

General recommendation for all proposals
currently under consideration for a potential special session:

WHEREAS, there have been midyear deficits for the last eight years, with multiple deficits occurring in the past year alone.

WHEREAS, there is a broad appreciation for the need to reform our fiscal structure to provide for greater budgetary predictability and stability and thereby limit the potential for future midyear budget deficits while providing funding for funding priorities as defined by the legislative process.

WHEREAS, much of the fiscal legislation that was passed in the First Special Session of the Louisiana Legislature was passed for two purposes: 1) to secure sufficient revenue to fund the State's operations when an unprecedented deficit in the State's ability to meet its obligations for the budget signed into law effective July 1, 2015 and to stave off broad defaults in the State's obligations arising from that budget; and 2) to provide sufficient revenue until a fiscal session could be held to enact broad based fiscal reform.

WHEREAS, maintaining a revenue structure that is dependent upon the highest sales tax in the nation for any longer than is necessary to effect broad based fiscal reform is not only unsound policy that helps neither our Louisiana businesses or individuals, it is detrimental to long term prospects for the overall health of our State.

WHEREAS, fiscal legislation may only be considered in sessions occurring every odd year or in special sessions which include fiscal elements in the call; therefore, the process of effecting fiscal reform cannot occur quickly, thus any legislative opportunity are a valuable resource that should not be squandered.

WHEREAS, if a special session were to be called, the opportunity to utilize the Session to address individual income tax reform will be available to the State.

THEREFORE, BE IT RESOLVED 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 so that the process for this reform can be pursued without further delay. Accordingly, I propose that the following be considered for inclusion in any preliminary recommendations to the Legislature and the Governor if a special session is to occur in 2016.

Individual Income Tax

In addition to the alternatives presented for consideration, recommend that the state initiate efforts to adopt individual income tax reforms and associated constitutional amendments to coincide with and be subject to successful passage of the corporate tax reform constitutional amendment currently scheduled for the Fall of 2016 that would:

Option A:

Retain the existing three bracket structure, with rates reduced to 1 percent, 3 percent, and 4.5 percent.

Eliminate the deduction for federal taxes paid.

Retain the current Earned Income Tax Credit of 3.5 percent of the federal credit.

Eliminate excess itemized deductions.

Retain the existing personal exemption but adjust the tax brackets and personal exemption for inflation.

Option B:

Move from three brackets to a single, flat-rate tax of 4 percent on all income levels.

Eliminate the deduction for federal taxes paid.

Increase the personal exemption to \$10,000 per filer and index it to inflation (maximum of \$20,000 per family).

Increase the Earned Income Tax Credit from 3.5 percent of the federal credit to 10 percent of the federal credit, nearly tripling benefits for low-income households.

Retain current itemized deductions.

Option C

Move from three brackets to a single, flat-rate tax of 3.5 percent on all income levels.

Eliminate the deduction for federal taxes paid.

Increase the personal exemption to \$10,000 per filer and index it to inflation (maximum of \$20,000 per family).

Increase the Earned Income Tax Credit from 3.5 percent of the federal credit to 10 percent of the federal credit, nearly tripling benefits for low-income households.

Eliminate excess itemized deductions.