

HCR11 Task Force on Structural Budget and Tax Policy

DRAFT RESOLUTIONS AND POSSIBLE RECOMMENDATIONS PROPOSED BY TASK FORCE MEMBERS

Subject Matter	Task Force Member	Task Force Recommends:
<u>1</u> Mineral Revenues	Richardson, Sheffrin, Alm	"that a permanent trust fund be established, financed by mineral revenues"
<u>2</u> Corporate Taxation	Richardson, Sheffrin, Alm	"supports the effort to lower overall tax rates through the expansion of the tax base as well as other reform measures passed in the special session such as the add back provision plus others" "the state consider and, if necessary, change the timing of the vote on the CA regarding the elimination of federal tax payments as a deduction in the computation of corporate taxable income"
<u>3</u> Exemptions and Exclusions	Richardson, Sheffrin, Alm	"over time the state maintain the augmented [sales] tax base but adjust the rates so that all commodities and services are taxed at the same rate"
<u>4</u> Mix of Taxes to Pay for Public	Richardson, Sheffrin, Alm	"the state make appropriate increases in the individual income tax with changes in brackets and/or deductions that are non-constitutional"
<u>5</u> Centralized State Sales Tax Collections	Reilly	"the state create an independent state-local sales tax authority composed of representatives from local tax collection bodies and the state department of revenue. Over three to five years, this jointly run group should create a uniform process of state and local sales tax collections and auditing that will bring Louisiana into compliance with federal legislation to allow for sales tax collection for online purchases."
<u>6</u> Inventory Tax	Reilly	"the state end this complicated system in favor of a simple and stable alternative that will save state dollars by 1) eliminating the ad valorem tax on inventory altogether; 2) eliminating the state inventory tax credit; and 3) providing a direct appropriation from the State General Fund to local government based on a formula that would "hold harmless" at current levels of revenue."
<u>7</u> Sales Tax / Temporary Taxes	Dardenne	"does not recommend a higher state sales tax rate although we see a value in a continued review of sales tax exemptions and exclusions" "that any additional income raised in a special session should be temporary in nature and generally should sunset in the same time frame as the sales tax increase and other tax changes imposed during the March special session."
<u>8</u> Individual Income Tax	Clark	"that the following resolutions pertaining to individual income tax reform is consistent with the long term objectives of broad fiscal reform and should be included in the call for any special session..." Option A: Retain the existing 3-bracket structure but adjust for inflation. Eliminate the deduction for federal income taxes paid (on Nov 2016 ballot). Eliminate excess itemized deductions. Retain the personal exemptions but adjust for inflation. Maintain EITC at 3.5%. Option B: Move to a 4% flat tax on all income levels. Eliminate the deduction for federal income taxes paid (on Nov 2016 ballot). Retain excess itemized deductions. Increase the personal exemption to \$10k per filer and index it to inflation with a \$20k per family max. Increase EITC to 10% of the federal credit. (-\$100m) Option C: Move to a 3.5% flat tax on all income levels. Eliminate the deduction for federal income taxes paid (on Nov 2016 ballot). Eliminate excess itemized deductions. Increase the personal exemption to \$10k per filer and index it to inflation with a \$20k per family max. Increase EITC to 10% of the federal credit. (\$220m)
<u>9</u> Individual Income Tax	Robinson	Eliminate the deduction for Net Capital Gains arising from the sale or exchange of an equity interest in or substantially all of the assets of a nonpublicly traded corporation, partnership, LLC, or other business organization commercially domiciled in Louisiana (\$53.8m) Eliminate excess federal itemized deductions (\$348m)

HCR11 Task Force on Structural Budget and Tax Policy

DRAFT RESOLUTIONS AND POSSIBLE RECOMMENDATIONS PROPOSED BY TASK FORCE MEMBERS

Subject Matter	Task Force Member	Task Force Recommends:
		Eliminate the \$25 education credit for each dependent child enrolled in K12 school (\$10.5m)
		Eliminate the refundable credit for surcharges, market equalization charges, or assessments levied by the La. Citizens Property Insurance Corp. due to Hurricanes Katrina and Rita (\$29.2m)
10 Corporate Income Tax	Robinson	Non-refundable credit cap at 50% (\$38m) Apportion dividends and interest (unknown amount) Minimum corporate income tax (unknown amount) Disallow interest on refunds for 90 days (\$20m) Enact single sales apportionment (unknown amount)
11 Corporate Franchise Tax	Robinson	Non-refundable credit cap at 50% (\$4m) Enact single sales apportionment (unknown amount)
12 Other Revenue-Raising Suggestions	Robinson	1. Withhold 6% income taxes from gaming winnings (\$13.6m) 2. Withhold taxes on royalty income (unknown amount) 3. Withhold taxes on Form 1099 payments (unknown amount) 4. Disallow a portion of inventory tax credit by changing the threshold for small business 5. Withhold taxes on payments to non-residents (unknown amount)
13 Retirement Income	Potter	Eliminate or reform annual retirement income exclusion whereby persons 65 or older may exclude up to \$6k of annual retirement income (\$24.4m) Eliminate or reform retirement benefits exclusion whereby the retirement income and DROP income for state employees, various local employees, teachers and school employees, and certain law enforcement are exempt from state income tax (\$93.8m) Eliminate or reform retirement benefits exclusion whereby federal retirees (military and nonmilitary) are excluded from state income tax (\$32m) Eliminate or reform social security benefits exclusion whereby benefits received by individuals that are taxable for federal purposes are excluded from state income tax (\$102.7m)
14 Sales Tax on Services	Potter	Review services that are currently exempt from sales tax to potentially expand state sales tax to services
15 Pre-Filing Tax Credits	Roach	Require advance pre-filing of bills to enact new tax credits, deductions, exemptions similar to the timeline for local or retirement legislation