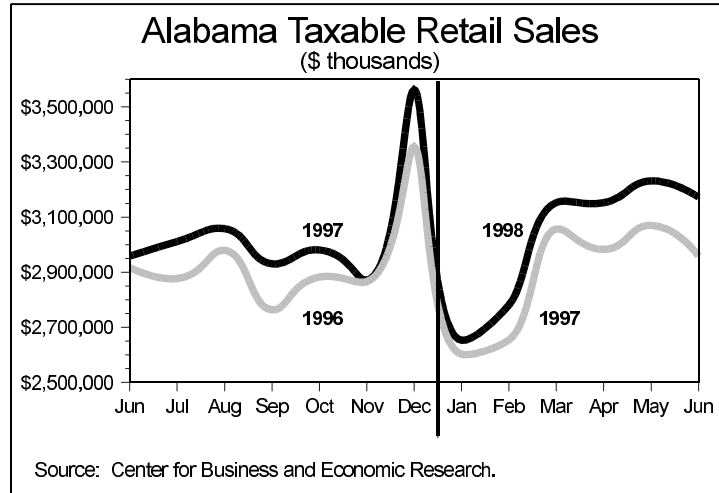
However, Alabama's federal tax burden was close to average, amounting to an estimated 23.5 percent of per capita income in FY 1998, compared to the national average of 24.0 percent. The state ranked 39th in federal tax burden in FY 1997. An estimated increase in federal taxes paid by the average Alabamian of 3.5 percent from 1997 to 1998, compared to a 3.1 percent increase for the United States as a whole, would drop the state's ranking to 38th in FY 1998.

Carolyn Trent

Alabama Taxable Retail Sales

Alabama merchants reported \$3.23 billion in retail sales for May 1998, a healthy 5.3 percent above the May 1997 total. The general merchandise sector continued to show strong gains, with May 1998 sales 12.0 percent higher than a year ago. Automotive sales were up 8.9 percent, while apparel sales were 7.0 percent higher, and lumber and hardware sales climbed 7.8 percent. Sales gains for May 1998 compared to May 1997 were above the 5.3 percent state average in the Anniston, Decatur, and Tuscaloosa MSAs.

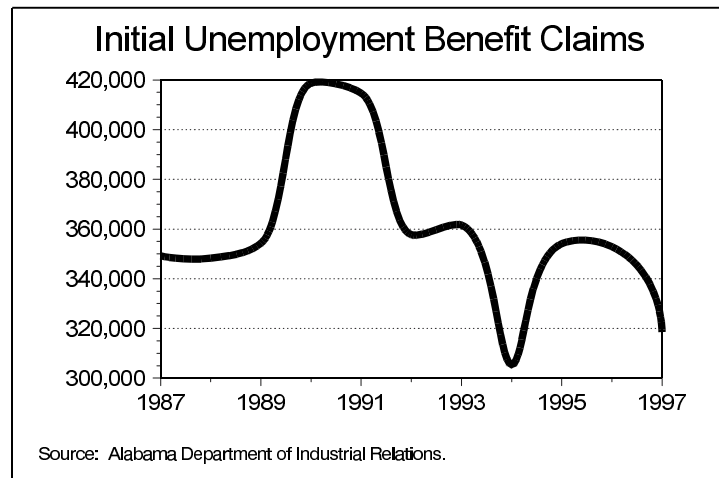
1997		(\$ thousands)
June	2,958,682	
July	3,011,498	
August	3,057,995	
September	2,930,596	
October	2,980,968	
November	2,871,101	
December	3,562,033	
1998		
January	2,652,893	
February	2,781,350	
March	3,153,011	
April	3,152,135	
May	3,231,558	
June	3,171,857	



Initial Unemployment Benefit Claims

First-time claims for unemployment benefits in Alabama totaled 318,540 in 1997, almost ten percent below 1996 claims and the second lowest number for the decade. However, the first six months of 1998 saw 168,969 initial claims filed, slightly above the number filed during the first six months of 1997. Continuing layoffs in Alabama's textiles and apparel industries contributed to the number of claims.

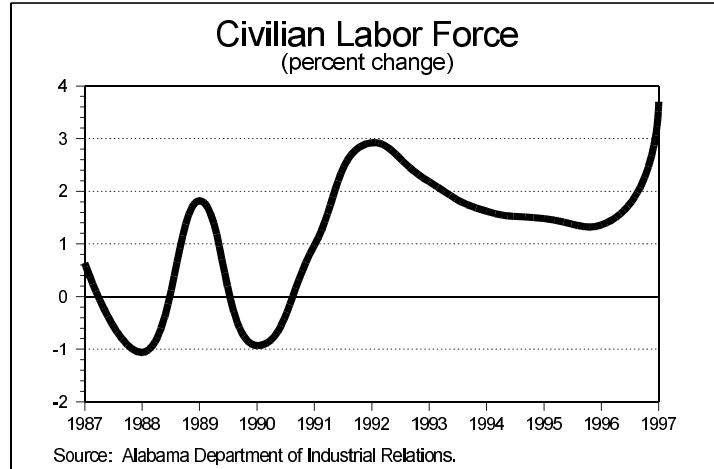
1997		
June	22,444	
July	40,279	
August	18,169	
September	19,243	
October	20,354	
November	17,611	
December	34,996	
1998		
January	63,890	
February	20,567	
March	20,846	
April	21,172	
May	20,091	
June	22,403	



Civilian Labor Force

From 1996 to 1997, Alabama's civilian labor force posted the strongest growth of the decade, increasing by an average of 77,474 workers, or 3.7 percent. On average 2,174,200 Alabamians 16 years or older were working or looking for work in 1997. Unemployment averaged 5.1 percent for 1997, with many areas experiencing substantially lower rates. A tight labor market and slower economic growth are constraining the state's labor force in 1998. Alabama's civilian labor force averaged 2,140,317 for the first six months of 1998, over 30,000 below the same period in 1997.

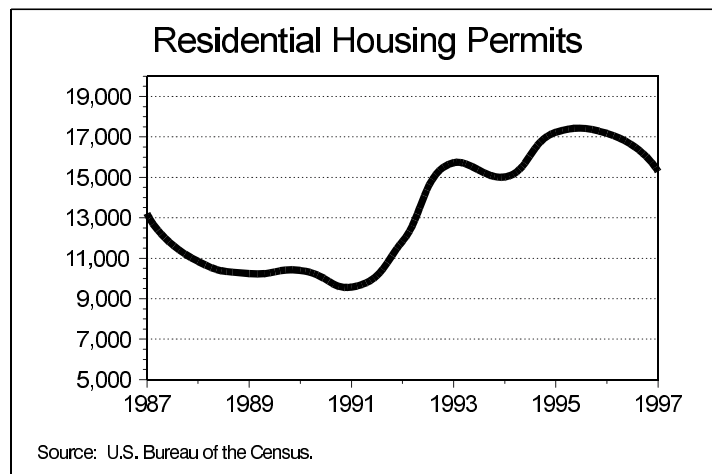
1997	
June	2,187,700
July	2,189,700
August	2,182,200
September	2,178,100
October	2,172,700
November	2,164,600
December	2,154,100
1998	
January	2,128,400
February	2,132,100
March	2,134,400
April	2,134,300
May	2,139,500
June	2,173,200



Residential Housing Permits

Permits for new residential housing construction in Alabama picked up steam in the first six months of 1998, with the total of 8,455 permits 19.7 percent above the 7,063 permits issued in the first six months of 1997. The annual total of 15,283 for 1997 was down 11.0 percent from the 1996 tally of 17,174. Note that while this series allows an analysis of permitting trends, it does not measure total housing starts across the state as many areas do not require building permits.

1997	
June	1,197
July	1,410
August	1,276
September	1,087
October	1,371
November	916
December	963
1998	
January	944
February	1,436
March	1,490
April	1,612
May	1,492
June	1,481



For more information about these and other Alabama economic indicators, please visit the CBER Internet site at <http://www.cba.ua.edu/~cber>

ECONOMIC OUTLOOK 1999

Mark Your Calendars!

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The University of Alabama's Center for Business and Economic Research will hold

its *1999 Economic Outlook Conference* on January 14 in Montgomery. To receive a conference brochure

Call: 205/348-6191

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