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Mr. Gregory Albrecht
Chief Economist
Louisiana Legislative Fiscal Office
State of Louisiana
Baton Rouge, LA

Requests for the Task Force on Structural Changes in Budget and Tax Policy

Dear Greg:

Kimberly Robinson, Secretary of the Louisiana Department of Revenue, and I have been asked to serve as co-chairpersons of the Task Force on Structural Changes in Budget and Tax Policy. This Task Force was established by House Concurrent Resolution No. 11 in the 2016 First Extraordinary Session of the Louisiana Legislature.

In the process of providing information to the Louisiana Legislature and to the Office of the Governor in line with HCR 11, we will need information on possible impacts on the Louisiana state budget of changes in basic spending and taxing options. We will focus on the revenue implications of any changes in the tax structure, the long-term stability related to possible changes, and the distributional impact related to any changes in the tax structure.

We appreciate your assistance in gathering the above information with respect to these "proposals" as listed below. And I want to note that these are proposals that are being discussed at this time. They do not represent the recommendations of the Task Force as of this date.

Information that will be required includes (1) estimated personal tax collections, (2) long-term outlook for proposed tax, and (3) a description of what income groups are paying on average ranging from those earning \$5,000 to \$10,000 in federal adjusted gross income to other such income categories.

The following proposals are

- 1) The Personal Income Tax as currently structured with the 2%/4%/6% rates and brackets with all of the exemptions, deductions, and credits. This will be our starting point in determining if the proposed changes produce more or less tax dollars and if the overall personal income tax structure becomes more or less progressive. All tax proposals will initially be compared to the current personal income tax structure. This is essentially the simulation model that you presented to the Task Force on April 29.
- 2) eliminate every deduction now permitted by law except standard deduction/personal exemption and eliminate every tax credit now permitted by law with the same tax rates and tax brackets as now allowed.
- 3) eliminate only the following exemptions and credits: (a) federal tax liability, (b) excess itemized deductions, (c) capital appreciation, and (4) all tax credits now permissible.
- 4) eliminate the same exemptions and credits as outlined in #3, but allow federal tax liability to be permissible up to \$5,000 per taxpayer and excess itemized deductions for mortgage interest and charitable deductions to be allowed.
- 5) Adjust income tax brackets with the current rates of 2%, 4%, and 6% applying to the brackets as follows: 2% on the first \$12,500 (\$25,000) of Louisiana taxable income; 4% on the next \$17,500 (\$35,000) of Louisiana taxable income; and 6% on Louisiana taxable income in excess of \$30,000 (\$60,000) and limit excess itemized deductions to 50% of excess itemized deductions or 100% of charitable contributions deducted on the federal tax return. Maintain all other exemptions, deductions and credits.
- 6) Take option #5 but with these adjustments: (a) repeal the deduction for federal tax liability and (b) lower tax rates to 1.5%, 3.5%, and 5.5%
- 7) Take option #6 and apply a flat rate of 3.75%, 4.25%, or 4.75% with a standard deduction for single filers being \$10,000 and joint filers \$20,000.

We appreciate your willingness to provide this information to us. And, please let us know if you have any questions.

Sincerely,



Kimberly Lewis Robinson

And

James A. Richardson

Co-Chairpersons

Task Force on Structural Changes in Budget and Tax Policy