State of Louisiana

Demographic and Revenue Trends, Individual Income and Related Expenditures

Produced for: Task Force on Structural Changes in Budget and Tax Policy
On behalf of: Secretary Kimberly L. Robinson

LA Department of Revenue
May, 2016
## Demographics & Revenue

### Key Demographics

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Peer State Avg</th>
<th>LA</th>
<th>MS</th>
<th>TX</th>
<th>AR</th>
<th>AL</th>
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<th>NC</th>
<th>TN</th>
<th>WV</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Population</td>
<td>8,257,510</td>
<td>4,670,724</td>
<td>2,932,333</td>
<td>27,469,114</td>
<td>2,978,204</td>
<td>4,858,979</td>
<td>20,271,277</td>
<td>10,214,860</td>
<td>4,425,091</td>
<td>4,856,146</td>
<td>10,042,802</td>
<td>6,600,299</td>
<td>1,844,128</td>
<td>Census Data, ’14</td>
</tr>
<tr>
<td>Per Capita Personal Income</td>
<td>$40,706</td>
<td>$42,030</td>
<td>$34,431</td>
<td>$46,745</td>
<td>$37,782</td>
<td>$37,312</td>
<td>$41,101</td>
<td>$38,980</td>
<td>$37,389</td>
<td>$36,677</td>
<td>$34,476</td>
<td>$40,457</td>
<td>$37,047</td>
<td>BEA.gov, ’15</td>
</tr>
<tr>
<td>Poverty Rate (100% FPL)</td>
<td>18.4%</td>
<td>19.8%</td>
<td>21.5%</td>
<td>17.5%</td>
<td>18.9%</td>
<td>19.3%</td>
<td>17.0%</td>
<td>18.3%</td>
<td>19.1%</td>
<td>18.0%</td>
<td>17.5%</td>
<td>18.3%</td>
<td>18.5%</td>
<td>ACS, ’14</td>
</tr>
<tr>
<td>Median Household Income</td>
<td>$40,599</td>
<td>$44,991</td>
<td>$38,664</td>
<td>$52,578</td>
<td>$41,246</td>
<td>$42,311</td>
<td>$47,212</td>
<td>$45,242</td>
<td>$43,342</td>
<td>$45,038</td>
<td>$46,629</td>
<td>$46,021</td>
<td>$41,576</td>
<td>Census Data, ’14</td>
</tr>
</tbody>
</table>

### State Revenue

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Peer State Avg</th>
<th>LA</th>
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<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenue</td>
<td>$16,212,900,462</td>
<td>$9,223,829,000</td>
<td>$7,402,725,000</td>
<td>$31,710,295,000</td>
<td>$8,586,407,000</td>
<td>$9,268,469,000</td>
<td>$34,588,478,000</td>
<td>$17,794,152,000</td>
<td>$10,815,762,000</td>
<td>$8,721,305,000</td>
<td>$23,768,578,000</td>
<td>$12,366,881,000</td>
<td>$5,378,122,000</td>
<td>US Census Bureau, 2013 State Government Tax Collections. April 2014</td>
</tr>
<tr>
<td>Sales and Gross Receipts</td>
<td>$9,545,004,308</td>
<td>$4,974,642,000</td>
<td>$4,571,294,000</td>
<td>$39,277,583,000</td>
<td>$4,015,203,000</td>
<td>$4,707,375,000</td>
<td>$28,526,653,000</td>
<td>$7,408,422,000</td>
<td>$5,110,456,000</td>
<td>$4,476,982,000</td>
<td>$9,714,217,000</td>
<td>$9,128,175,000</td>
<td>$2,579,631,000</td>
<td></td>
</tr>
<tr>
<td>Property Tax</td>
<td>$208,555,700</td>
<td>$52,688,000</td>
<td>$24,122,000</td>
<td>X</td>
<td>$1,022,066,000</td>
<td>$322,300,000</td>
<td>$860,000</td>
<td>$61,052,000</td>
<td>$558,377,000</td>
<td>$8,549,000</td>
<td>X</td>
<td>X</td>
<td>$5,149,000</td>
<td></td>
</tr>
<tr>
<td>Corporate Tax</td>
<td>$709,813,500</td>
<td>$252,430,000</td>
<td>$415,680,000</td>
<td>X</td>
<td>$402,874,000</td>
<td>$382,202,000</td>
<td>$2,071,710,000</td>
<td>$797,255,000</td>
<td>$646,875,000</td>
<td>$386,669,000</td>
<td>$1,285,907,000</td>
<td>$1,256,173,000</td>
<td>$242,425,000</td>
<td></td>
</tr>
<tr>
<td>Personal Income Tax</td>
<td>$4,064,247,182</td>
<td>$2,739,963,000</td>
<td>$1,755,424,000</td>
<td>X</td>
<td>$2,649,577,000</td>
<td>$3,203,520,000</td>
<td>X</td>
<td>$8,772,227,000</td>
<td>$3,722,994,000</td>
<td>$3,357,518,000</td>
<td>$11,068,166,000</td>
<td>$262,842,000</td>
<td>$1,795,947,000</td>
<td></td>
</tr>
<tr>
<td>Per Capita Tax Revenue</td>
<td>$2,152</td>
<td>$1,994</td>
<td>$2,475</td>
<td>$1,882,63</td>
<td>$2,901</td>
<td>$1,517</td>
<td>$1,706,28</td>
<td>$1,781</td>
<td>$2,461</td>
<td>$1,827</td>
<td>$2,366,73</td>
<td>$1,904</td>
<td>$2,916,35</td>
<td></td>
</tr>
</tbody>
</table>

### Personal Income Tax Rate

- 2% > $0
- 4% > $12,500
- 6% > $50,000

### Effective Tax Rate (i.e. State Local Tax Burden as % of State Income)

- 8.8%
- 7.6%

- Louisiana has a higher Per Capita Personal Income than most peer states
- Median Household Income in Louisiana is similar to its peer states’ average
- Louisiana collects less Personal Income Tax than peer states’ average annually
- Personal Income Tax Rate is similar to peer states, though increasing rates kick in at higher income levels
- Louisiana’s Effective Tax Rate is 1.2% lower than the average among peer states
Only Louisiana and Alabama allow a deduction for federal income taxes paid. Louisiana is the only state that allows a deduction for all federal itemized deductions in excess of the standard deduction. Most other states require adjustments for gambling losses and state income taxes paid. Among states with standard deductions, Louisiana is the only to combine the standard deduction and personal exemption.
### Individual Income Tax Expenditures

#### Priority Individual Income Tax Exemptions, Credits, and Deductions

<table>
<thead>
<tr>
<th>Indicator</th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Social Security Benefits</strong></td>
<td>Excluded from taxable income</td>
<td>Excluded from gross income</td>
<td>Excluded from taxable income</td>
<td>Excluded from gross income</td>
<td>Subtracted from taxable income</td>
<td>Subtracted from taxable income</td>
<td>Subtracted from taxable income</td>
<td>Subtracted from taxable income</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td><strong>Annual Retirement</strong></td>
<td>Exemption of up to $8,000 of private retirement income for age 65 or older</td>
<td>Exemption up to $65,000 for certain retirement</td>
<td>Exemption up to $41,110</td>
<td>$3,000 deduction before $5,000</td>
<td>$13,000 deduction at 65+</td>
<td>Exemption up to $2,000 for private retirement benefits</td>
<td>NA</td>
<td>Only interest and dividend income</td>
<td>$8,000 exclusion for senior citizens</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td><strong>State Retirement</strong></td>
<td>Public retirees’ retirement income exempt from state income tax</td>
<td>Public retirees’ retirement income exempt from state income tax</td>
<td>Treated same as annual retirement</td>
<td>Treated same as annual retirement</td>
<td>Treated same as annual retirement</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td><strong>Deduction for Net Capital Gains</strong></td>
<td>Deduction for net capital gains from sale or exchange of equity interest or substantially all assets of Louisiana domiciled business</td>
<td>Certain exemptions for state issued obligations</td>
<td>NA</td>
<td>NA</td>
<td>Certain exemptions for state issued obligations</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td><strong>Citizens Property Insurance Credit</strong></td>
<td>Credit for amount paid for LA Citizens Property Insurance Assessment Limited to 72% under Act 125</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td><strong>Education Exemptions, Credits and Deductions</strong></td>
<td>1) Private School Deduction: 50% of expenses, limited to $5,000 2) Public School Deduction: 50% of expenses, limited to $5,000 3) Alternative $25 credit for each qualified dependent K-12 student (Limited to $10 under Act 125)</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>Maximum credit of $2,500 for contributions to post-secondary education</td>
<td>Maximum credit of $800 for contributions to student scholarship organizations</td>
<td>Credit of 25% of the amount of the federal American Opportunity Credit and the Lifetime Learning Credit for post-secondary tuition</td>
<td>Maximum credit of $800 for tuition paid to post-secondary institutions</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
</tbody>
</table>

- Federal and State retirement benefits are taxed in the same manner – *Davis v. Michigan*
- Louisiana’s deduction for net capital gains has no minimum holding period as compared to other states
- Other states provide education credits on contributions to scholarship funds and foundations
Louisiana Tax Revenue by Category (2003-2013)
A decline in revenue from 2007-‘10 appears to be caused by decreased income taxes, which include Individual and Corporate Income taxes. From 2009-‘10, Personal Income declined 23%, Corporate Income declined 36%, and Sales and Gross Receipts declined 13%.

Revenue Per Capita for SEC States (2003-2013)
Louisiana experienced a more drastic decline in revenue per capita from 2008-‘10, and has not experienced comparable growth to peer states since 2010. Included in this revenue calculation are taxes on individual and corporate income, hunting/fishing, motor vehicles, public utilities, severance and others.
Household Income Distribution
(Louisiana & Southeast States)
As a total share of households in Louisiana, the number of low-income households ($0-$24,999) decreased by 3.82%, high-income households ($100,000+) increased by 6.07%, and middle income households ($25-$99,999) decreased by 2.24%.

Source: ACS
Peer States’ Household Income Distribution (2 of 3)

North Carolina

South Carolina

Tennessee

West Virginia

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Peer States’ Household Income Distribution (3 of 3)

Florida

Georgia

# of Households (Thousands)
Medicaid Trends in Louisiana
Louisiana is not being reimbursed at the same rates as comparable states.

**Medicaid Trends**

Louisiana’s low FMAP rate costs the State hundreds of millions of dollars every year.

**Percent of Population on Medicaid vs. FMAP Rate (FY2014)**

Medicaid eligibility is largely determined by income. Louisiana has the largest gap between percent of population enrolled in Medicaid and its FMAP rate. The gap between the two signals a greater financial need in Louisiana than the FMAP rate suggests.

This cost the State an estimated $400 million in FY 2014.

**FMAP Rates of SEC States (FY1997-2017)**

Louisiana’s Federal Medical Assistance Percentage (FMAP) was the lowest in the SEC for 2015 through 2017. The trend implies Louisiana’s per capita income is the highest in the SEC, which means they receive the lowest amount of reimbursement dollars from the Federal government.