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Torbert: Tax reform may not pass in April

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C.C. "Bo" Torbert said Wednesday he doesn't expect new state tax reforms to pass the Legislature the first go-around in April but "sooner or later in this state we've got to come to grips with tax reform. Our tax system is obsolete and unfair."

Torbert is chairman of the Alabama Commission on Tax and Fiscal Policy reform. He met with the Mobile Area Chamber of Commerce board members and a group of business and civic leaders on the commission's tax reform proposal.

The commission has recommended reducing the sales tax rate by 1 percent, extending the sales tax to include services and assessing all property at its full value. And reducing the state's property tax rate from 6.5 mills to 1.1 mills.

"The single theme of our recommendations was to broaden the tax base and lower the rate," Torbert said. "We want a system that is revenue neutral. We have four basic principles for our system: fairness, simplicity, neutrality and effectiveness. And we want a system that will

raise sufficient revenues."

The commission was formed in May 1990 and released their report in early January. Torbert said the tax reforms will be presented as a package to the Legislature in April.

"It will reduce the tax burden on low income families," Torbert said. "It will create a tax system on businesses at a fair and equitable level. It will simplify what is now complex."

Torbert said "something will have to be a catalyst" to get the tax reforms approved. "There are too many special interest groups to pick off" things in the report. "Under the situation we're in now, it's too comfortable. I don't expect it to pass this session." If it does pass the reforms will be staged in over a period of time.

The report's recommendations include:

- Abolish the "current use" provision for property taxes on farmland. Instead, farmlands near urban areas would be taxed at their actual use.

- End Alabama's policy of assessing property at varied rates. "Fact is Alabama's property tax is the lowest in the nation," Torbert said. "The debate is: you're doggone right and that's the way they ought to be. The other side of the

coin is what about our schools. We've got to do something in the property tax field as compared to balancing what we take out of sales tax and other taxes."

"We came out and said tax value for value and reduce the millage to be revenue neutral. The objective is to treat people the same who are equally situated."

- Switch the state income tax to a flat rate using federal adjusted gross income and with the federal standard deduction and personal exemptions only. The present 5 percent would be lowered to between 3.8 percent and 4 percent.

- Sales taxes would be expanded from just tangible goods to services such as lawyers and beauticians.

- Abolish the state shares tax and permit fee on businesses. Treat all companies alike on the state franchise tax but lower the tax rate.

- Abolish earmarking of state taxes for specific projects and provide that all appropriations for state functions be equally subject to proration.

"Education is an essential function of state government," he said.