

Low ranking for La. business climate

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The Tax Foundation, a Washington, D.C., think tank, ranked Louisiana's tax structure as the worst in the South and one of the 10 worst in the nation.

In a recently released report, titled "2017 State Business Tax Climate Index," the group compares states based on five taxes: individual income tax, sales tax, corporate tax, property tax and unemployment insurance tax.

The lower a state's tax rates and the simpler its structure, the better it's rated on each of many testing points within the five tax areas. Better ratings resulted in a higher overall ranking.

Louisiana ranked low because of long-term structural issues and the penny sales tax the Legislature added last year to address the revenue problem, the report says. This caused the combined state and local sales tax rate to approach 10 percent, making it the highest in the nation.

Although the group critiqued structure and rates, it didn't directly consider each tax system's overall economic effect on businesses and consumers — or the "tax burden." The report justifies the omission by arguing that complicated structures will inevitably have an overall negative effect on a state's business climate.

"Economic development and job creation tax credits complicate the tax system, narrow the tax base, drive up tax rates for companies that do not qualify, distort the free market, and often fail to achieve economic growth," the report reads.

It says that if states need to offer "such packages," they're probably trying to make up for an undesirable business tax climate.

Louisiana Economic Development officials pointed out that another study by the Tax Foundation — one that did factor in economic impact — recognized Louisiana for having the fifth-lowest state-and-local tax burden. The study, "State-Local Tax Burdens by State," was conducted with 2012 data.

Officials said Louisiana has traditionally used exemptions to lower its tax burden to make up for a complex tax code and high rates. They said the state's strategy has helped keep the tax burden low for many, but its tax structure isn't ideal and is a contributing factor in the state's recent struggle in revenue collections and economic performance.

“Louisiana’s tax code, as well as its spending and budgeting processes, are coming under increased scrutiny and are in need of reform,” said LED spokesman Gary Perrilloux.

LED officials noted that last legislative session’s tax increases are only a temporary way to fix the budget crisis, and that long-term changes are on the way.

The proposed changes they listed included reducing some tax types, streamlining structure, limiting or eliminating some exemptions, and lowering rates and effective tax burdens.

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