

Task Force on Structural Changes in Budget and Tax Policy

Meeting Minutes

September 26, 2016

I. Call to Order

The meeting of the Task Force on Structural Changes in Budget and Tax Policy convened at 1:21 p.m. on Monday, September 26, 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
- Jason Decuir
- V. Thomas Clark, Jr.
- Mayor Randy Roach
- William C. Potter
- Jay Dardenne
- Robert Travis Scott
- Randy Erwin
- Dr. Steve Sheffrin
- Louis Reine

b) Approval of Minutes:

The minutes were amended to reflect a recommendation by Mr. Potter as follows:

“The Task Force makes a specific recommendation that the provisions for medical devices under RS 47:305 D (1)(s) be referred to the Sales Tax Streamlining and Modernization Commission for their consideration.”

The minutes were approved as amended.

c) Approval of Agenda:

The agenda was unanimously approved as distributed

III. Agenda Topics

a) Discussion: Choices for Final Report

After a recap of information by Dr. Richardson, members discussed the best options to create policy and a tax base that is both progressive and broad. Members agreed that the final report should consist of specific recommendations to the legislature as opposed to a series of options. During a discussion of the composition of the final report, members agreed that any motions adopted can be reviewed and modified in during future meetings as needed. The following decisions were agreed upon by the Task Force:

o Sheffrin Motion: Sales Tax Recommendation

Dr. Sheffrin recommended the adoption of the proposed Adjusted Tax Base included on page three of the September 26, 2016 options spreadsheet with the following modifications:

- Includes existing sales tax currently collected
- Include sales tax base as defined by Act 26 with previously recognized modifications under Act 12 of the Second Extraordinary Special Session of 2016 and the proposal from the Heavy Equipment Rental Industry on business inputs
- Include recommendations from Sales Tax Streamlining Commission to unify the base
- Leave constitutional exemptions in place
- Tax Manufacturing, Machinery & Equipment at both state and local level (exclude rebates)
- Tax non-residential utilities at state level at the full state rate
- Tax services based on the Texas Services Model at both state and local level
- Presumably reach a 4.1% or lower rate
 - Amendment: Exempt Manufacturing, Machinery & Equipment from both state and local taxation
 - Second by: Dr. Richardson
 - Moved Favorable by: V. Thomas Clark, Jr.
 - No Opposition: Motion adopted

b) Discussion: State and Local Sales Tax Administration

Secretary Robinson and Dr. Richardson provided an overview of a recommendation to state and local government to find a process to address the current issues with sales tax administration. The need to make the process more unified was identified. The Task Force would want to connect its findings with the analysis and recommendation of the streamlining commission.

- Reine Motion: Uniform Sales Tax Collection Process
Recommendation Language

Mr. Reine made a motion to include language from the proposed state and local sales tax administration recommendation included on page four of the September 26, 2016 options spreadsheet with the following modifications:

“The state should take meaningful steps in establishing a more uniform state and local sales tax base and a uniform state and local collection and auditing system. Further, we recommend the recodification of the existing state and local sales tax statutes.”

- Second by: Dr. Richardson
- Moved favorable by: Barry Erwin
- No opposition: Motion adopted

c) Discussion: Individual Income Tax

During a discussion of proposed income tax scenarios, members discussed current exemptions, credits and deductions.

- Sheffrin Motion: Individual Income Tax Recommendation

Dr. Sheffrin recommended the adoption of the proposed Adjusted Income Tax Base included on page five of the September 26, 2016 options spreadsheet with the following modifications as a starting point for the motion:

- Strike out language first \$35K nontaxable and then as retirement and other income rises, nontaxable income declines

- Include proposed rates at 1.5%/3.0%/4.5% and brackets at \$25k/\$25k/\$50k
- Remove:
 - Federal Tax Liability Deduction
 - 50% Excess Itemized Deduction
 - Net Capital Appreciation
 - \$6k retirement exclusion
 - Citizen's property
 - Education (\$25 per student)
- Exemptions and deductions which need further review: School Tuition, Fees, Quality Public Education
- Change Motion Picture Credit in accordance with ROI and work towards a workable front end cap
- Staying the same:
 - SD/PE
 - Dependent
 - Military Pay
 - Disability
 - School Readiness Credit
 - LSRS/TRSL/ Others
 - Federal Retirement
 - Social Security benefits
 - Net Income Taxes Paid to States
 - Child Care-based tax credit
 - Earned Income Tax Credit
 - Historic Tax Credit (2021 sunset)

Members requested instruction and further information during the next meeting on the inventory tax credit, the difference in revenue generated by bracket and rate changes, removing solar from calculations, and inventory tax credit decisions will apply to individual income.

- Second by: Mr. Reine
- Moved favorable by: Mr. Reine
- No Opposition: Motion adopted

d) Discussion: Corporate Income and Franchise Tax

During a recap of recent changes that the State Legislature and Governor Edwards made to CIFT during the last two extraordinary sessions, Dr. Richardson recommended that the Task Force encourage public support of the amendment that will take the federal deductions off and lower the top rate from 8% to 6.5%.

- Dardenne Motion: Support of the Constitutional Amendment on the Fall 2016 ballot

Commissioner Dardenne recommended that the Task Force strongly support the passing of the constitutional amendment on Corporate Income Tax on the fall 2016 ballot.

- Second by: Dr. Sheffrin
- Moved favorable by: Mr. Reine
- No opposition: Motion adopted

Members agreed that the inventory tax credit will be discussed with the inventory tax, homestead exemption, ad valorem tax on offshore vessels and the industrial tax exemption at a later date.

- Sheffrin Motion: Combined Reporting Study

Dr. Sheffrin proposed that the Louisiana Department of Revenue, with involvement from the Tax Institute, conduct a study of combined reporting to be completed within two years and make recommendations to the legislature based on the findings by 2019.

- Second by: Mr. Scott
- Moved favorable by: Mr. Reine
- No opposition: Motion adopted

- Sheffrin Motion: Single Sales Factor Study

Dr. Sheffrin proposed that the Louisiana Department of Revenue, with involvement from the Tax Institute, conduct a study of moving to a single sales factor for franchise tax purposes. The study is to be completed within two years and recommendations should be made to the legislature based on the findings by 2019.

- Second by: Mr. Erwin
- Moved favorable by: Mr. Reine
- No opposition: Motion adopted

- Sheffrin Motion: CIFT Recommendation Chart

Dr. Sheffrin moved to adopt the following recommendations from the CIFT included on page six of the of the September 26, 2016 options spreadsheet:

- Maintain Subchapter S Corporation
- Eliminate Federal Income Tax Deduction
- School Readiness: Keep with connection to federal support
- Donation to School Organizations: keep sight of possible cost
- Focus on ROI:
 - Motion Picture Credit
 - Enterprise Zone
 - Louisiana Quality Jobs
- Second by: Commissioner Dardenne
- Moved favorable by: Mr. Clark
- No opposition: Motion adopted

Net Louisiana Operating Loss, Ad Valorem, and Property Tax will be addressed at the following meeting.

IV. New Business

a) Tentative meeting dates:

- Thursday, September 29, 2016
- Friday, September 30, 2016

b) Next meeting:

- Wednesday, September 28, 2016

IV. Adjournment

The meeting was adjourned at 4:13 p.m.

Minutes submitted by: Marisha Patterson