



YOUR SWEET HOME ALABAMA

What Does It Cost?

A real look at Alabama's cost of living — income tax, property tax, sales tax, and insurance — with an actual worked example, not just averages.

Krysten Files

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What Does It Cost to Live in Alabama?

The numbers people usually don't get told upfront.

Income Tax

Alabama has a state income tax, with rates ranging from 2% to 5%. If you're moving from a state with no income tax (like Texas, Florida, or Tennessee), this is a real, visible line on your paycheck that wasn't there before.



Property Tax — The Part That Surprises People (In a Good Way)

Alabama has one of the lowest effective property tax rates in the country, generally landing around 0.35%-0.4% of a home's **market value** statewide. The mechanism behind that low rate trips people up, so here's exactly how it works:

1. **Market value → assessed value.** For qualifying owner-occupied homes (Class III property), Alabama's constitution sets the assessment ratio at a flat 10% of appraised market value, statewide.
2. **Assessed value × local millage rate.** Counties, cities, and school districts each set their own millage rate on top of that assessed value.

A Real Example — Hoover, Alabama

Sold October 2024 for	\$829,900
Actual 2025 property tax bill (public record)	\$5,407 / year
Roughly	~\$450 / month

That's about 0.65% of the sale price for that tax year — well below the national median effective rate of around 1%, even on the higher end of what you'll see within Alabama. The exact millage rate is public record and specific to each address — I pull it for you when we're evaluating a property.

Don't forget: if the home will be your primary residence, you may also qualify for a homestead exemption. Check with your county tax assessor after closing for eligibility and filing requirements.

Sales Tax

Alabama's combined state and local sales tax averages just under 9.5% — on the higher end nationally, since Alabama's state rate itself is modest but local additions push it up. Worth factoring into everyday budgeting, even though it doesn't show up on a moving spreadsheet the way income or property tax does.

Insurance — Especially on the Gulf Coast

If you're looking at Fairhope, Daphne, Spanish Fort, or Gulf Shores, hurricane exposure affects homeowners insurance the same way it does on other Gulf and Atlantic coastlines. Budget for that conversation early in your search, not after you've fallen in love with a house.

Why the Exact Number Depends So Much on Location

Effective property tax rates vary meaningfully across Alabama's 67 counties — from well under 0.2% in some rural counties up toward the range seen in higher-cost suburban counties, which still remains below the national median even at the higher end of Alabama's scale. This is exactly why I never let a client assume their tax bill based on a statewide average. We pull the real figure for the specific property before you write an offer.



Want the Real Numbers for a Property You're Considering?

I'll pull the actual assessed value, current millage rate, and insurance considerations for any specific property you're looking at — not a statewide average.

📞 Call or text: 214-250-7865

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🌐 YourSweetHomeAlabama.com

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This guide is for general informational purposes only and isn't tax, legal, or financial advice. Tax rates and requirements can change — verify current details with the Alabama Department of Revenue or your county tax assessor before making a decision.

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