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Guest Opinion

Allen Mendenhall op-ed: Alabama's path to leading the South's economy

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A curious migration is underway in America, one that shows up in U-Haul receipts before it ever reaches policy papers. Californians decant themselves into Texas. New Yorkers rediscover

The Blue States currently retain larger economies in terms of GDP, but this measure is a mere snapshot. A migration pattern is a trend line.

Trend lines have an unpleasant habit of eventually overtaking snapshots. A GDP figure measures where capital and people currently are; it says nothing about where they are headed.

They're headed towards conservative jurisdictions. This should be excellent news for Alabama, which is, by any fair accounting, a Red State enjoying the general downdraft of this migration.

Except that Alabama has a complication its neighbors do not share so acutely: it is competing not merely against Sacramento and Albany but against Atlanta, Nashville, and Jackson, locations equally eager to catch the same wave, and considerably better positioned to do so.

A [new report](#) from the Alabama Policy Institute (API) makes the case, with more patience than alarm, that Alabama is at risk of missing a tide it should be perfectly positioned to ride.

No single legislature voted to make Alabama the 37th most competitive in the nation, or 48th in sales taxes, or 35th in individual income taxes. These are the sedimentary results of uncountable prudent-sounding compromises, each reasonable on their own terms.

Alabama has, to our credit, done things. We trimmed the grocery tax from four cents to two, exempted a slice of retirement income, briefly let overtime pay escape the tax collector's notice, and forgave the smallest businesses their privilege-tax bill.

These aren't nothing. They are, however, what a man does when he cleans out one drawer of a cluttered house and calls it tidying.

Meanwhile the neighbors have been renovating. Georgia has moved its flat rate to 4.99% with statutory promise of 3.99% to come. Mississippi is phasing its income tax to 3%, with eventual elimination tied to revenue triggers. Arkansas has cut rates repeatedly enough that the exercise now resembles habit rather than event. North Carolina's corporate income tax is scheduled to vanish entirely after 2029.

South Carolina, Kentucky, and Oklahoma have wired their tax codes with triggers that cut rates automatically when revenues allow, sparing legislators the indignity of voting for restraint they might otherwise abandon.

What distinguishes API's proposal from the usual genre of a think-tank wish list is its insistence on a distinction most politicians would rather blur: the difference between tax relief and tax reform.

Reform, in practice, too often means Peter is untaxed so that Paul may be taxed instead: a grocery exemption here, a sales-tax base expansion there, the same revenue extracted through a different door.

The report calls instead for a "zero-increase tax relief" standard: cuts financed by restraining the growth of government, not by redistributing the burden among taxpayers who thought they'd been granted a favor.

The specifics are unglamorous in the way sound governance usually is: Permanently retire the remaining 2% state grocery tax; take the top individual rate from 5% to 4.75, with an aggressive option of 4.5; bring the corporate rate down from 6.5 to 6.0, or 5.5 for the ambitious; centralize the state's balkanized local sales-tax administration; make permanent the property-assessment cap enacted in 2024.

None of this requires courage so much as consistency, which is often a rarer commodity in a legislature.

The report rejects immediate zero income tax on the ground that the arithmetic is unsentimental: individual income tax receipts fund roughly 69% of the Education Trust Fund. Replace that revenue through sales taxes alone, the report calculates, and the state rate would need to climb into the mid-teens, with combined state-and-local rates approaching 20% (the fiscal equivalent of curing a headache by amputation).

Property taxes would need to rise to nearly ten times current collections. The report's conclusion, delivered without triumphalism, is that full repeal "is not tax relief. It is a tax shift, a fiscal crisis, or both." It proposes a staged approach instead: an initial package worth an estimated \$579 to \$674 million in annual savings, aggressive options worth nearly double that, and a longer glide path toward a flat rate below 4%, contingent on a spending cap tied to population growth and inflation.

One wonders, though, if there's a solution for reducing the size and scope of the government-run education system in concert with the tax reductions? That could open a path to stronger reductions in the income tax.

Georgia, Mississippi, and Arkansas are busy making themselves the destination rather than merely the beneficiary of geographic realignments. Our legislature can join that company, or it can keep confusing the comfort of a favorable trend with the achievement of a competitive tax code—and discover, a decade hence, that the migrants kept driving past.

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