

CHIEF ADMINISTRATIVE OFFICE
CITY OF NEW ORLEANS

MITCHELL J. LANDRIEU
MAYOR

ANDREW D. KOPPLIN
CHIEF ADMINISTRATIVE OFFICER

July 27, 2016

Task Force on Structural Changes to Budget and Tax Policy
Louisiana Department of Revenue
LaSalle Building
617 North Third Street,
Baton Rouge, LA 70802

Dear Chairwoman Robinson & Members of the Task Force on Structural Changes to Budget and Tax Policy:

Thank you for allowing me the opportunity to speak at the committee's meeting on behalf of the City of New Orleans. In response to members' request, listed below are several pieces of legislation from past sessions that would have granted New Orleans more autonomy to raise local revenues:

1. HB 463 (2011) - Proposed constitutional amendment further provides that a reduction in an ad valorem tax exemption shall be effected unless it is authorized by a resolution or ordinance adopted by the governing authority of the city of New Orleans or Orleans Parish, providing for the extent, conditions, and any limitations on the reduction of the ad valorem property tax exemption. The ordinance or resolution shall only become effective upon the approval of a majority of the electors in Orleans Parish or the city of New Orleans voting in an election held for that purpose.
2. HB 473 (2011) – Present constitution provides that none of the property of nonprofit corporations or organizations shall be exempt if owned, operated, leased, or used for commercial purposes unrelated to the exempt purposes of the corporation or association. Proposed constitutional amendment changes present constitution as it relates to the city of New Orleans or Orleans Parish by providing that the ad valorem property tax exemption shall not apply if the property is vacant or not wholly devoted to and exclusively used for the exempt purposes of the corporation or association.
3. HB 859 (2012) - Proposed law authorizes the governing authority of the city of New Orleans to establish a hospitality zone which included largely the areas including the CBD and French Quarter. The bill allowed the city council to provide for special revenue raising



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measures applicable within the zone and dedicate the proceeds of such measures to any undertaking or project that would benefit the zone.

4. HB 967 (2012) - Proposed law creates the New Orleans Hospitality District in Orleans Parish. This law further provides for the powers, rights and duties of the district which include the use of tax increment financing.
5. HB 558 (2012) - Proposed law authorizes the governing authority of New Orleans to levy a food and beverage tax. Provides that the tax shall be levied on the sale at retail of food and beverages for consumption on or off premises and that the rate of the tax shall not exceed .25%. The governing authority may levy the tax throughout the city or within any specified zone or district, and if the tax is levied within a zone or district, the governing authority may dedicate the proceeds of the tax to any undertaking or project that would benefit the zone or district.
6. SB 350 (2012) - Proposed law would have authorized the levy and collection of a local tax of 3% on auto rentals indefinitely in any parish in which collection of the tax is approved by the registered voters of the parish in an election held at the same time as a regularly scheduled election in the parish.
7. SB 351 (2012) - Proposed law would have authorized the governing authorities of the parishes of Calcasieu, Jefferson and Orleans to each create, by ordinance, an automobile rental tax district as a political subdivision of the state. Proposed law would have provided that the boundaries of the district shall be coterminous with the boundaries of the parish creating the district and the parish governing authority creating the district shall be the governing authority of the district. Proposed law would have authorized the district beginning July 1, 2012, subject to voter approval, to levy an automobile rental tax, not to exceed 3% of the gross proceeds derived from the lease or rental of an automobile pursuant to an automobile rental contract.
8. SB 588 (2012) - Proposed law authorizes the City Council of the City of New Orleans to levy a tax on the occupancy of hotel rooms in the city in an aggregate amount not to exceed one and three-quarters percent at any time.
9. SB 573 (2012) - Proposed law creates the New Orleans Hospitality and Entertainment District in the city of New Orleans comprised of all the property within the Parish of



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Orleans as a political subdivision of the state. Proposed law specifically authorizes the district to levy the following taxes, fees, or assessments district-wide or in sub-districts.\

10. SB 598 (2012) - Proposed law authorizes the City Council of the City of New Orleans to levy a tax on the sale at retail of food and beverages in the city for consumption on or off the premises in an aggregate amount not to exceed one fourth of one percent at any time. The proceeds of the tax so levied shall be dedicated as provided for in the proposition submitted to the voters in the election to approve the tax or, if the proposition does not provide for such use, as allocated or appropriated by the council.
11. SB 361 (2012) – Would have allowed the Orleans Parish Communication District's monthly service charges to be aligned with best practices and indexed to inflation. if approved by the electors.
12. HB 187 (2015) -Proposed law authorizes a parish governing authority to levy an excise tax upon the sale, use, or consumption of all tobacco products within its boundaries. The excise tax shall be in addition to sales and use taxes levied on tobacco products by the state and local political subdivisions.

There are several legislative measures that were recently passed during the 2016 sessions that grant local governing authorities expanded ability to collect local revenues:

1. Act 13 (2nd 2016) - Past law provided an exemption from state and local sales and use tax for sales of taxable services and tangible personal property occurring at events conducted at a domed stadium facility or baseball facility, and the publicly owned property on which the facility is located. The exemption does not apply to domed stadium or baseball facility sales occurring at a trade show at which the sale of goods is the primary purpose of the show.
2. Act 17 (1st 2016) – New law provides for the imposition of sales and use tax on hotels including properties used as short term rental.
3. Act 14 (1st Extraordinary 2016 Session) – Allowed for the continued collection of an automobile rental tax.

The majority of the pieces of legislation offered above relates to sales and use taxes. The constitutional limitation on local government's ability to levy sales and use taxes significantly hampers local governments' ability to broaden its tax foundation and create an equitable tax base



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that strikes an achievable balance. This concept can also be accomplished by allowing local governments some latitude to tax what the state taxes. For example, if the state taxes tobacco products, then allow local governments the flexibility to do the same. The tax base can also be expanded by making certain services subject to sales and use tax. As economies continue to be increasingly service based, subjecting them to sales and use tax is not only fair but a progressive and more equitable form of taxation that does not overburden any particular economic class.

One of the largest exemptions impacting New Orleans' local government are those granted to nonprofit organizations under the Louisiana Constitution. It has been estimated that 60% of property value was off the tax roll, and local taxing bodies had to forego more than \$125 million in revenue due to nonprofit exemptions alone. This is due to the overwhelmingly generous constitutional protections offered to non-profits. The Louisiana Constitution does not require that property owned by a nonprofit actually be used for the purpose on which its exemption is based. Rather, it states only that the property cannot be used for an unrelated commercial purpose. As a result, property that is idle, held for future investment or even used for a related commercial purpose is exempt from taxation. While nonprofits unquestionably provide value to communities, they also use services from local governments such as fire, police and EMS. Louisiana tax exemptions are granted to virtually any non-profit instead of organizations that provide for a specific public benefit. The legislature should reign in this antiquated and extremely broad exemption and submit a constitutional amendment that refines the eligibility requirement for this costly exemption, which unduly burdens local government and reduces government services to its citizens.

Major tax reform is a process that requires re-organizing and re-prioritizing needs while balancing the principles of fairness. Thoughtful tax reform provides a stable financial foundation that supports long term economic growth. A more refined tax policy also rebalances the current co-dependency of local government and state assistance, and moves both towards a more progressive economic outlook.

Sincerely,



Andrew Kopplin
First Deputy Mayor and Chief Administrative Officer

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