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# State's low tax reputation backed up by study

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MONTGOMERY — Alabama's reputation as a low tax state is supported by a new national study that shows Alabama's business tax rate is tied for 14th lowest among the states.

The study done by Ernst & Young reported that Alabama businesses paid \$6.2 billion in state, county and city taxes in fiscal 2007, which represented 4.6 percent of the gross state product.

Among neighboring states, Alabama's percentage was lower than Mississippi's 6.3 percent and Florida's 4.9 percent. Alabama tied Tennessee and was higher than Georgia's 4.2 percent.

Gov. Bob Riley said he promotes Alabama's low taxes when recruiting new industry.

## Compared to other states

Alabama's state, county and city taxes paid by businesses compared to the gross state product:

3.5 percent: Delaware  
3.8 percent: Oregon  
3.9 percent: North Carolina  
4.0 percent: Connecticut, Indiana, Virginia  
4.2 percent: Colorado, Georgia, Maryland  
4.3 percent: Missouri, Utah  
4.5 percent: Massachusetts, Ohio  
4.6 percent: Alabama, Idaho, Minnesota, Tennessee  
5.0 percent: National average

*Source: Ernst & Young*

"I don't think there is any doubt the tax base for business here is an additional incentive that allows us to be competitive," Riley said.

The "Business Tax Burden" study was done for the Washington-based Council on State Taxation, an organization that

includes some of the nation's largest corporations.

The report found that when total state, county and city taxes paid by businesses are compared to the gross state product, Alaska measured the highest at 11.6 percent, due in large part to its oil taxes.

Delaware came in the lowest at 3.5 percent, due to generating much of its state revenue from sources other than business taxes. The national average was 5.0 percent.

The Council on State Taxation has been doing the reports annually since fiscal 2002. Alabama's rate has varied from year to year, but the state has consistently been below the national average.

Joe Crosby, the council's chief operating officer, said Southern states, such as Alabama, traditionally come in low because the property tax is generally the biggest tax on businesses, but Southern states tend to have lower property taxes.

But he noted that the tax rate for businesses in Alabama will vary according to the type of operation. For example, a

business with lots of property would likely have a lower tax rate due to the cheaper property taxes, but another kind of business could have a higher rate, he said.

Joe Garrett, Alabama's director of tax policy administration, agrees with the report's assessment of the state's overall taxes.

"Alabama's business taxes are low relative to other states," he said.

Rosemary Elebash, state director for the National Federation of Independent Business, said she had not seen the national report, but the concerns she hears most often from her organization's members are not about Alabama's tax structure. They are about the rising costs for fuel and employees' health insurance, she said.