

French: Removing tax on groceries wouldn't help

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DOUGLAS FRENCH, Columnist

State Sen. Gerald Dial has floated a bill, SB387, that would gradually lower the tax rate on food from 4 percent to zero over four years, while at the same time increasing the sales tax on everything else from 4 percent to 5 percent over that same four-year period.

On the face of it, that sounds like an excellent idea. It seems like we spend lots of money on food. After all, we are eating multiple times a day. Most people buy their own food either to cook at home or when eating out. So the price of food is something we notice.

The point is that when you buy something a lot, like food, you get an exaggerated conception of how much you spend. Running to the store multiple times a week makes you think you're handing your entire paycheck to Kroger, Publix or Earth Fare.

And while there's no question that food prices have gone up, the percentage of what the average family spends on food has come down dramatically. In 1930, at the dawn of the Great Depression, Americans spent 24.3 percent of their incomes on food. By 1970, that percentage was down to 13.9. And now Americans spend less than 10 percent of their incomes on food.

This all starts with agriculture's becoming amazingly efficient. One hundred years ago, more than 40 percent of the workforce was toiling away on the farm. Now, it's less than 2 percent. According to the U.S. Department of Agriculture's website, it took 14 labor hours to produce 100 bushels of corn on two acres in 1945. By 1987, it only took 3 labor hours and one acre to produce the same amount. Now, it takes less than an acre.

But while farmers have become more efficient, government has gone the other way. Not so long ago, in 1992, Alabama's state government spent \$7.5 billion governing a population of 4.1 million. By 2011, the state's population had only grown to 4.8 million, but state government's budget has nearly tripled to \$20.3 billion.

There is a movement in Montgomery this spring to decrease the tax load on low- and middle-income families by doing away with the sales tax on food. This sounds great, but since government can't stop gorging itself on billions of tax dollars, both John Knight's HB45 and the aforementioned Dial's SB387 want to take from another pocket what they don't grab from the sales tax on food.

In the case of Rep. Knight's bill, taxpayers would not be allowed to deduct what they paid in tax to the IRS from their state returns. So while Alabama taxpayers would save \$326 million not paying tax on food, they'd turn around and pay \$485 million more in state income tax.

Under Dial's plan, ultimately citizens would pay 1 percent more on 90 percent of their purchases, while being relieved of the 4 percent tax on food, which is less than 10 percent of their purchases.

The math is pretty easy. Either way, the state comes out on top, not the taxpayers.

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