

Task Force on Structural Changes in Budget and Tax Policy

Meeting Minutes

October 11, 2016

I. Call to Order

The meeting of the Task Force on Structural Changes in Budget and Tax Policy convened at 9:22 a.m. on Tuesday, October 11, 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
- V. Thomas Clark
- Jason Decuir
- Sean Reilly
- William C. Potter
- Robert Travis Scott
- Barry Erwin
- Louis Reine

Alternates:

- Karen White for Mayor Roach
- Barbara Goodson for Commissioner Dardenne

b) Approval of Agenda:

The agenda was approved as distributed.

c) Approval of the meeting minutes was deferred to the second half of the meeting to allow time for review.

III. Agenda Topics

a) Local Commentary: Inventory Tax Credit and Ad Valorem Proposal

Jay Campbell of Associated Grocers and Dennis Stein of Stein Lumber Company provided commentary from the business prospective in response to Dr. Sheffrin's proposal on the Inventory Tax Credit and local Ad Valorem taxes that was presented in the previous meeting. The proposal presented significant modifications to the industrial tax exemption, the local personal property tax as it applies to inventories, and the state inventory tax credit. Components of the proposal included the following:

- A constitutional amendment should be introduced that would require local governmental approval for enactment of a specific industrial tax exemption.
- A constitutional amendment and supporting statutory legislation should be introduced to create a new class of property -- "inventory property" -- that would be classified at the same rate as land and residential property and that (after voter approval) would be phased-in over time.
- The Legislature should reduce the inventory tax credit from its current level as local governments reduce reliance on the personal property tax on inventories.

Mr. Stein strongly opposed the inventory tax and expressed the need to find more broad based tax options to phase out the tax as a whole. Unfair tax burden on companies who carry inventory was identified as one of the main issues of the tax. Members discussed phasing out the tax and options in helping industrial parishes that rely on the tax adjust to the removal of the tax. Negative effects of the Inventory tax identified by Mr. Stein during his testimony include the following:

- Disincentive to hold and produce inventory, expansion, capital accumulation and growth
- Strong incentive to relocate mobile inventory
- Large inventory business pay a disproportionate share of tax
- Not a broad base tax
- If tax is passed to consumer, the consumer could pay four times – manufacturing stage, finished goods stage, wholesale stage and retail stage
- Internet warehouses will not locate in Louisiana so as not to pay inventory tax

Mr. Campbell provided commentary on the possible solutions to the Inventory tax. The benefits of having large manufactures in the State were identified. Holistic plan to move forward. Inventory tax needs to be phased out

- b) Local Commentary by Robert “Bob” Baumann of Hood, Baumann and Associates and Gregory Bowser of the Louisiana Chemical Association

Mr. Baumann and Mr. Bowser briefly provided commentary on Dr. Sheffrin’s proposal on the Inventory Tax Credit and local Ad Valorem taxes from the prospective of the energy and chemical industries. Mr. Baumann began the commentary with comments on the overlap of the Industrial Tax Exemption and the companies reliant on the Inventory tax. The complications in making parishes that rely heavily on the inventory tax were identified.

Mr. Bowser expressed the need for the members to explore all options when making a decision on the Inventory Tax. Topic discussed by members include the increase in the value of inventory assessment, the most appropriate tax on business to provide support to local and state government, the upcoming constitutional amendment, remaining competitive among sister states.

Other topics discussed during Mr. Baumann and Mr. Bowser’s testimony included:

- Complications in creating tax policy that fits all businesses
- Use of public services by businesses
- Taxpayers concerns
- Parish funding
- Avoiding a shift of burden
- Importance of public services to business
- Composition of a business tax that is fair and balance

- c) Local Commentary by Sheila Falgout representative of the Chemical Industry

Ms. Hildago provided commentary on the effects of the inventory tax from the perspective of an industry insider with 15+ years in the chemical industry. During her testimony, Ms. Hildago placed emphasis on and discussed the following with members:

- Parishes need for consistent revenue
- Balance of property tax and income tax.
- Companies are less cautious about quantity of inventory because of the credit from the state.
- Shift of burden

d) Member Discussion: During a discussion of decisions left to be made before the final report is complete, members discussed the following topics:

- Property Tax Issues
- Transition plan to implement new tax policy
- LED credits
- State budget cost items
- Additional revenue generated by recommendations for local government
- Local control over the Homestead Exemption
- Potential unintended consequences of recommendations
- Impact of recommendations on the MFP

e) Discussion: LED Programs Update by Mandi Mitchell, Deputy Secretary

Ms. Mitchell briefly provided information on a set of broad economic development suggestions for incentive programs that is being put together by LED . These suggestions will create a framework for future treatment of incentive programs. Ms. Mitchell placed emphasis on the following program changes and updates that are being reviewed:

- Sunsets placed of programs to allow periodic review
- Capping select programs
- Research and Development Tax Credit Program recommendations which will link it to the Federal Small Business and Innovation Research Grant Program
- Extensive reform to the Enterprise Zone Program
- Background information on obligations of the Rules Committee
- Performance and utilization of Quality Jobs program currently being monitored. Programs is functioning as designed
- Examining underutilization or inactive programs
- Limiting the amount of the exemption for the Industrial Tax Exemption Program cap may tie hands of local government to incentivize a big project.

- f) Approval of meeting minutes:
The minutes were approved as distributed.

IV. New Business

- a) Upcoming Meeting Dates:
- Monday, October 17, 2016
 - Friday, October 21, 2016
- b) Topics of further discussion:
- Evaluation of total impact of recommendations

IV. Adjournment

The meeting was adjourned at 2:33p.m.

Minutes submitted by: Marisha Patterson