

HCR11 Task Force on Structural Budget and Tax Policy

DRAFT RESOLUTIONS AND POSSIBLE RECOMMENDATIONS PROPOSED BY TASK FORCE MEMBERS

Subject Matter	Task Force Member	Task Force Recommends:
ADOPTED		
20 Fiscal Actions to be Taken in Special Session if Called	Richardson and Robinson 5/20	<p>1. "does not believe that any further increases in the sales tax rate is consistent with desirable long-term tax policy."</p> <p>2. "suggests the following methods of raising state revenues would be consistent with structural reform: "(1) evaluate the tax base for individual and corporate income taxes including any and all exemptions and deductions, that are not constitutionally protected in La., required by the US Constitution or would be inconsistent with federal income tax principles;" "(2) evaluate the tax brackets for the individual income tax in line with the present constitutional limitations and relative to states that relies on the individual income tax to pay for state public services; and," "(3) evaluate the tax credits in line with their purpose, their cost to the state, and their contributions to the state in line with their expectations as well as in line with any recent changes to these tax credits." "(4) review administrative provisions related to state tax collections."</p> <p>3. "the state consider and, if necessary, change the timing of the vote on the constitutional amendment regarding the elimination of federal tax payments as a deduction in the computation of corporate taxable income from Nov 2016 to another election date so that any and all tax changes suggested by the Task Force and accepted by the State Legislature can be considered as a package."</p> <p>4. "If, however, the actual collections outpace the estimated revenues from fiscal notes in the 2015 regular session and 2016 special session, then the Task Force suggests the Legislature consider setting a limit on recurring spending for fiscal year 2017 and 2018 with any revenues above this limit being dedicated to non-recurring projects..."</p> <p>5. "the Legislature should consider whether or not any tax changes which generate additional revenue should sunset in the same time frame as the sales tax increase enacted in the March special session."</p>
PROPOSED		
1 Mineral Revenues	Richardson, Sheffrin, Alm 4/29	"that a permanent trust fund be established, financed by mineral revenues"
2 Corporate Taxation	Richardson, Sheffrin, Alm 4/29	<p>"supports the effort to lower overall tax rates through the expansion of the tax base as well as other reform measures passed in the special session such as the add back provision plus others"</p> <p>"the state consider and, if necessary, change the timing of the vote on the CA regarding the elimination of federal tax payments as a deduction in the computation of corporate taxable income"</p>
3 Exemptions and Exclusions	Richardson, Sheffrin, Alm 4/29	"over time the state maintain the augmented [sales] tax base but adjust the rates so that all commodities and services are taxed at the same rate"
4 Mix of Taxes to Pay for Public Services	Richardson, Sheffrin, Alm 4/29	"the state make appropriate increases in the individual income tax with changes in brackets and/or deductions that are non-constitutional"

HCR11 Task Force on Structural Budget and Tax Policy

DRAFT RESOLUTIONS AND POSSIBLE RECOMMENDATIONS PROPOSED BY TASK FORCE MEMBERS

Subject Matter	Task Force Member	Task Force Recommends:
5 Centralized State Sales Tax Collections	Reilly 5/6	"the state create an independent state-local sales tax authority composed of representatives from local tax collection bodies and the state department of revenue. Over three to five years, this jointly run group should create a uniform process of state and local sales tax collections and auditing that will bring Louisiana into compliance with federal legislation to allow for sales tax collection for online purchases."
6 Inventory Tax	Reilly 5/6	"the state end this complicated system in favor of a simple and stable alternative that will save state dollars by 1) eliminating the ad valorem tax on inventory altogether; 2) eliminating the state inventory tax credit; and 3) providing a direct appropriation from the State General Fund to local government based on a formula that would "hold harmless" at current levels of revenue."
7 Sales Tax / Temporary Taxes	Dardenne 5/13	"does not recommend a higher state sales tax rate although we see a value in a continued review of sales tax exemptions and exclusions" "that any additional income raised in a special session should be temporary in nature and generally should sunset in the same time frame as the sales tax increase and other tax changes imposed during the March special session."
8 Individual Income Tax	Clark 5/13	"that the following resolutions pertaining to individual income tax reform is consistent with the long term objectives of broad fiscal reform and should be included in the call for any special session..." Option A: Retain the existing 3-bracket structure but adjust for inflation. Eliminate the deduction for federal income taxes paid (on Nov 2016 ballot). Eliminate excess itemized deductions. Retain the personal exemptions but adjust for inflation. Maintain EITC at 3.5%. Option B: Move to a 4% flat tax on all income levels. Eliminate the deduction for federal income taxes paid (on Nov 2016 ballot). Retain excess itemized deductions. Increase the personal exemption to \$10k per filer and index it to inflation with a \$20k per family max. Increase EITC to 10% of the federal credit. (-\$100m) Option C: Move to a 3.5% flat tax on all income levels. Eliminate the deduction for federal income taxes paid (on Nov 2016 ballot). Eliminate excess itemized deductions. Increase the personal exemption to \$10k per filer and index it to inflation with a \$20k per family max. Increase EITC to 10% of the federal credit. (\$220m)
9 Individual Income Tax	Robinson 5/13 (LDR one-page handout)	Eliminate the deduction for Net Capital Gains arising from the sale or exchange of an equity interest in or substantially all of the assets of a nonpublicly traded corporation, partnership, LLC, or other business organization commercially domiciled in Louisiana (\$53.8m) Eliminate excess federal itemized deductions (\$348m) Eliminate the \$25 education credit for each dependent child enrolled in K12 school (\$10.5m) Eliminate the refundable credit for surcharges, market equalization charges, or assessments levied by the La. Citizens Property Insurance Corp. due to Hurricanes Katrina and Rita (\$29.2m)
10 Corporate Income Tax	Robinson 5/13 (LDR one-page handout)	Non-refundable credit cap at 50% (\$38m) Apportion dividends and interest (unknown amount) Minimum corporate income tax (unknown amount) Disallow interest on refunds for 90 days (\$20m) Enact single sales apportionment (unknown amount)
11 Corporate Franchise Tax	Robinson 5/13 (LDR one-page handout)	Non-refundable credit cap at 50% (\$4m) Enact single sales apportionment (unknown amount)

HCR11 Task Force on Structural Budget and Tax Policy

DRAFT RESOLUTIONS AND POSSIBLE RECOMMENDATIONS PROPOSED BY TASK FORCE MEMBERS

Subject Matter	Task Force Member	Task Force Recommends:
12 Other Revenue-Raising Suggestions	Robinson 5/13 (LDR one-page handout)	<ol style="list-style-type: none"> 1. Withhold 6% income taxes from gaming winnings (\$13.6m) 2. Withhold taxes on royalty income (unknown amount) 3. Withhold taxes on Form 1099 payments (unknown amount) 4. Disallow a portion of inventory tax credit by changing the threshold for small business 5. Withhold taxes on payments to non-residents (unknown amount)
13 Retirement Income	Potter 5/13 (oral rec)	<p>Eliminate or reform annual retirement income exclusion whereby persons 65 or older may exclude up to \$6k of annual retirement income (\$24.4m)</p> <p>Eliminate or reform retirement benefits exclusion whereby the retirement income and DROP income for state employees, various local employees, teachers and school employees, and certain law enforcement are exempt from state income tax (\$93.8m)</p> <p>Eliminate or reform retirement benefits exclusion whereby federal retirees (military and nonmilitary) are excluded from state income tax (\$32m)</p> <p>Eliminate or reform social security benefits exclusion whereby benefits received by individuals that are taxable for federal purposes are excluded from state income tax (\$102.7m)</p>
14 Sales Tax on Services	Potter 5/13 (oral rec)	Review services that are currently exempt from sales tax to potentially expand state sales tax to services
15 Pre-Filing Tax Credits	Roach 5/13 (oral rec)	Require advance pre-filing of bills to enact new tax credits, deductions, exemptions similar to the timeline for local or retirement legislation
16 Withholding on Gaming Winnings	Robinson 5/20	"the state create a provision that is substantially similar to the provision adopted by the State of Mississippi which mandates withholding at the rate of three percent...ensure the amounts withheld are nonrefundable by removing such payments from the definition of La. income thereby preventing any offset from gaming losses or any other exemption, exclusion, deduction, or credit..."
17 90-Day Refund Interest	Robinson 5/20	"the state amend the statutes governing the payment of interest on refunds in favor of a more uniform and coherent system which provides for the payment of interest on all income, franchise, and sales tax overpayments from 90 days after the filing date of the final return on which the overpayment is claimed."
18 Apportionment of Interest Income/ Dividends	Robinson 5/20	"the state eliminate the current provisions which allow a 100% deduction for all interest income and 72% of dividends from corporate stock and treat such income as apportionable income for purposes of the corporation income tax."
19 Withholding of Nonresident and Other Income	Robinson 5/20	"that La. enact legislation expanding withholding at the source requirements for non-wage income, including but not limited to income associated with the transfer or sale of immovable property, rental income, royalty income, and income from service contracts."