API Calls on Governor Ivey to Use Her Unilateral, Unprecedented Power to Provide Millions in Tax Relief to all Alabamians

By: API Staff

BIRMINGHAM, Ala. (Aug. 25, 2020) – Today the Alabama Policy Institute (API) announced the results of comprehensive work that clearly shows that a large portion of the $1.8 billion in CARES Act relief funds sent to the State of Alabama are used for tax relief for every Alabamian. API has presented the results of its research to state leaders, to include the Governor, and has formally asked Governor Ivey to use her executive powers to enact a statewide sales tax holiday which could last as long as an entire month.

Simply put, API’s plan would allocate a portion of the relief funds to provide a statewide sales tax holiday in an effort to provide tax relief and stimulate the economy during this unprecedented moment in history. Once enacted by the state, and even local governments, it would mean a cut in sales taxes anywhere from 5% to 10%. Federal CARES Act funds would then be used to cover the reduced collection of sales taxes. In essence the state (and participating local governments) wouldn’t lose any tax revenues while citizens of all economic classes would benefit from the tax relief. Additionally, based on previous increases in spending during sales tax holidays, it is anticipated that local businesses across the state will see an increase in customer traffic and in sales totals.

“Make no mistake about it, the CARES Act money received from the federal government is not a free gift, it comes directly from the taxpayers of Alabama,” commented API President Caleb Crosby. “The state should do the right thing and designate a large portion of the Covid related funds for tax relief for every Alabamian.”

Based on legislation enacted in the previous session of the State Legislature, the Governor alone has the full and complete authority to institute this plan. “With the stroke of her pen, Governor Ivey can give tax relief to every single consumer in Alabama, while also giving the economy and struggling businesses a much-needed shot in the arm,” said Phil Williams, a former State Senator and API’s Director of Policy Strategy.

“I commend the Policy Institute for putting this idea on the table,” stated Senate president pro tem Del Marsh. “To the extent we have unspent CARES Act dollars, my top priority will be utilizing those dollars to expand broadband throughout the state. However, when we start looking to reallocate those unspent federal resources, I believe the idea of a sales tax holiday is something that should be seriously considered.”

API has sought the input of stakeholders and business owners across the state and found there to be overwhelming support for such a plan. “Under stay at home orders my family’s jewelry store, which we have operated for three generations, was forced to
close while many of our ‘big box store’ competitors were allowed to remain open,” said Bob Couch of Couch’s Jewelers of Anniston, which has operated since 1941. “As a result of the Covid shutdown, our business has suffered, and our income was impacted. Having an extended tax-free holiday, I have no doubt, will spur people to make purchases they have been putting off and will have a tremendous, positive impact on our store and our family.”

Justin Bogie, API’s Senior Director of Fiscal Policy, formerly of the Heritage Foundation, has assessed that over $300 million is available for such a plan. If the full amount is designated it could mean sales tax holiday for two to three weeks. Bogie says that consumers often factor in sales taxes when considering a purchase, especially big purchases. In the absence of sales taxes Alabama consumers will get a bigger bang for their buck as the money that would have been paid in taxes can be spent on purchasing other goods and services. The overall effect is a stimulated economy. Alabama would not be alone in such an endeavor. Bogie also points out that several states are considering similar plans, such as California and New York, and notably Idaho which has implemented a reduction in property taxes by means of CARES funding.

The effects of a stimulated economy are also believed to have benefits even in the service industries. “Though my clients certainly love their pets, as a veterinarian, my business suffers when folks don’t have extra disposable income, which could lead to bad health outcomes for their animals,” said Dr. Buck Brumfield of Calera. “When people don’t have to pay sales taxes, those funds can be used for other things, including professional services like high-quality veterinary care.”

Despite the overwhelming results of its research API took the additional step of hiring a nationally ranked pollster to review the plan with the people of Alabama. Using CARES Act funds for tax relief is extremely popular among likely Alabama voters according to a poll conducted by Cygnal. The poll, conducted June 13-16, found 69.8% favor a reduction in sales taxes, with 48% saying such relief should definitely happen. Support for API’s plan ranges across the political spectrum and across demographic lines. Overwhelming results in a poll don’t often occur – but in this case 70% of Alabamians support using CARES dollars to lighten the tax load in the state.

Timothy Hontzas, head chef at Johnny’s Restaurant in Homewood and multi-year James Beard Award Semifinalist, predicts a sales tax holiday will increase patrons and spending at local eateries. “The restaurant industry was the hardest hit layer of our economy but not by the lingering, long-term effects of the virus. Letting families keep more of their hard-earned money by suspending sales taxes will not only give those families extra money to spend in restaurants like mine but will decrease the final amount of their bill when they do honor us with their patronage,” Hontzas said.

Governor Ivey, Chief of Staff Jo Bonner, State Finance Director Kelly Butler, multiple Alabama Mayors and legislators, and others, have been fully briefed on API’s proposal. API has formally asked Governor Ivey to implement the proposal as soon as possible, especially considering that her former chief legal counsel and former state
Senator Bryan Taylor has issued a legal opinion suggesting that using Covid relief funds for tax relief is well within the regulations and guidelines established by the CARES Act.

**Bo Cross, owner of Gulf Coast Truck and Equipment** in Mobile sees the tax relief proposal as both a win for local businesses and all Alabama citizens. “When people were forced to stay home, large internet-based companies and big-box stores lined their pockets, while local hardworking businesses suffered,” commented Cross. “By issuing an extended tax holiday, Governor Ivey will be ensuring that Alabama businesses are able to thrive into the future, not just the fat cat out-of-state multi-billion-dollar corporations, but everyday Alabamians.”

“Governor Ivey has a tremendous opportunity to cement her legacy as a governor of and for the people. With just one decision she can provide the people of Alabama one of the largest tax breaks in our history and can give business owners the lifeline they need during this unpredictable crisis,” concluded Crosby. “Now is the time to act, to positively change the lives of all Alabamians; Governor Ivey is the only one with the power to make it happen and we urge her to do so swiftly.”

For over thirty-years the Alabama Policy Institute has been the premier voice advocating for conservative common-sense public policy in Alabama. API is a non-partisan, non-profit education and policy research organization dedicated to the protection of free-markets, limited government, and strong families. Learn more at alabamapolicy.org.

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