

Task Force on Structural Changes in Budget and Tax Policy

Meeting Minutes

May 13, 2016

I. Call to order

The meeting of the Task Force on Structural Changes in Budget and Tax Policy at 9:21 a.m. on May 13, 2016 in the John J. Hainkel, Jr. Room located in the Senate Basement of the Louisiana State Capitol Building, 900 North Third Street, Baton Rouge, LA 70802

II. Roll call

A) The following Task Force Members were confirmed as present:

- Dr. James A. Richardson
- Kimberly L. Robinson
- William C. Potter
- V. Thomas Clark, Jr.
- Jason DeCuir
- Sean Reilly
- Robert Travis Scott
- Barry Erwin
- Randy Roach
- Louis Reine
- Jay Dardenne

B) Approval of Minutes:

The minutes from the meeting on May 6, 2016 were approved as written.

C) Approval of Agenda:

The agenda was unanimously approved as distributed.

III. Agenda Topics

A) Discussions of Proposed Format for Discussions

Mayor Roach outlined a set of procedures that were developed by Mayor Roach, Mr. V. Thomas Clark, and Mr. Robert Travis Scott. The process incorporates the basic provisions of the Open Meetings Law and sets forth a process for members of the Task Force to follow with emphasis on the following topics:

- Requesting items for discussion and/or adoption
- Setting the agenda
- Order of items discussed at meetings
- Consideration and adoption of recommendations
- List of matters considered by the task force

After members discussed technical aspects of the proposed list of procedures in detail, Mr. Reine moved to adopt the procedures. The procedures were adopted with no objections.

B) PAR Proposed Framework for Meetings:

Mr. Scott walked through an updated version of the PAR framework document which was originally presented during the May 6, 2016 Task Force meeting. The updated version, which was reformatted by Dr. Richardson, identifies the specific subject matter to be addressed during each meeting. The end result being an integrated reform plan for the tax structure by the September 1, 2016 date for submission of the final report.

The consensus was that the time table presented would be highly beneficial in moving the Task Force meetings forward in a more productive matter. The order in which items are addressed was presented as a possible issue in regards to short term recommendations. Secretary Robinson suggested that the topic of exemptions, deductions and tax credits be moved from the June 10, 2016 meeting to the May 20, 2016 meeting. Dr. Richardson moved these items to the May 20th agenda. All other items on the time table will follow as listed. Members agreed that the order of items would be at the discretion of the Co-Chairs.

C) Presentation: State of Louisiana Revenue and Demographic Trends by Peter Morrison, Deloitte Consulting LLP and Kevin Richard, Deputy Secretary, Louisiana Department of Revenue

Mr. Morrison and Mr. Richard provided a brief comparison of the tax structure of Louisiana vs. the tax structure of southern peer states. After key demographics were given, Mr. Morrison was asked by members to present information during the May 20, 2016 on the following topics:

- Hurdles presented when taxes become applicable at different income levels

- Excise itemized deductions by state
- Federal income tax deductions by state
- Per capita analysis of income and tax by state
- Tax information on Texas and Florida
- Distributional effect of income at low, medium, and high income levels of States with comparable populations
- Medicaid match rate comparison
- Comparison of effective tax rates
- Changes IN Louisiana median household average over time
- States which have tax credits for the following:
 - (i) Public school expenditures
 - (ii) Ad Valorem
 - (iii) Any other special items
 - (iv) Unique credits for their environment

D) Presentation: Alternative Tax Regime Model by William C. Potter, CPA, JD, Senior Tax Director, Postlethwaite & Netterville

Mr. Potter provided a comprehensive review of the effects that changes in excess itemized deductions at different rate structures would have on Louisiana taxpayers in specific income levels.

E) Presentation: Distribution of State Personal Income Tax by Greg Albrecht, Chief Economist, Legislative Fiscal Office

Mr. Albrecht outlined information included in three tables on Louisiana resident filers. Members discussed the gain and loss of progressivity at different rates. Commentary was also given on deductions in the current law scenarios vs. proposed scenarios. The aggregated effects of a flat tax were discussed in length as well as the earned income tax credit. The members also discussed producing a method for the Legislature to measure the success of credits, exemptions and deductions.

F) Draft Resolution: General recommendation for all proposals currently under consideration for a potential special session by V. Thomas Clark, Jr.

Mr. Clark presented a draft resolution to the members based on information from the C100 Tax Foundation Report. Consideration of this item will be postponed until a later date. It will be added to a future agenda at the discretion of the Chair.

- G) Presentation: Tax Alternative Proposal by Representative Julie Stokes, Louisiana House of Representatives, District 79

Representative Stokes presented a proposal which stemmed from bills she presented to the Legislature during the First Special Session of 2016. The tax alternatives presented are structured around a flat income tax with elimination of the federal income tax and excess itemized deductions.

- H) Presentation: Revenue Raising Ideas by Luke Morris, Assistant Director, Louisiana Department of Revenue and Kevin Richard, Deputy Secretary, Louisiana Department of Revenue

Mr. Morris and Mr. Richard presented a document from the Louisiana Department of Revenue outlining possible revenue generators in the categories of individual income tax, corporate income tax and corporate franchise tax. After an in-depth discussion of the information presented, members requested that a representative from the Department of Revenue return during the May 20, 2016 to provide more extensive information.

- I) Review of Draft Resolutions

The members reviewed draft resolutions which were presented in previous meetings. Members identified the resolutions to be considered during the May 20, 2016 meeting and those that will be deferred and added to future meetings at the discretion of the Co-Chair.

IV. New Business / Potential Agenda Items

- A) Agenda topic for May 20, 2016: Exemptions, deductions, and credits
- B) Net capital gains from Louisiana businesses
- C) Resolution / Proposal requests:

Mr. Potter requested a review of items 3, 5, and 6 from the Tax Exemption Budget.

Secretary Robinson proposed a list of draft resolutions to be presented during the May 20, 2016 meeting. The focal point of these draft resolutions will be:

- Corporate Alternative Minimum Income TAX

- Apportionment Factors
- Withholding on 1099's
- Withholding on gaming winnings
- 90 day payment of interest on refunds

Other requests from members included a list of proposals which will affect the FY17 shortfall.

V. Adjournment

Dr. Richardson adjourned the meeting at 3:14 p.m.

Minutes submitted by: Marisha Patterson