

Task Force on Structural Changes in Budget and Tax Policy

Meeting Minutes

July 26, 2016

I. Call to order

The small group meeting of the Task Force on Structural Changes in Budget and Tax Policy convened at 1:41 p.m. on Tuesday, July 26, 2016 in the Mardi Gras Room located on the first floor of the LaSalle Building, 617 North Third Street, Baton Rouge, LA 70802.

The following Task Force Members were present:

- Dr. James A. Richardson
- Kimberly L. Robinson
- V. Thomas Clark, Jr.
- Barry Erwin
- William C. Potter
- Dr. Steve Sheffrin

II. Agenda Topics

A. Discussion: Exclusions, Deductions and Credits

During a round table discussion of current exclusions, deductions and credits, the following items were discussed in length:

Exclusions

- (Y) Annual Retirement
- (Y) Disability
- (Y) State Employee Ret
- (Y) Fed Employee Ret
- (Y) Social Security
- (Y) Military Pay Exclusion

Deductions

- (N) Personal Exemption/Standard Deduction
- (Y) Excess Itemized
- (Y) Federal Tax Liability

(Y) Net Capital Gains
(Y) School Tuition/other school related/Start
All Others

Credits

(N) Income tax payments to other states
(N) EITC
(N) Rehab Historic Structures
(Y) Film Credit* (not specifically an individual income issue)
(Y) LA Citizens
(Y) Solar
(Y) Child care
Education Credit
All others

** (Y) = Do away with; (N) = Keep

The following decisions were made:

1. Recommend elimination of the Citizens Property Insurance Tax Credit
2. Research the fiscal impact of modifying retirement exclusions and deductions based upon two different options
 - a. Option #1: Identical treatment of the retirement income for private employees and state/federal employees, but modify the base with a “phase-out”
 - b. Option #2: Elimination of the \$6,000 exclusion and combination of phase-out and means-based testing of other exclusions/deductions
3. Certain School Readiness Tax Credits:
 - a. Provide a drawdown for federal match monies
 - b. May incentivize positive behavior that would not occur in the absence of the tax credit (for example, credits awarded based upon the quality rating of the child care facility). This cannot be said for all tax credits, and is cause for consideration.
4. Motion Picture Tax Credits: recommend modifications, keeping in mind that the cap sunsets in FYE 2019
5. Credit for Rehabilitation of Historic Structure
 - a. Option 1: Recommend it be left untouched; it sunsets in 2022 and will need to be reviewed at that time
 - b. Option 2: Recommend a cap
6. Generally, tax credit programs should have a cap.

B. Follow-up discussion/research:

1. Number of annual filers for the net capital gains deduction?
2. Does the Legislative Fiscal Office have more information about the revenue to be realized from modifying the net capital gains statute or a definitive figure for Act 11 from the 2nd Special Session?
3. How does Louisiana's law on net capital gains compare to other states'?
4. How does Louisiana law relative to exclusions and deductions of retirement income compare to other states?
5. Is there an issue of constitutionality with a restrictive modification of the retirement provisions?
6. What is the average annual expense for each of the state retirement systems?

III. New Business / Potential Agenda Items

A. Small Group meeting July 28, 2016 topic: Sales Tax

IV. Adjournment

The meeting was adjourned at 3:39 p.m.
Minutes submitted by: Marisha Patterson