

Task Force on Structural Changes in Budget and Tax Policy

Meeting Minutes

September 16, 2016

I. Call to order

The meeting of the Task Force on Structural Changes in Budget and Tax Policy convened at 9:44 a.m. on Friday, September 16, 2016 in the House Committee Room 6 located in the 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
- Dr. Steve Sheffrin
- Jason Decuir
- Louis Reine
- Mayor Randy Roach
- William C. Potter
- Jay Dardenne
- Sean Reilly

Alternate:

- Steve Procopio (Robert Travis Scott)

b) Approval of Minutes:

The minutes from the meeting on September 14, 2016 were approved as written.

c) Approval of Agenda:

The agenda was unanimously approved as distributed

III. Agenda Topics

a) Sales Tax Streamlining and Modernization Commission update by Representative Julie Stokes

Representative Stokes briefly provided a meeting update and identified the goals and direction of the Sales Tax Streamlining and Modernization Commission. After an overview of the fall 2016 meetings, Rep. Stokes requested that the Task Force consider the Commission's goal when producing their recommendations. During the discussion, Task Force members asked questions regarding what the Commission would consider as the most important goals. Aligning the base, bringing down the rate and considering Act 26 were identified as very important factors going forward.

- b) Local Commentary on Severance Tax By Shanda McClain, Louisiana Department of Revenue, Clarence Lymon, Louisiana Department of Revenue and Gifford Briggs, Vice President, Louisiana Oil and Gas Association

Mr. Briggs provided commentary on the ongoing challenges of the industry and possible solutions going forward. During a discussion of the current system used to calculate severance tax rate, benefits of switching the base were identified.

Mr. Lymon provided commentary on the topic of forecasting prices and trends in pricing. Mr. Lymon identified the process of taking advantage of shifts in value and the association of tax with those values as a major component in influencing price and production. How much of an average to take when forecasting was identified as a very important factor when determining the average. The necessity to use individuals from different areas was also discussed.

- c) Motion picture tax credit and film industry update Mandi Mitchell, Deputy Secretary, Louisiana Economic Development

Ms. Mitchell provided information on an extensive internal review that is underway by an internal Task Force within LED of Motion picture tax credit program and film industry. The goal of the review is to provide possible ways to fix the program by the 2017 Legislative Session. During a review of changes made to the program in the 2015 Session, the following changes were highlighted:

- 30 million per production cap

- \$0.85 buy back suspended
- Anti- Theft/ Anti- Fraud measures put in place
- Disqualification of soft costs that previously qualified
- Steps that made the program more accessible to locals by lowering the threshold to qualify for the program

Goals of the 2016 report on the program:

- More sustainability
- Better ROI
- Better statewide economic impact
- Provided predictability of cost for the state

d) Final Report Decisions by Dr. James Richardson, Louisiana State University

During a recap of recommendations to include in the final report, Dr. Richardson and Task Force members discussed the following topics:

- Excise, gaming and severance taxes
- Individual and sales
- Limiting exemptions
- Retirement exemptions: state vs. private sector
- Social Security
- Education credits
- Net Capital Gains
- Rates and brackets
- Legislative impact on recommendations

e) Update on Retirement benefits by Kevin Richard, Deputy Secretary, Louisiana Department of Revenue, Luke Morris, Louisiana Department of Revenue and David Hoppenstedt, Louisiana Department of Revenue

At the request of Task Force members, Mr. Richard, Mr. Morris and Mr. Hoppenstedt provided data on information included on tax returns in regards to retirement exemptions and exclusions. Further data will be made available to the Task force on specific scenarios.

f) Continued Discussion of Final Report Decisions

During a brief recap of decisions previously made on the topics of sales and property tax, Secretary Robinson identified the following decisions that have been made:

- Taxing Texas service
- Taxation of utilities with preferred rate for manufacturing inputs
- Act 26 and needed adjustment

Members discussed the possibility of imitating the taxation of business inputs and which services would qualify as a taxable service. Other topics that were discussed by members in regards to Act 26 included the taxation of medical devices, the treatment of news publications, the handling of MM&E exclusions, isolated and occasional sale provisions, franchise tax, taxes on inventory and first use offshore.

IV. New Business

- a) Next meetings:
- Friday, September 23, 2016
 - Monday, September 26, 2016
 - Wednesday September 28, 2016

V. Adjournment

The meeting was adjourned at 3:22 p.m.

Minutes submitted by: Marisha Patterson