

Task Force on Structural Changes in Budget and Tax Policy

Meeting Minutes

October 21, 2016

I. Call to Order

The meeting of the Task Force on Structural Changes in Budget and Tax Policy convened at 9:28 p.m. on Friday, October 21, 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
- Steven Sheffrin
- William C. Potter
- Robert Travis Scott
- Barry Erwin
- Louis Reine
- Randy Roach

Alternates:

- Barbara Goodson for Commissioner Dardenne
- Camille Conaway for Jason Decuir

b) Approval of Agenda:

The agenda was approved as distributed.

c) Approval of the meeting minutes:

The minutes were approved as distributed

III. Agenda Topics

a) Continued Discussion: ITEP

Members continued the conversation from the previous meeting on the topic of the Industrial Tax Exemption Program. The following previously adopted language was reviewed:

“The Task force recommends that the legislature adopt a resolution amending the constitution and enact statutory provisions relative to the Industrial Tax Exemption as an economic development incentive program to grant local governments a role in the approval of the tax exemption and to include policies to maintain the ITEP as an economic development tool.”

Members agreed that they were comfortable with the decisions made on ITEP.

b) Discussion: Payment in Lieu of Tax

Members discussed PILOTs and the need for the expansion of provisions to allow more flexibility to local governments. After discussing the decision making authority under existing law and the suggestions in the recommendation, the following motion was made:

Richardson Motion: Payments in Lieu of Tax

The Task Force recommends the creation of a broader use of payment in lieu of tax arrangements for local government without the necessity of transferring ownership of the project to a local governmental body. Any such PILOT arrangement approved by a non-elected governmental body must be approved by a resolution of elected officials appointing any members to the non-elected governmental body.

- Second by: Mr. Scott
- Moved Favorable by: Mr. Reine
- Opposition: No opposition

c) Discussion: Inventory Tax Credit

Dr. Sheffrin provided a recap of the previous discussions of the inventory tax credit. Possible ways to approach the tax credit in the report were discussed in length. After members discussed related topics of millage role

ups, shift in tax burden, bonds and unfairly penalizing parishes, the following motion was made:

Sheffrin Motion: Inventory Tax Credit

The Task Force recommends a constitutional amendment to allow for a gradual elimination of the assessment of the inventory tax over a 10-year time period accompanied by the elimination of the inventory ad valorem tax credit over a 5-year time period and that the constitutional amendment allowing for a roll up of mileages to offset any revenue loss in local revenue from the elimination of the inventory tax. Other considerations for the legislature of newly identified revenue sources for local government in lieu of a roll up of the mileages would include a temporary revenue sharing fund or enhanced revenue sources from other changes to local tax laws.

Members expressed concerns with unintended consequences and long-term effects on the business environment. During the commentary, John Gallagher of the Louisiana Municipal Association provided commentary on issues that may be encountered. He also suggested that alternate revenue sources would be beneficial in the long term. Members identified that the decision would be up to a vote of the public. State and local responsibilities were also discussed.

- Second by: Mr. Erwin
- Opposition: No Opposition, motion adopted

d) Discussion: Property Tax

After a brief overview of the credits for natural gas and offshore vessels, Dr. Richardson made the following motion:

Richardson Motion: Tax Credit for Natural Gas and Offshore Vessels and Other Telephone Companies

The Task Force recommends the elimination of the ad valorem tax credit for natural gas over a 5-year period. The Task Force recommends that the tax credits associated with offshore vessels and other telephone companies be maintained presently, but that special committees examine other methods dealing with unique ad valorem situations. The present method of the state picks up the tab needs to be reassessed.

- Second by: Mr. Potter
- Moved Favorable by: Mr. Reine
- Opposition: No opposition

e) Discussion: State Property Tax

Members discussed state property and obstacles with considering the implementation. The recent improvement in assessment uniformity procedures was identified. The affects that a state property tax would have on local government revenues was also discussed. Maintaining a vibrant local government and not encroaching on their revenues was identified as an important factor in determining whether to have a state property tax or not. Limitations on revenue raising potential were also discussed. Members concluded that prior obstacles with the uniformity of assessments have been abated, although we do not recommend the implementation of a state wide property tax. The implementation of a property tax at the state level could potentially have adverse impact on local government's ability to raise money.

f) Rules Committee update by Robert Adley, Board Chair, Rules Committee

Mr. Adley briefly provided an update on the recent changes to ITEP under consideration by the rules committee. These changes will be presented to the full board on commerce and industry on Friday, October 28, 2016. The following suggested changes will be presented:

- All industrial tax exemptions and their renewals filed prior the June 24, 2016 resolution will be treated separately and as they were when filed.
- Job requirements not currently in place will be placed on the program
- Local input not currently in place will be placed on the program
- No ITEP will be allowed in environmental issues
- MCA's with no advance notice will be eliminated
- Stricter definitions of "maintenance" and "manufacturing" have been made to ensure the terms are used as originally intended
- Penalties will be put in place for all late filers
- Rate of return on investment and value will be placed on every ITEP
- All ITEP meetings will be publically broadcast
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- Contract renewals will not exceed 3 years and 80%

g) Discussion: Sales Tax

Dr. Richardson briefly discussed the recommendation previously made by the Task Force in regards to the exclusion of Manufacturing, Machinery and Equipment and the need to create a more common tax base. Long term certainty and uniformity issues were also discussed. Removal of MME from tax base in the long term was also addressed. A rebate program for state level to allow a more unified sales tax base was discussed in length. Members discussed complications in reliability of a rebate program. Administrative complications of a potential rebate program were also identified.

Richardson Motion: Manufacturing, Machinery, and Equipment

To maintain a common state and local sales tax base, the Task Force recommends imposing a state MME tax but with a rebate and encourage local governments to provide such rebate. Ideally in the long term to create a uniformed tax base, we recommend the elimination or exemption at the state and local sales level on Manufacturing, Machinery and Equipment.

- Second by: Mr. Reine
- Moved Favorable by:
- Opposition: Mr. Scott
- Vote: 8-2
 - Dr. James A. Richardson Yea
 - Kimberly L. Robinson Yea
 - V. Thomas Clark Yea
 - Steven Sheffrin Yea
 - William C. Potter Nay
 - Robert Travis Scott Nay
 - Barry Erwin Yea
 - Louis Reine Yea
 - Randy Roach Yea
 - Barbara Goodson Yea

- Final Action: Motion Adopted (8-2)

h) Capital Gains commentary by Dino Paternostro, LegisLink

Mr. Paternostro briefly outlined several supporting documents, relative to the Capital Gains exclusion, consistent with his recent testimony to the Task Force. Based on the information, he urged the Task Force to maintain the capital gains law as originally passed in 2009 (Act 457) and revised in 2016(Act 11).

i) Discussion: Individual Income Tax

Dr. Richardson briefly discussed current and proposed income rates and brackets. Deductions were also discussed in length.

Richardson Motion: Individual Income Tax

Dr. Richardson recommended the following language:

The Task Force recommends two options for changes in the individual income tax with one requiring a constitutional amendment approved by the people and the other being accomplished by legislative action. The Task force recommends that the individual income tax and the sales tax provide approximately the same amount of revenue to support the state's budget.

The recommendation included the following decisions made to the Individual Income Tax Recommendations Table (pg. 5 of Draft):

Potter Motion: Net Capital Appreciation

- Sunset date of 12/31/19 on Net Capital Appreciation
 - Second by: Mr. Scott
 - Opposition: No Opposition

Erwin Motion: START Program

Mr. Erwin made a recommendation to move the START program from the sunset list. A recommendation was made by Mr. Erwin to maintain the program

- Second by: Mr. Clark
- Opposition: Mr. Potter
 - Substitute motion by Mr. Potter to sunset with a date of 12/31/19
- Second by: Mr. Reine
- Opposition: No Opposition

Richardson Motion: Sun-setting Programs

- Sunset date of 12/31/19 on the following programs:
 - School Tuition
 - Quality Public Education
 - Recreation Volunteer
 - Volunteer Firefighter
 - IRC Section 280c Expense
 - Second by: Mr. Potter
 - Opposition: No Opposition

Reine Motion: Donation to School Tuition

- Sunset date of 12/31/19 on the Donations to School Tuition Program
 - Second by: Mr. Potter
 - Opposition: No Opposition

j) Discussion: UAL and Film Tax Credit

Members briefly discussed and provided updates on the UAL and Film Tax Credit program. Background information was provided on both and best practices and procedures were discussed.

k) Continued Discussion: ITEP

Following Sen. Adley's presentation on the rules committee recommendation, Mayor Roach recommended language to be added to the end of paragraph four on page seven of the draft.

Roach Motion: ITEP

In order to facilitate the approval of the Industrial Tax Exemption at the local level, the legislature should establish guidelines to assist local government in adopting a cooperative endeavor agreement to provide local procedure for authorizing such tax exemptions.

- Second by: Mr. Reine
- Opposition: No Opposition

IV. New Business

- Upcoming Meeting Dates:
 - Wednesday, October 26, 2016
 - Discussion of final draft

IV. Adjournment

The meeting was adjourned at 2:36p.m.

Minutes submitted by: Marisha Patterson