

# **Summary Information to Task Force on Structural Change**

## **Structural Reform of Louisiana Tax Structure**

**Focusing on Benchmarks of  
Long-term Fiscal Reform**



**E. J. Ourso College of Business  
Public Administration Institute**

# Benchmarks of Long-term Tax Structure

- Revenue Potential
- Long-term Trends
- Distributional Impacts on Individuals and Households
- Economic Competitiveness
- Administration
- State-local Relationship

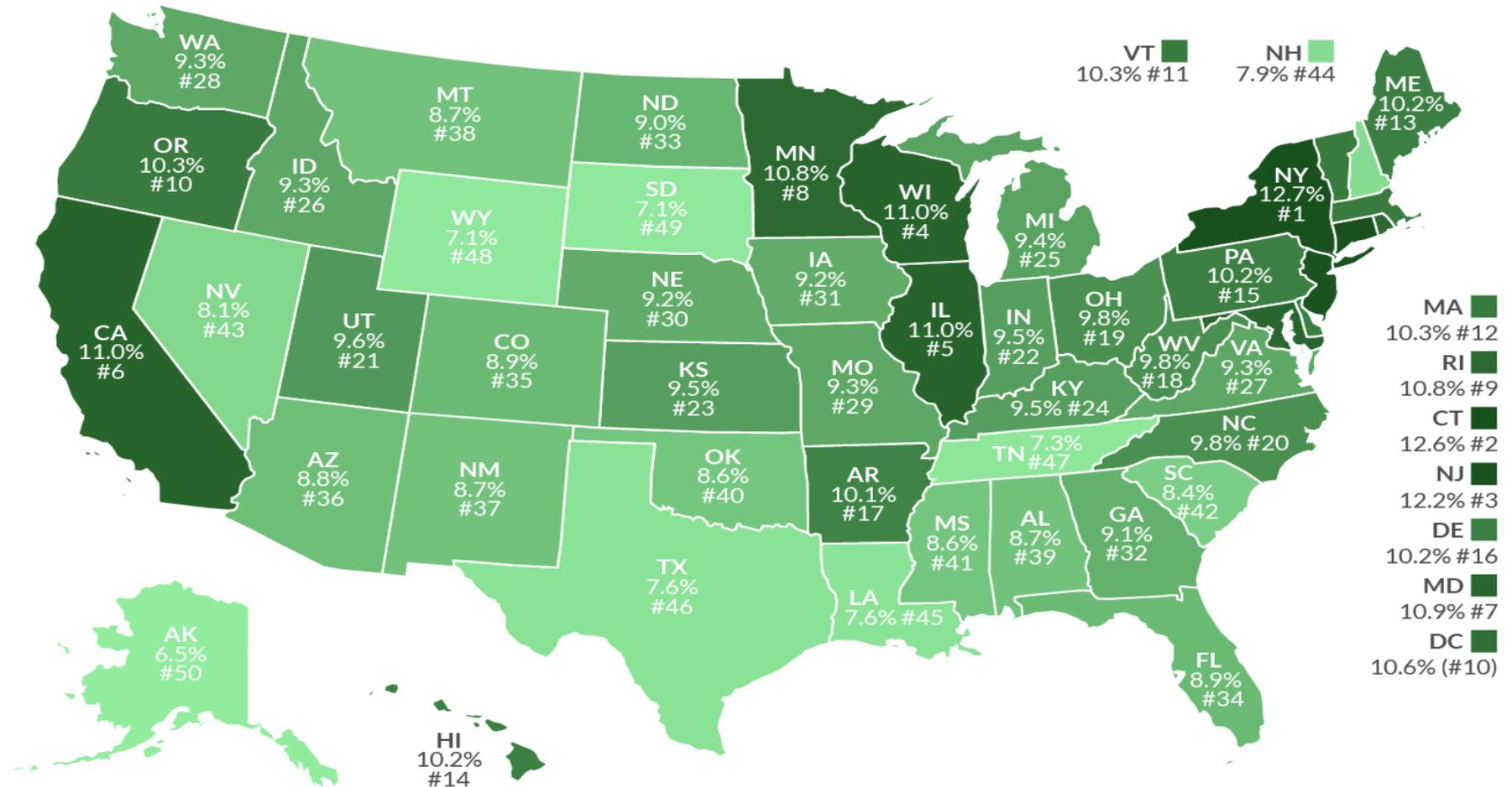
# Revenue Potential/Long-term Trends

- **Revenue Potential**
  - **Size of State Government**
    - Decisions of Legislature and Governor
  - **Tax Structure—with sufficient capacity to provide revenues and to grow with economy**
- **Long-term Trends**
  - **Properties of Tax Structure**
  - **Long-term elasticity**
  - **Factors affecting tax base**
    - Economy
    - External events
    - others

# State-Local Tax Burdens by State

State-Local Tax Burdens as a Percentage of State Income, FY 2012

## Comparison With other states



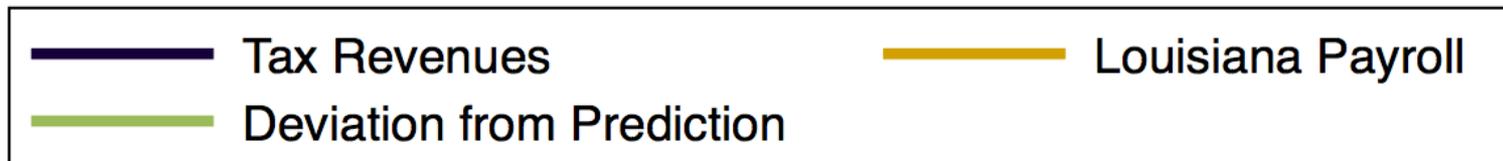
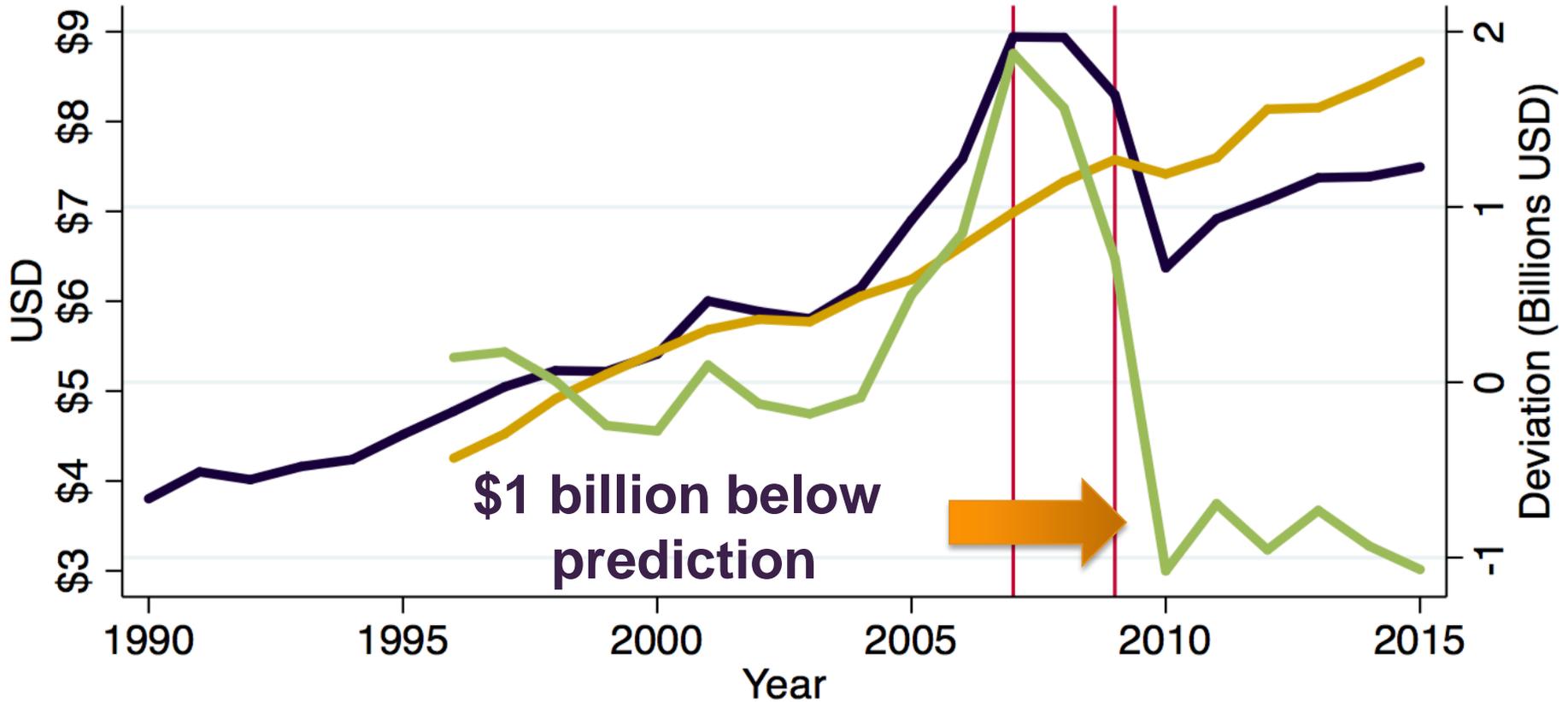
Note: As a unique state-local entity, Washington, DC is not included in rankings, but the figure in parentheses shows where it would rank.

Source: Tax Foundation calculations, U.S. Census Bureau, Rockefeller Institute, Bureau of Economic Analysis, Council on State Taxation, and Travel Industry Association.



# Long-term Trends

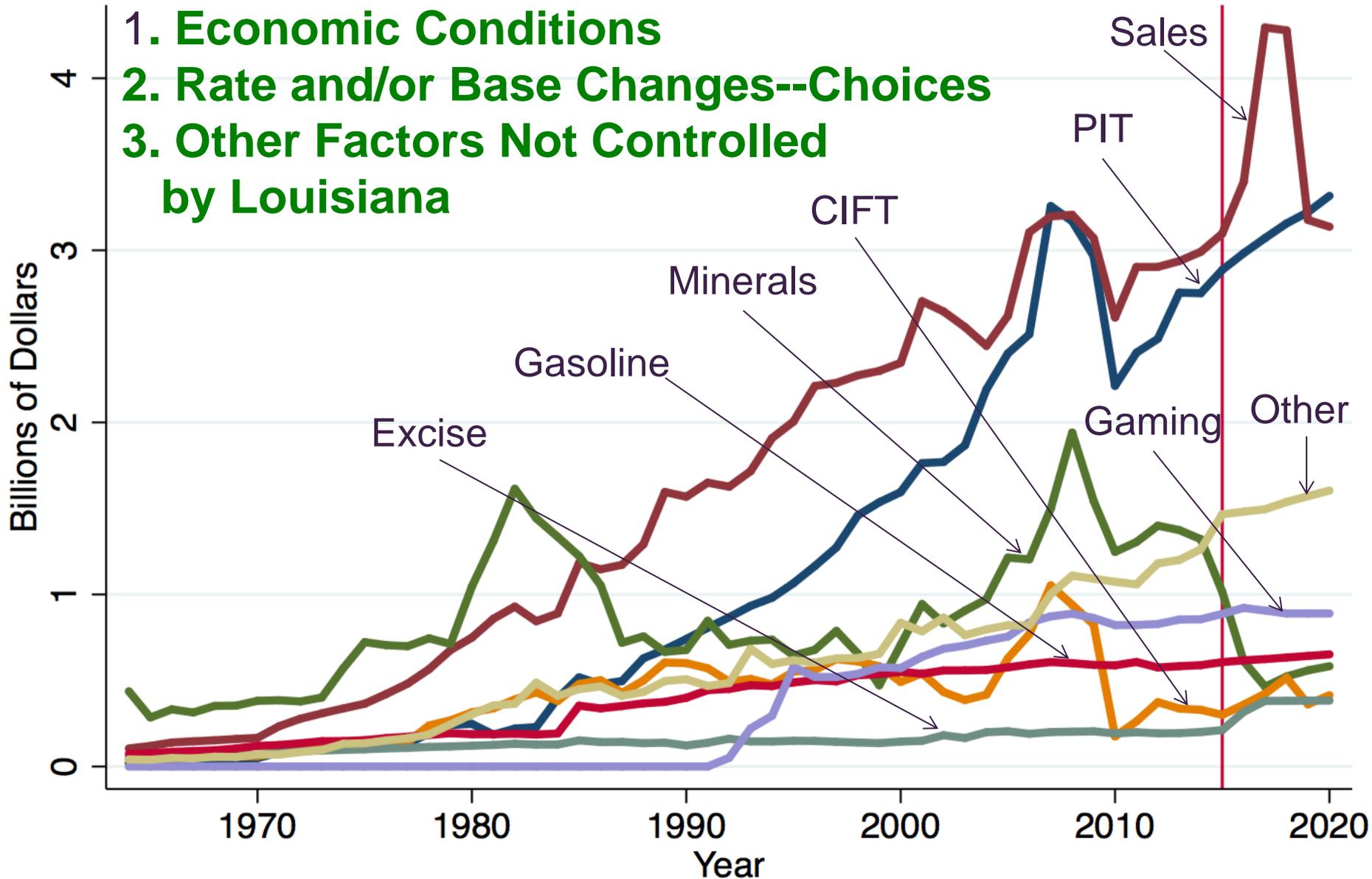
## Louisiana Tax Revenues Based on Pre-Katrina Payroll



Payroll in tens of billions of USD. Revenues in billions of USD.  
Recession dates shown with vertical lines.

# Louisiana Tax Revenues by Source

- 1. Economic Conditions
- 2. Rate and/or Base Changes--Choices
- 3. Other Factors Not Controlled by Louisiana



# Distribution by Taxpayer Unit

**DISTRIBUTION OF STATE PERSONAL INCOME TAX  
ALL RESIDENT FILERS  
ALL FILING STATUS\* COMBINED\*  
TAX TABLE LIABILITY BASIS\*\*  
TAX YEAR 2014 TAX RETURNS  
CURRENT LAW BASELINE**

Cumm. Return %	Federal Gross Income	Adjusted Gross Income	Number Returns	Average FAGI <sup>1</sup>	Curr Effec Inc Tax Rate <sup>2</sup>	Curr Law Inc Tax Lab <sup>3</sup>	Prop Law Inc Tax Lab	Inc Tax \$ Change	Inc Tax % Change	Prop Effec Inc Tax Rate	Curr Law Sales Tax	Prop Law Sales Tax	Prop Law Sales Tax Chg	Curr Effec Sales Tax Rate	Prop Effec Sales Tax Rate	Curr Combined Effec Tax Rate	Prop Combined Effec Tax Rate	Net Household Tax Change	Aggregate Inc Tax Change	Aggregate Sales Tax Change	Share of Agg Inc Tax Chg	Share of Agg Sales Tax Chg
5.0%	\$0	\$5,000	86,724	\$2,740	0.0%	\$0	\$0	\$0	0.0%	0.0%	\$141	\$176	\$35	5.1%	6.4%	5.1%	6.4%	\$35	\$0	\$3,049,858	0.0%	1.5%
12.6%	\$5,000	\$10,000	133,101	\$7,745	0.4%	\$33	\$33	\$0	0.0%	0.4%	\$148	\$185	\$37	1.9%	2.4%	2.3%	2.8%	\$37	\$0	\$4,920,646	0.0%	2.4%
22.6%	\$10,000	\$15,000	175,544	\$12,617	0.7%	\$87	\$87	\$0	0.0%	0.7%	\$155	\$194	\$39	1.2%	1.5%	1.9%	2.2%	\$39	\$0	\$6,797,584	0.0%	3.3%
31.8%	\$15,000	\$20,000	159,721	\$17,383	1.2%	\$215	\$215	\$0	0.0%	1.2%	\$162	\$202	\$40	0.9%	1.2%	2.2%	2.4%	\$40	\$0	\$6,498,930	0.0%	3.1%
39.2%	\$20,000	\$25,000	129,054	\$22,421	1.6%	\$353	\$353	\$0	0.0%	1.6%	\$169	\$211	\$42	0.8%	0.9%	2.3%	2.5%	\$42	\$0	\$5,452,884	0.0%	2.6%
45.5%	\$25,000	\$30,000	109,265	\$27,426	1.8%	\$482	\$482	\$0	0.0%	1.8%	\$176	\$220	\$44	0.6%	0.8%	2.4%	2.6%	\$44	\$0	\$4,813,592	0.0%	2.3%
55.5%	\$30,000	\$40,000	176,207	\$34,774	1.9%	\$669	\$669	\$0	0.0%	1.9%	\$187	\$233	\$47	0.5%	0.7%	2.5%	2.6%	\$47	\$0	\$8,228,821	0.0%	4.0%
63.4%	\$40,000	\$50,000	136,297	\$44,758	2.1%	\$929	\$929	\$0	0.0%	2.1%	\$329	\$411	\$82	0.7%	0.9%	2.8%	3.0%	\$82	\$0	\$11,199,810	0.0%	5.4%
69.5%	\$50,000	\$60,000	106,543	\$54,820	2.1%	\$1,162	\$1,162	\$0	0.0%	2.1%	\$579	\$724	\$145	1.1%	1.3%	3.2%	3.4%	\$145	\$0	\$15,418,106	0.0%	7.4%
74.4%	\$60,000	\$70,000	86,502	\$64,829	2.2%	\$1,425	\$1,425	\$0	0.0%	2.2%	\$700	\$875	\$175	1.1%	1.4%	3.3%	3.5%	\$175	\$0	\$15,144,847	0.0%	7.3%
78.5%	\$70,000	\$80,000	72,124	\$74,851	2.3%	\$1,731	\$1,731	\$0	0.0%	2.3%	\$805	\$1,006	\$201	1.1%	1.3%	3.4%	3.7%	\$201	\$0	\$14,506,604	0.0%	7.0%
82.0%	\$80,000	\$90,000	61,143	\$84,854	2.4%	\$2,034	\$2,034	\$0	0.0%	2.4%	\$893	\$1,117	\$223	1.1%	1.3%	3.5%	3.7%	\$223	\$0	\$13,654,909	0.0%	6.6%
85.0%	\$90,000	\$100,000	51,834	\$94,874	2.5%	\$2,351	\$2,351	\$0	0.0%	2.5%	\$971	\$1,213	\$243	1.0%	1.3%	3.5%	3.8%	\$243	\$0	\$12,577,266	0.0%	6.1%
89.5%	\$100,000	\$120,000	78,939	\$109,340	2.6%	\$2,803	\$2,803	\$0	0.0%	2.6%	\$1,063	\$1,329	\$266	1.0%	1.2%	3.5%	3.8%	\$266	\$0	\$20,986,439	0.0%	10.1%
92.5%	\$120,000	\$140,000	51,834	\$129,254	2.7%	\$3,426	\$3,426	\$0	0.0%	2.7%	\$1,169	\$1,462	\$292	0.9%	1.1%	3.6%	3.8%	\$292	\$0	\$15,151,900	0.0%	7.3%
94.4%	\$140,000	\$160,000	33,897	\$149,333	2.8%	\$4,135	\$4,135	\$0	0.0%	2.8%	\$1,260	\$1,575	\$315	0.8%	1.1%	3.6%	3.8%	\$315	\$0	\$10,674,410	0.0%	5.1%
95.7%	\$160,000	\$180,000	22,627	\$169,307	2.9%	\$4,910	\$4,910	\$0	0.0%	2.9%	\$1,335	\$1,669	\$334	0.8%	1.0%	3.7%	3.9%	\$334	\$0	\$7,552,617	0.0%	3.6%
96.6%	\$180,000	\$200,000	15,088	\$189,378	3.0%	\$5,711	\$5,711	\$0	0.0%	3.0%	\$1,400	\$1,750	\$350	0.7%	0.9%	3.8%	3.9%	\$350	\$0	\$5,281,803	0.0%	2.5%
97.8%	\$200,000	\$250,000	21,391	\$221,727	3.1%	\$6,956	\$6,956	\$0	0.0%	3.1%	\$1,492	\$1,864	\$373	0.7%	0.8%	3.8%	4.0%	\$373	\$0	\$7,976,610	0.0%	3.8%
98.5%	\$250,000	\$300,000	11,176	\$272,572	3.3%	\$8,903	\$8,903	\$0	0.0%	3.3%	\$1,611	\$2,014	\$403	0.6%	0.7%	3.9%	4.0%	\$403	\$0	\$4,502,077	0.0%	2.2%
98.9%	\$300,000	\$350,000	6,566	\$323,068	3.3%	\$10,712	\$10,712	\$0	0.0%	3.3%	\$1,711	\$2,139	\$428	0.5%	0.7%	3.8%	4.0%	\$428	\$0	\$2,808,905	0.0%	1.4%
99.1%	\$350,000	\$400,000	4,277	\$373,629	3.4%	\$12,581	\$12,581	\$0	0.0%	3.4%	\$1,797	\$2,246	\$449	0.5%	0.6%	3.8%	4.0%	\$449	\$0	\$1,921,312	0.0%	0.9%
99.3%	\$400,000	\$450,000	3,012	\$423,640	3.4%	\$14,399	\$14,399	\$0	0.0%	3.4%	\$1,873	\$2,341	\$468	0.4%	0.6%	3.8%	4.0%	\$468	\$0	\$1,410,208	0.0%	0.7%
99.4%	\$450,000	\$500,000	2,234	\$473,986	3.4%	\$16,323	\$16,323	\$0	0.0%	3.4%	\$1,938	\$2,422	\$484	0.4%	0.5%	3.9%	4.0%	\$484	\$0	\$1,082,244	0.0%	0.5%
99.6%	\$500,000	\$600,000	2,911	\$544,784	3.4%	\$18,705	\$18,705	\$0	0.0%	3.4%	\$2,022	\$2,527	\$505	0.4%	0.5%	3.8%	3.9%	\$505	\$0	\$1,471,428	0.0%	0.7%
99.7%	\$600,000	\$700,000	1,764	\$647,434	3.5%	\$22,527	\$22,527	\$0	0.0%	3.5%	\$2,118	\$2,648	\$530	0.3%	0.4%	3.8%	3.9%	\$530	\$0	\$934,196	0.0%	0.4%
99.7%	\$700,000	\$800,000	1,231	\$748,063	3.5%	\$26,003	\$26,003	\$0	0.0%	3.5%	\$2,212	\$2,764	\$553	0.3%	0.4%	3.8%	3.8%	\$553	\$0	\$680,614	0.0%	0.3%
99.8%	\$800,000	\$900,000	846	\$846,767	3.5%	\$29,377	\$29,377	\$0	0.0%	3.5%	\$2,276	\$2,845	\$569	0.3%	0.4%	3.7%	3.8%	\$569	\$0	\$481,314	0.0%	0.2%
99.8%	\$900,000	\$1,000,000	603	\$946,825	3.5%	\$32,737	\$32,737	\$0	0.0%	3.5%	\$2,342	\$2,927	\$585	0.2%	0.3%	3.7%	3.8%	\$585	\$0	\$353,004	0.0%	0.2%
100.0%	\$1,000,000 plus		3,158	\$2,719,092	3.1%	\$83,924	\$83,924	\$0	0.0%	3.1%	\$2,745	\$3,431	\$686	0.1%	0.1%	3.2%	3.2%	\$686	\$0	\$2,167,200	0.0%	1.0%
			1,745,613															***	\$0	\$207,660,137		

Current Law Scenario (Single/Joint)	Rates	Proposed Law Scenario (Single/Joint)	Rates
\$0 - \$12,500 / \$25,000	2%	\$0 - \$12,500 / \$25,000	2.00%
\$12.5K/\$25K - \$50K/\$100K	4%	\$12.5K/\$25K - \$50K/\$100K	4.00%
\$50K/\$100K plus	6%	\$50K/\$100K plus	6.00%
100% Federal Income Tax Deduction		100% Federal Income Tax Deduction	
100% Federal Excess Itemized Deduction Allowed		100% Federal Excess Itemized Deduction Allowed	
\$4,500 / \$9,000 / \$1,000 Standard & Dependent Deductions		\$4,500 / \$9,000 / \$1,000 Standard & Dependent Deductions	

Curr Sales Tax	Prop Sales Tax
4.0%	5.0%

<sup>1</sup>FAGI stands for federal adjusted gross income; the starting point for the state income tax return.

<sup>2</sup>Effective tax rate is tax liability divided by federal adjusted gross income. It reflects the overall tax imposed, inclusive of the actual taxable income base and the marginal tax rate structure.

\* Includes all resident filing status; single, married filing separately, joint, qualifying surviving spouses, and head-of-household filers.

\*\* Tax table liability is prior to any credits (nonrefundable or refundable) that determine final liability. Final liability incorporates all such tax credits.

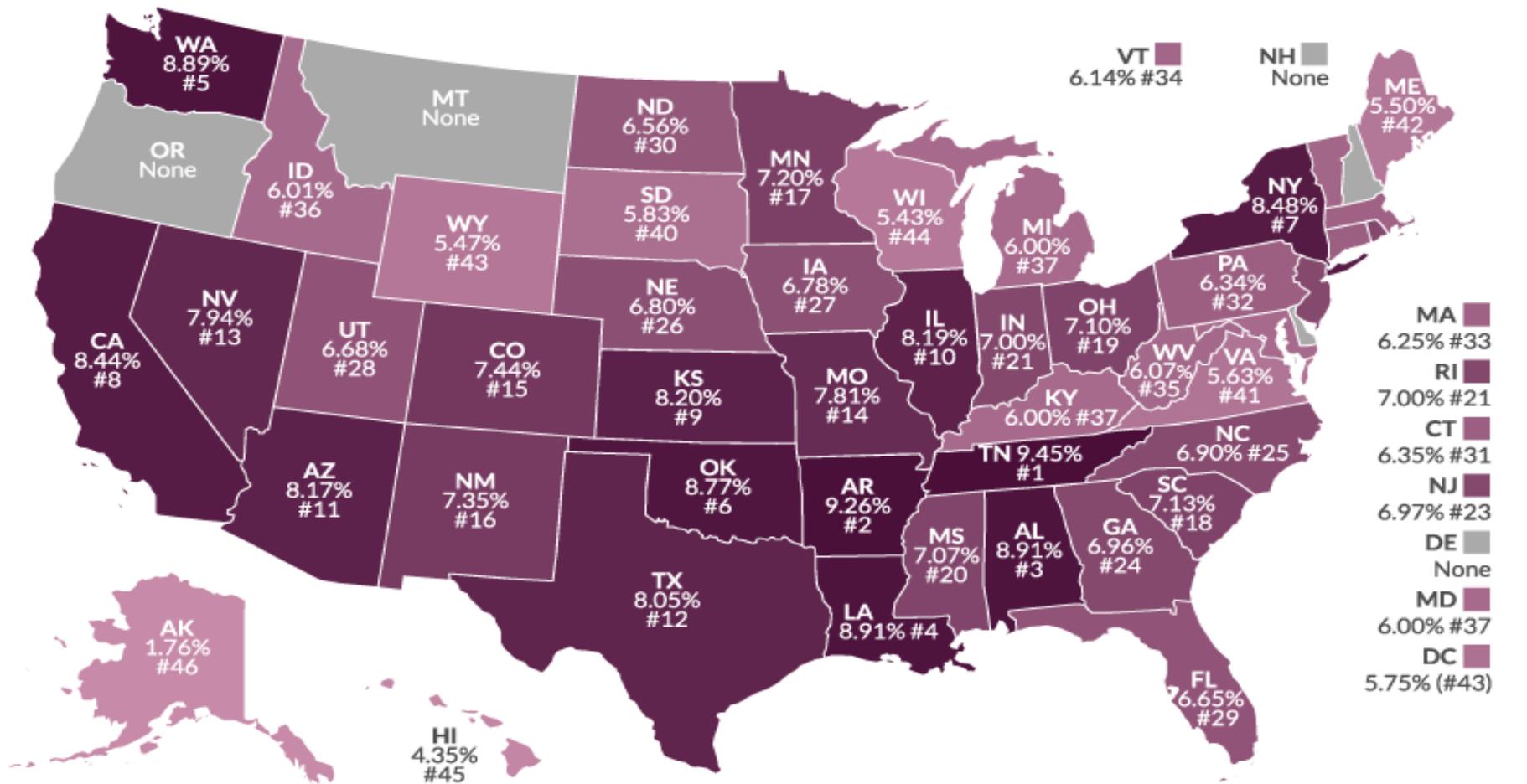
\*\*\* This result may differ from the total liability change estimated by the model. Non-resident filers and filers reporting less than or equal to \$0 FAGI are not included in the distributional tables.

# INTERSTATE COMPARISONS

1. Sales tax rate and Base
2. Personal Income Tax
3. Corporate Tax
4. Sales Tax Administration
5. Property Tax

# How High Are Sales Taxes In Your State?

Combined State & Average Local Sales Tax Rates in 2015



Note: Three states levy mandatory, statewide, local add-on sales taxes: CA (1%), UT (1.25%), VA (1%). We include these in their state sales tax. The sales taxes in HI, NM, and SD have broad bases that include many services. Due to data limitations, this table does not include sales taxes in local resort areas in MT. Salem County, NJ is not subject to the statewide sales tax rate of 7% and collects a total rate of 3.5%. New Jersey's average local rate is represented as a negative.

Sources: Sales Tax Clearinghouse, Tax Foundation calculations, State Revenue Department websites.

Combined State & Average Local Sales Tax Rates in 2015



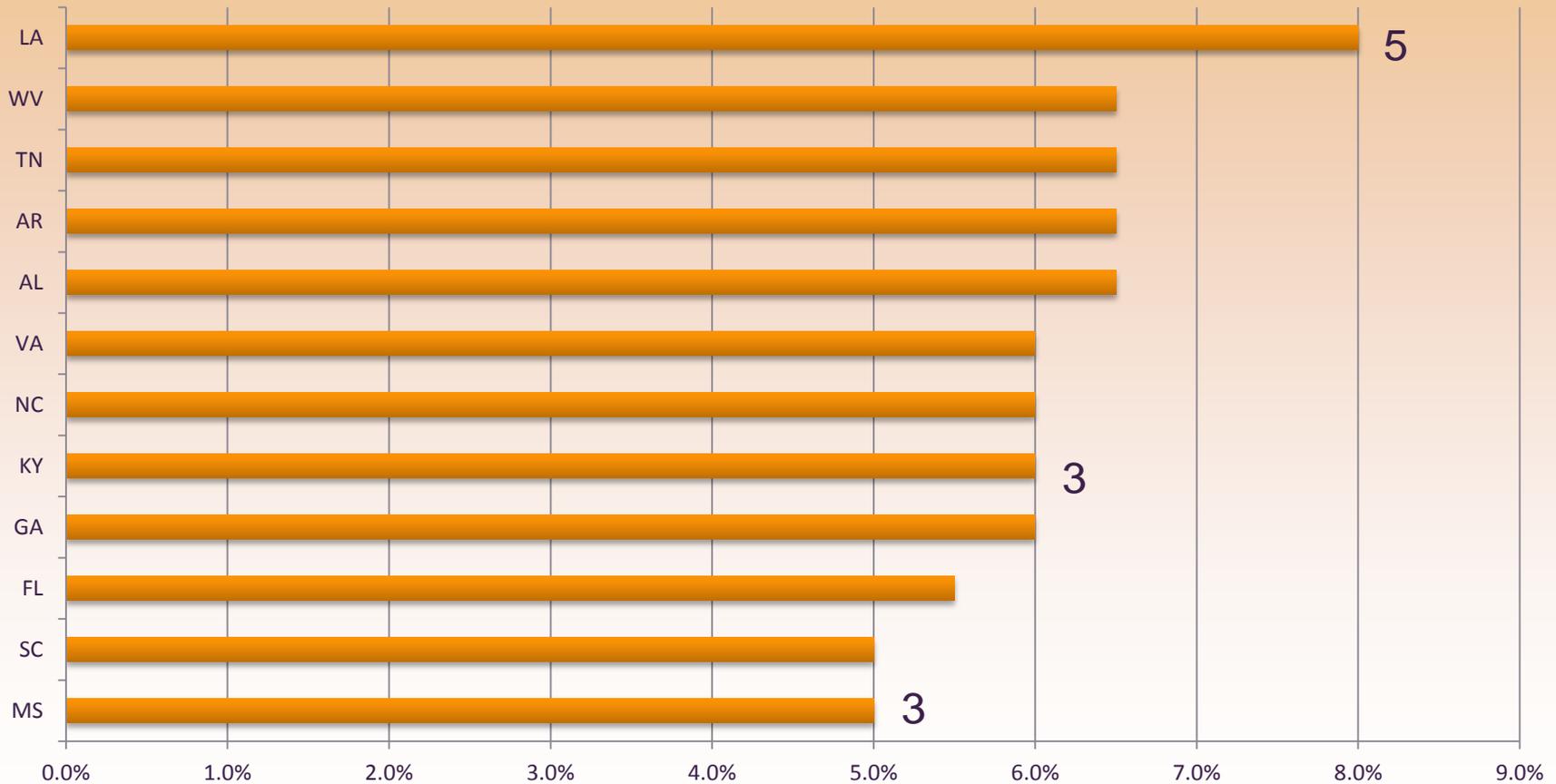
# Interstate Income Tax Comparison

State	State Rates	# of Brackets	SD/PE	Highest Rate Applicable	Federal Deductibility
Alabama	2 to 5%	3	\$11,500	\$6,000	yes
Arkansas	0.9% to 6.9%	6	\$4,400 and credits	\$35,099	No
Florida	None				
Georgia	1 to 6%	6	\$13,400	\$10,000	No
Kentucky	2 to 6%	6	\$2,460, credits	\$75,000	No
Louisiana	2 to 6%	3	\$11,000	\$100,000	<b>Yes</b>
Mississippi	3 to 5%	3	\$19,600	\$10,000	No

# Interstate Income Tax Comparison

State	State Rates	# of Brackets	SD/PE	Highest Rate Applicable	Federal Deductibility
Louisiana	2 to 6%	3	\$11,000	\$100,000	<b>Yes</b>
North Carolina	5.75%	1	\$0	0	No
South Carolina	3.0 to 7.0%	5	Federal Standard Exemption	\$24,800	No
Tennessee	Applies to interest and dividend income only, 6% rate				
Texas	None				
Virginia	2 to 5.75%	4	\$9,720	\$17,000	No
West Virginia	3 to 6.5%	5	\$8,000	\$60,000	No

# Corporate Tax Rate Comparison: Top Marginal Tax Rate (number of brackets)



# Variation in Tax Base

- Use of Credits/Deductions/Exemptions/Exclusions
- Sales Tax
  - Exemptions
  - exclusions
- Personal Income Tax
  - Constitutional
  - legislative
- Corporate Taxes

# State-Local Issues

- Sales Tax Administration
- Property Tax
- Bills in Current Session