



LOUISIANA
DEPARTMENT *of* REVENUE

State of Louisiana

Demographic and Revenue Trends, Individual Income and Related Expenditures

Produced for: Task Force on Structural Changes in Budget and Tax Policy

On behalf of: Secretary Kimberly L. Robinson

LA Department of Revenue

May, 2016



Demographics & Revenue

Indicator	Peer State Avg	LA	MS	TX	AR	AL	FL	GA	KY	SC	NC	TN	WV	Source:
Key Demographics														
Total Population	8,257,510	4,670,724	2,992,333	27,469,114	2,978,204	4,858,979	20,271,272	10,214,860	4,425,092	4,896,146	10,042,802	6,600,299	1,844,128	Census Data, '14
Per Capita Personal Income	\$40,706	\$42,030	\$34,431	\$46,745	\$37,782	\$37,512	\$44,101	\$38,980	\$37,396	\$36,677	\$54,376	\$40,457	\$37,047	BEA.gov, '15
Poverty Rate (100% FPL)	18.4%	19.8%	21.5%	17.5%	18.9%	19.3%	17.0%	18.3%	19.1%	18.0%	17.9%	18.3%	18.5%	ACS, '14
Median Household Income	\$44,969	\$44,991	\$39,464	\$52,576	\$41,264	\$43,511	\$47,212	\$49,342	\$43,342	\$45,033	\$46,693	\$44,621	\$41,576	Census Data, '14
State Revenue														
Total Revenue	\$16,212,904,462	\$9,223,829,000	\$7,402,725,000	\$51,714,295,000	\$8,586,407,000	\$9,266,469,000	\$34,588,478,000	\$17,794,152,000	\$10,815,762,000	\$8,721,305,000	\$23,768,578,000	\$12,366,891,000	\$5,378,122,000	US Census Bureau, 2013 State Government Tax Collections. April 2014
Sales and Gross Receipts	\$9,945,004,308	\$4,974,642,000	\$4,571,294,000	\$39,277,583,000	\$4,019,203,000	\$4,707,375,000	\$28,526,653,000	\$7,408,422,000	\$5,110,456,000	\$4,476,982,000	\$9,714,217,000	\$9,128,175,000	\$2,579,011,000	
Property Tax	\$208,555,700	\$52,686,000	\$24,122,000	X	\$1,022,066,000	\$322,300,000	\$360,000	\$61,052,000	\$558,377,000	\$8,549,000	X	X	\$6,149,000	
Corporate Tax	\$709,813,500	\$252,430,000	\$415,980,000	X	\$402,874,000	\$382,202,000	\$2,071,710,000	\$797,255,000	\$646,875,000	\$386,669,000	\$1,285,907,000	\$1,256,173,000	\$242,429,000	
Personal Income Tax	\$4,064,347,182	\$2,739,983,000	\$1,755,424,000	X	\$2,649,577,000	\$3,202,520,000	X	\$8,772,227,000	\$3,722,964,000	\$3,357,518,000	\$11,068,166,000	\$262,842,000	\$1,795,947,000	
Per Capita Tax Revenue	\$2,152	\$1,994	\$2,475	\$1,882.63	\$2,901	\$1,917	\$1,706.28	\$1,781	\$2,461	\$1,827	\$2,366.73	\$1,904	\$2,916.35	
Personal Income Tax Rate	X	2% > \$0 4% > \$12,500 6% > \$50,000	3% > \$0 4% > \$5,000 5% > \$10,000	X	0.9% > \$0 2.5% > \$4,299 3.5% > \$8,399 4.5% > \$12,599 6.0% > \$20,999 6.9% > \$35,099	2% > \$0 4% > \$500 5% > \$3,000	X	1% > \$0 2% > \$750 3% > \$2,250 4% > \$3,750 5% > \$5,250 6% > \$7,000	2.0% > \$0 3.0% > \$3,000 4.0% > \$4,000 5.0% > \$5,000 5.8% > \$8,000 6.0% > \$75,000	3% > \$2,920 4% > \$5,840 5% > \$8,760 6% > \$11,680 7% > \$14,600	5.75% > \$0	6% > \$0 (on interest and dividends)	3.0% > \$0 4.0% > \$10,000 4.5% > \$25,000 6.0% > \$40,000 6.5% > \$60,000	Tax Foundation, Facts and Figures, 2016
Effective Tax Rate (i.e. State-Local Tax Burden as % of State Income)	8.8%	7.6%	8.6%	7.6%	10.1%	8.7%	8.9%	8.9%	9.5%	8.4%	9.8%	7.3%	9.8%	Tax Foundation, Facts and Figures 2016

- Louisiana has a higher Per Capita Personal Income than most peer states
- Median Household Income in Louisiana is similar to its peer states' average
- Louisiana collects less Personal Income Tax than peer states' average annually
- Personal Income Tax Rate is similar to peer states, though increasing rates kick in at higher income levels
- Louisiana's Effective Tax Rate is 1.2% lower than the average among peer states

Individual Income Tax Expenditures

Priority Individual Income Tax Exemptions, Credits, and Deductions												
Indicator	LA	MS	AR	AL	GA	KY	SC	NC	TN	WV	FL	TX
Federal Income Tax Deduction	Allowed at 100%	No deduction	No deduction	Allowed at 100%	No deduction	No deduction	No deduction	No deduction	No deduction	No deduction	NA	NA
Excess Federal Itemized Deductions	100% of federal itemized deductions that exceed the federal standard deduction	(SAF) with modifications to taxes paid and gambling losses	(SAF) with modifications to taxes paid and charitable contributions	(SAF) with modifications for medical expenses, taxes paid, and casualty losses	(SAF) with modifications to taxes and interest paid	(SAF) with modifications to taxes paid	(SAF) with modifications to taxes paid	Only medical expenses, charitable donations, personal residence interest and real property taxes allowed	No itemized deductions	No itemized deductions	NA	NA
Filing Threshold for 2015 Tax Year	Residents must file if required to file federal return or had state income tax withheld.	\$8,300 S \$12,900 HOH \$16,600 MFJ \$8,300 MFS	\$11,412 S \$19,339 HOH (2+ dependents) \$23,160 MFJ (2+ dependents) \$3,999 MFS	\$4,000 S \$7,700 HOH \$10,500 MFJ \$5,250 MFS	\$5,000 S (<65) \$5,000 HOH (<65) \$10,400 MFJ (<65) \$5,200 MFS (<65)	\$11,670 Family of 1 \$15,730 Family of 2 \$19,790 Family of 3 \$23,850 Family 4+	Residents file if required to file federal return or had state income tax withheld.	\$7,500 S \$12,000 HOH \$15,000 MFJ \$7,500 MFS	\$1,200 S \$2,500 MFJ	File if required to file federal return or if state income is greater than personal exemption allowance of \$2000 per exemption.	NA	NA
Tax Rate Ranges	2.00% - 6.00%	3.0% - 5.0%	0.90% - 6.90%	2.0% - 5.0%	1.0% - 6.0%	2.0% - 6.0%	0.0% - 7.0%	Flat tax of 5.75%	6.0% on interest and dividend income	3.0% - 6.50%	NA	NA
Standard Deduction	\$4,500 S/MFS \$9,000 MFJ/HOH This is a combined standard deduction and personal exemption amount.	\$2,300 S/MFS \$4,600 MFJ \$3,400 HOH	\$2,200 S/HOH/MFS \$4,400 MFJ	\$2,500 S \$4,700 HOH \$7,500 MFJ \$3,750 MFS	\$2,300 S/HOH \$1,500 MFS \$3,000 MFJ	\$2,460 per taxpayer	(SAF)	\$7,750 S/MFS \$15,500 MFJ \$12,400 HOH	No standard deduction	No standard deduction	NA	NA
Personal Exemption	Louisiana has a combined standard deduction and personal exemption.	\$6,000 S/MFS \$12,000 MFJ \$9,500 HOH	No exemptions Tax credit of \$23 per taxpayer	\$1,500 S/MFS \$3,000 MFJ/HOH	\$2,700 S/HOH \$7,400 MFJ \$3,700 MFS	No exemptions Tax credit of \$10 per taxpayer	(SAF)	No exemptions	\$1,200 S/MFS \$2,500 MFJ	\$2,000 for each personal exemption	NA	NA
Dependent Exemption	\$1,000 per dependent	\$1,500 per dependent	\$23 tax credit per dependent	\$300 - \$1,000 depending on AGI	\$3,000 per dependent	\$10 tax credit per dependent	(SAF)	\$100 tax credit per each federal tax credit	N/A Only interest and dividend income	\$2,000 per dependent	NA	NA

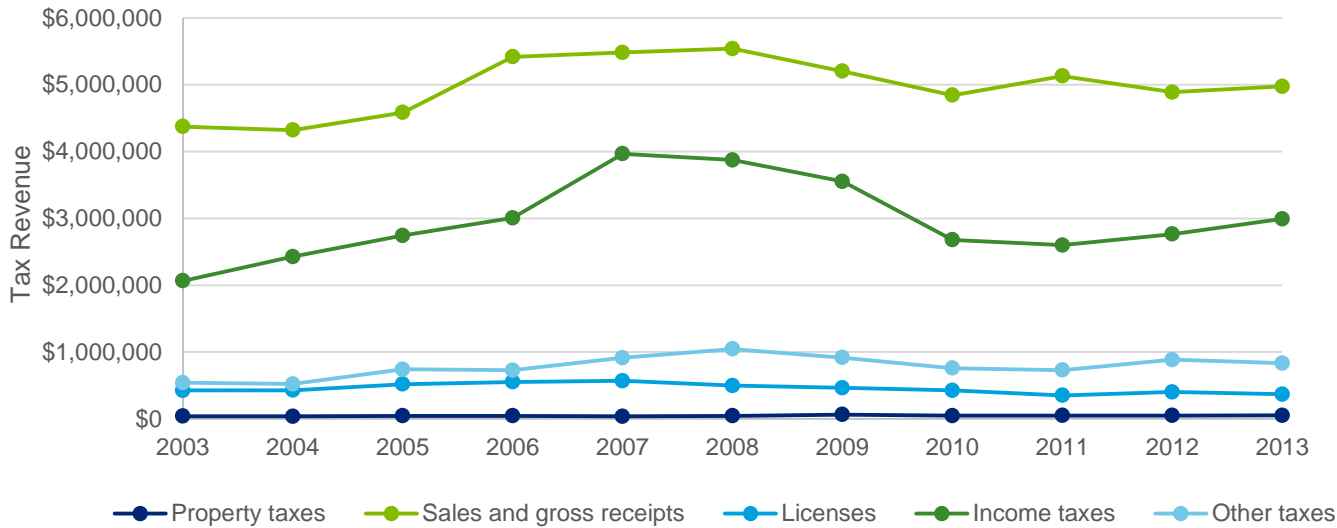
- Only Louisiana and Alabama allow a deduction for federal income taxes paid
- Louisiana is the only state that allows a deduction for all federal itemized deductions in excess of the standard deduction – Most other states require adjustments for gambling losses and state income taxes paid
- Among states with standard deductions, Louisiana is the only to combine the standard deduction and personal exemption

Individual Income Tax Expenditures

Priority Individual Income Tax Exemptions, Credits, and Deductions												
Indicator	LA	MS	AR	AL	GA	KY	SC	NC	TN	WV	FL	TX
Social Security Benefits	Subtracted from taxable income	Excluded from gross income	Subtracted from taxable income	Excluded from gross income	Subtracted from taxable income	Subtracted from taxable income	Subtracted from taxable income	Subtracted from taxable income	N/A Only Interest and dividend income	No adjustment	N/A	N/A
Annual Retirement	Exemption of up to \$6,000 of private retirement income for age 65 or older	Exempted in full	Exclusion up to \$6,000 for certain retirement	All defined benefit plans are exempt in full	Exclusion up to \$65,000 for age 65+	Exclusion up to \$41,110	\$3,000 deduction before 65 yrs \$10,000 deduction at 65+	Exclusion up to \$2,000 for private retirement benefits	N/A Only interest and dividend income	\$8,000 exclusion for senior citizens	N/A	N/A
State Retirement	Public retirees' retirement income exempt from state income tax	Public retirees' retirement income exempt from state income tax	Treated same as annual retirement	Public retirees' retirement income exempt from state income tax	Treated same as annual retirement	Depends on retirement date Either exempt in full or up to \$41,110	Treated same as annual retirement	Exclusion up to \$4,000	N/A Only Interest and dividend income	Public retirees' retirement income exempt from state income tax	N/A	N/A
Deduction for Net Capital Gains	Deduction for net capital gains from sale or exchange of equity interest or substantially all assets of Louisiana domiciled business	Certain exemptions for state issued obligations	Exclusion up to 30% of certain net long term capital gains	N/A	N/A	Certain exemptions for state issued obligations.	Exclusion up to 44% of net capital gains	Certain exemptions for state issued obligations.	N/A Only interest and dividend income	N/A	N/A	N/A
Citizens Property Insurance Credit	Credit for amount paid for LA Citizens Property Insurance assessment Limited to 72% under Act 125	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A Only Interest and dividend income	N/A	N/A	N/A
Education Exemptions, Credits and Deductions	1) Private School Deduction; 50% of expenses, limited to \$5,000 2) Public School Deduction; 50% of expenses, limited to \$5,000 3) Alternative \$25 credit for each qualified dependent K-12 student (Limited to \$18 under Act 125)	N/A	N/A	1) Max. tax credit of 50% of contributions to the Dept. of Postsecondary Education 2) Max. tax credit of 80% of cost of attendance for public K-12 student transferred from a failing public school to non-failing public or nonpublic school	Maximum credit of \$2500 for contributions to student scholarship organizations.	Credit of 25% of the amount of the federal American Opportunity Credit and the Lifetime Learning Credit for post-secondary tuition	Maximum credit of \$950 for tuition paid to postsecondary institutions	N/A	N/A	Tax credit for contributions to approved scholarship foundations	N/A	N/A

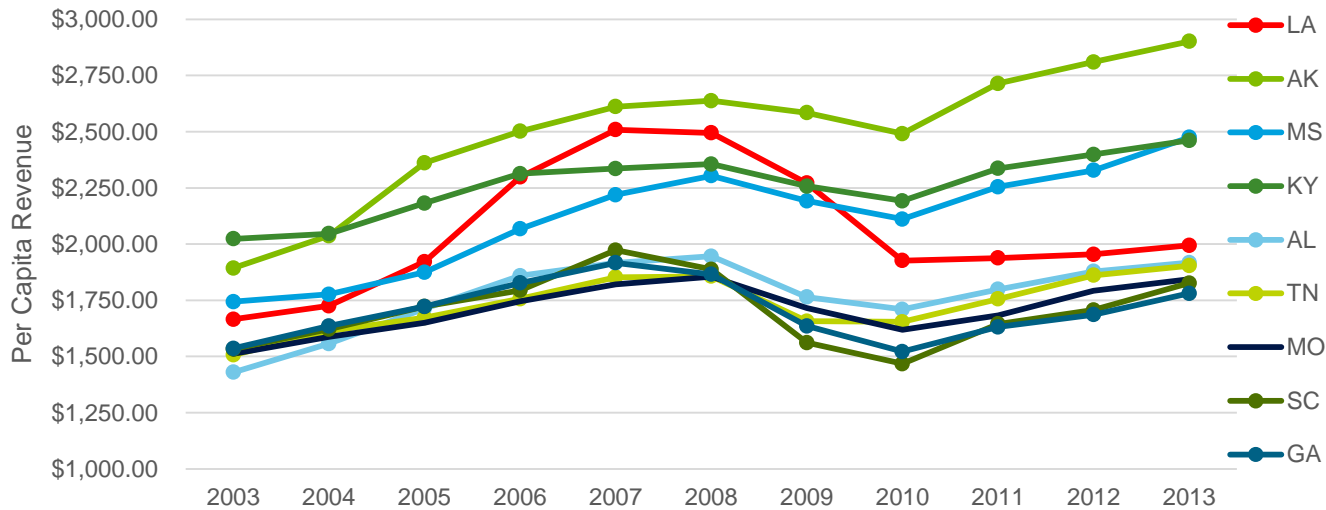
- Federal and State retirement benefits are taxed in the same manner – *Davis v. Michigan*
- Louisiana's deduction for net capital gains has no minimum holding period as compared to other states
- Other states provide education credits on contributions to scholarship funds and foundations

State Revenue Trends



Louisiana Tax Revenue by Category (2003-2013)

A decline in revenue from 2007-'10 appears to be caused by decreased income taxes, which include Individual and Corporate Income taxes. From 2009-'10, Personal Income declined 23%, Corporate Income declined 36%, and Sales and Gross Receipts declined 13%.



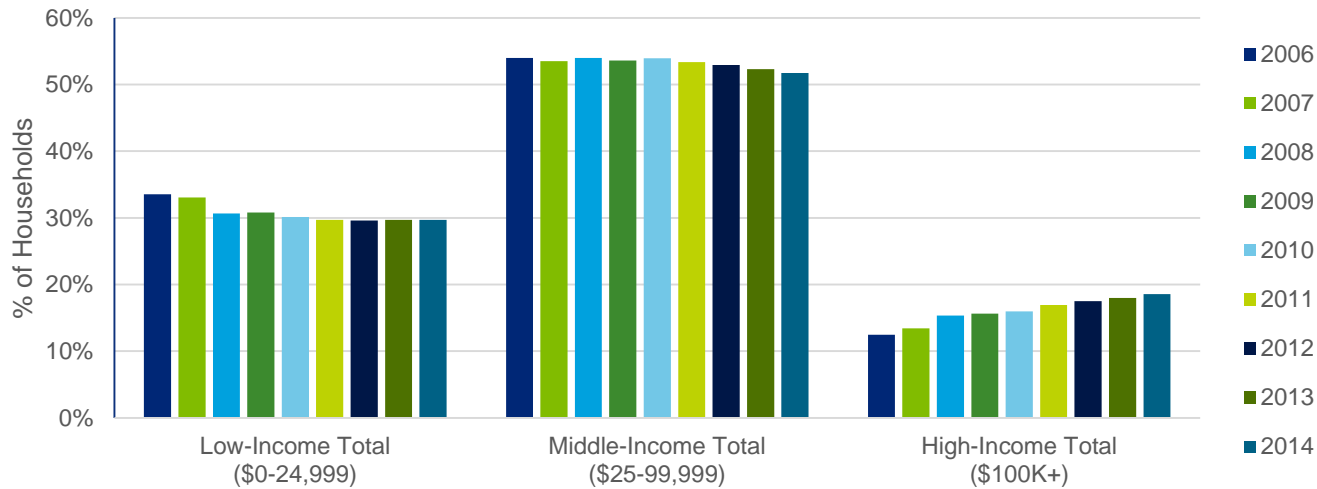
Revenue Per Capita for SEC States (2003-2013)

Louisiana experienced a more drastic decline in revenue per capita from 2008-'10, and has not experienced comparable growth to peer states since 2010. Included in this revenue calculation are taxes on individual and corporate income, hunting/fishing, motor vehicles, public utilities, severance and others.

Household Income Distribution

(Louisiana & Southeast States)

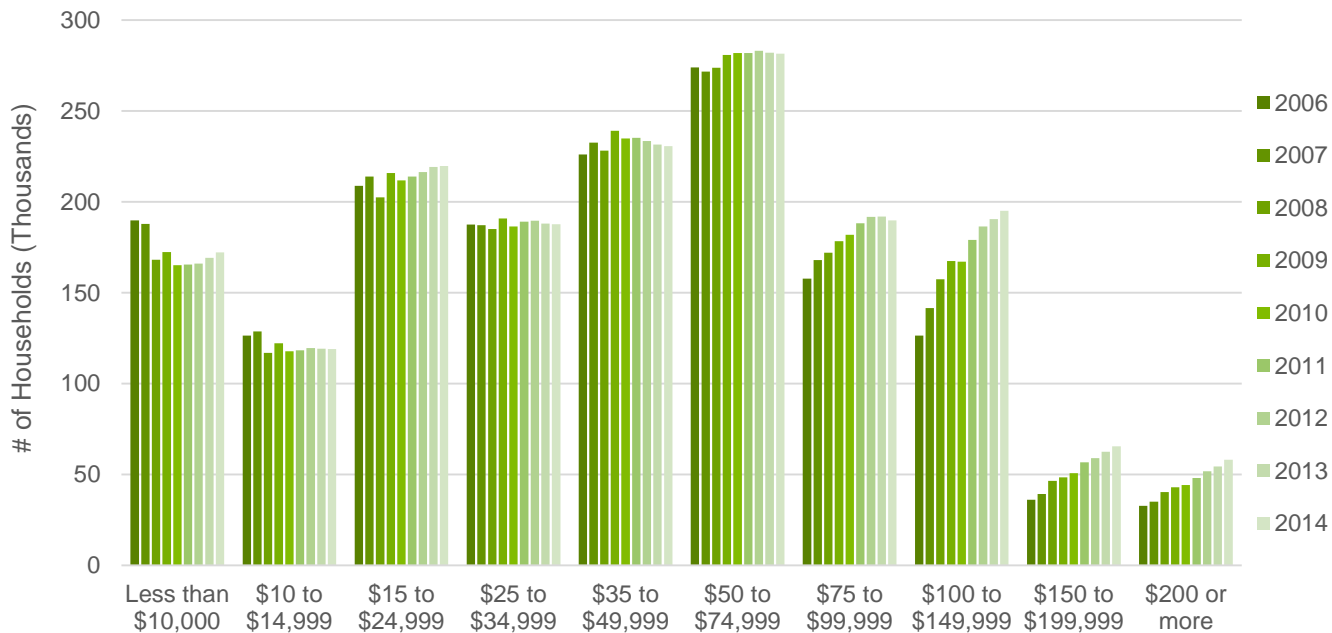
Louisiana Household Income Distribution



LA Household Income Distribution (2006-2014)

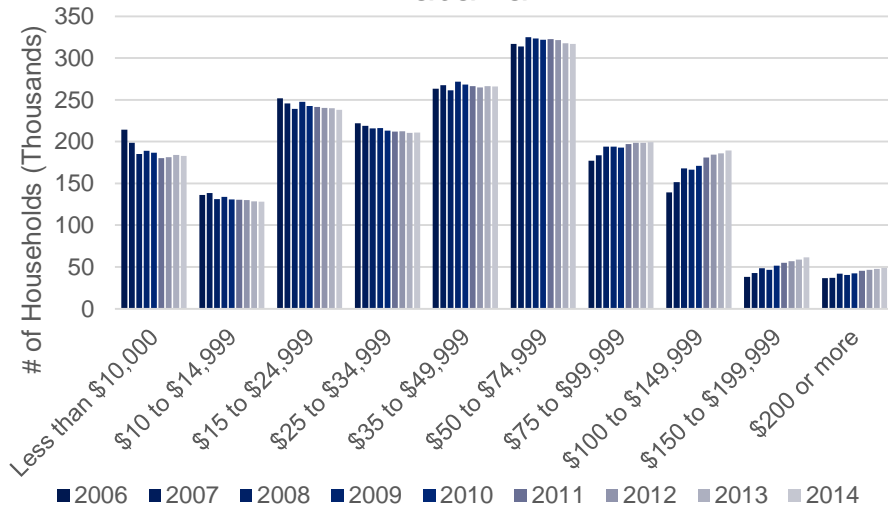
As a total share of households in Louisiana, the number of low-income households (\$0-\$24,999) decreased by 3.82%, high-income households (\$100,000+) increased by 6.07%, and middle income households (\$25-\$99,999) decreased by 2.24%.

Source: ACS

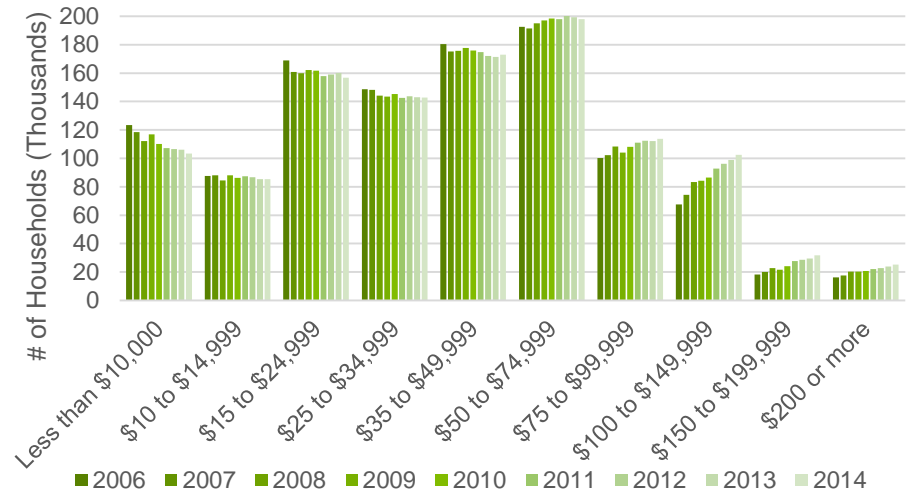


Peer States' Household Income Distribution (1 of 3)

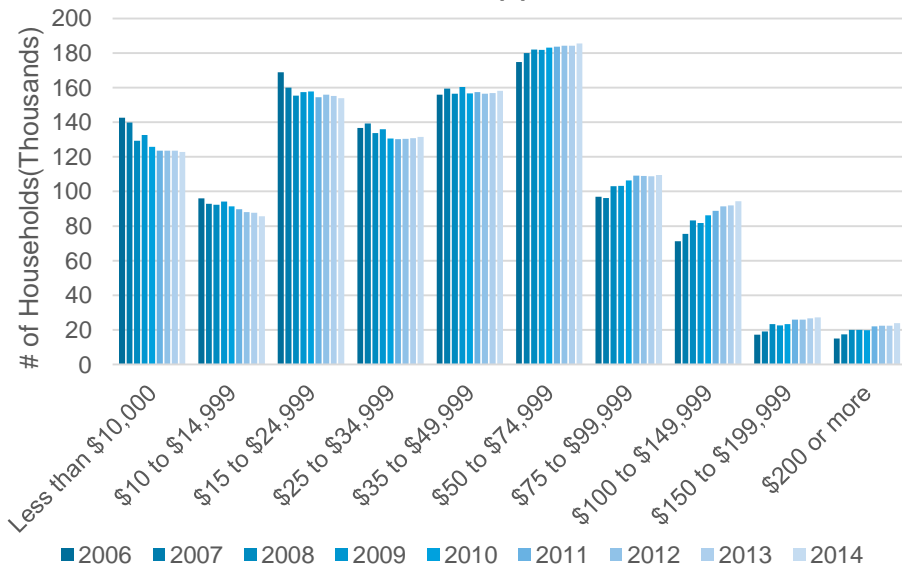
Alabama



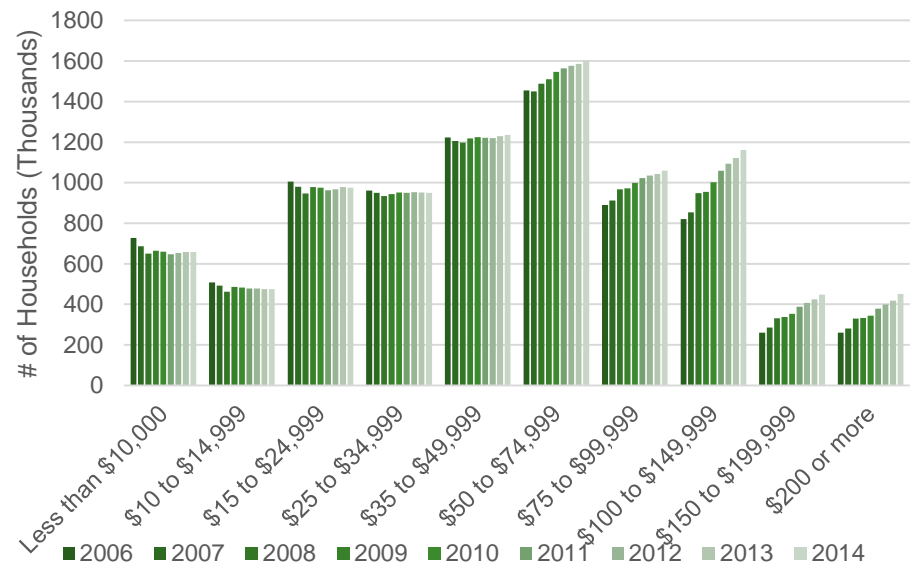
Arkansas



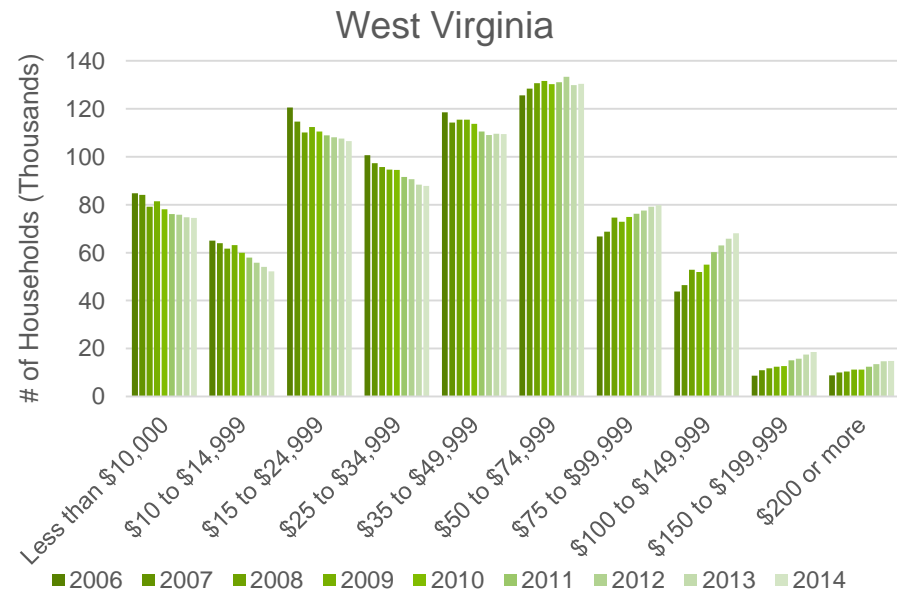
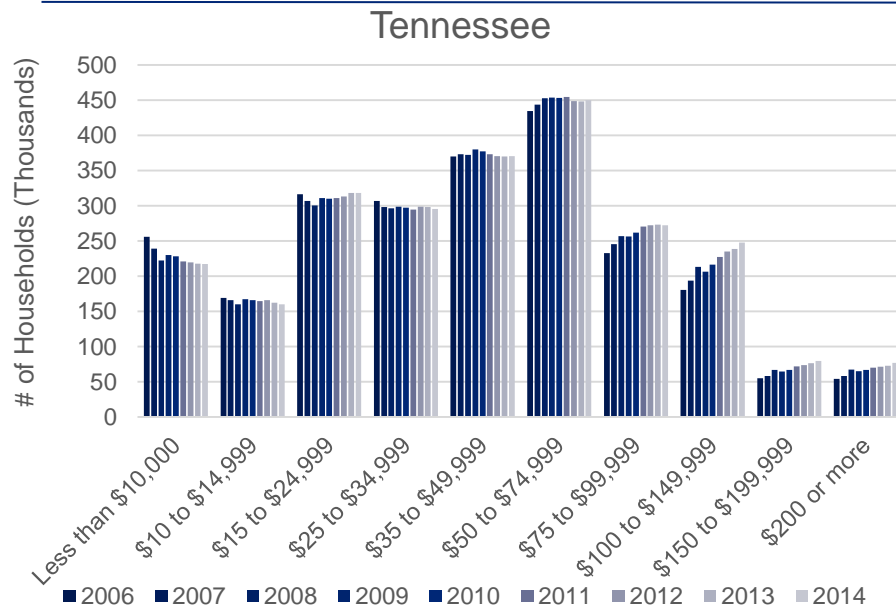
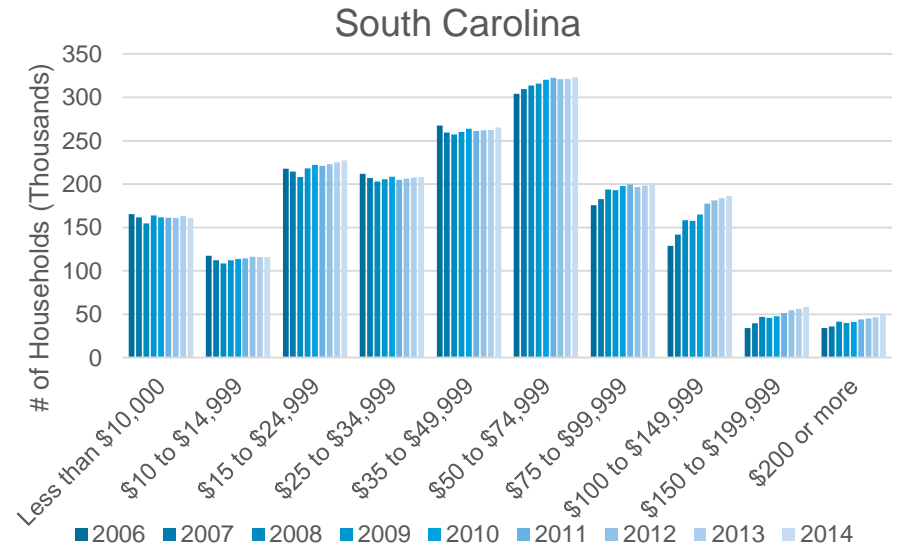
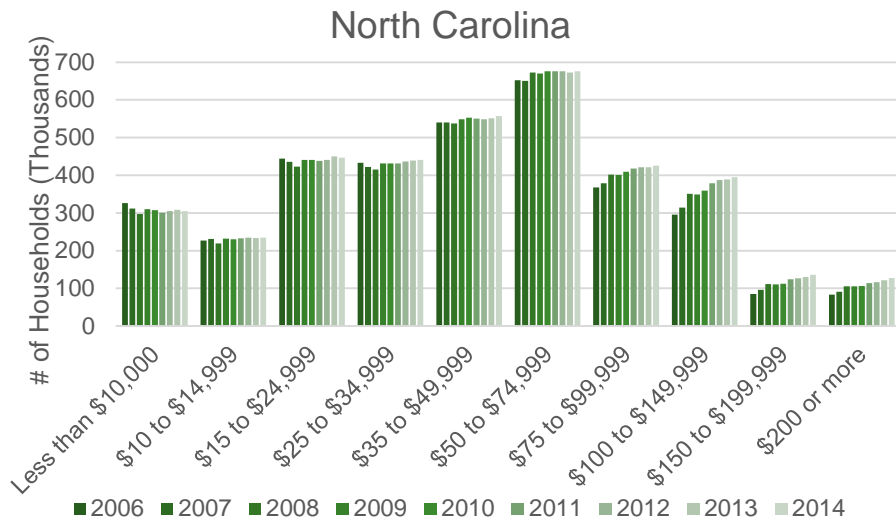
Mississippi



Texas

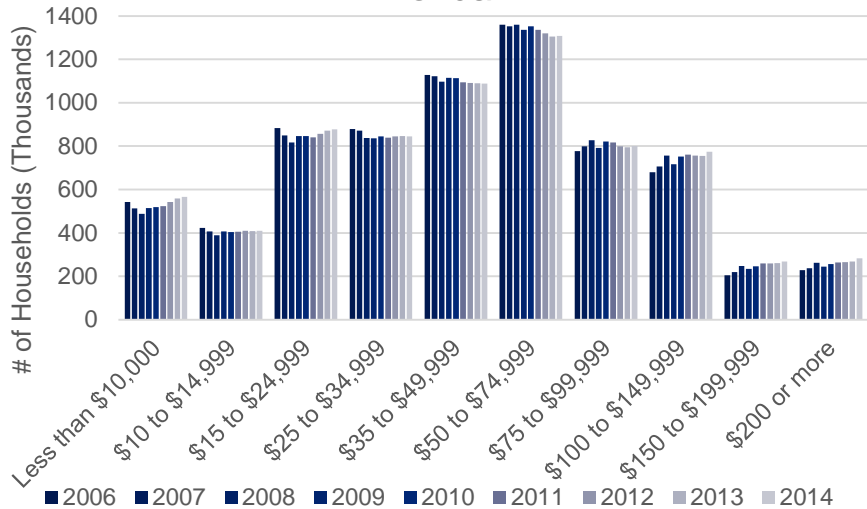


Peer States' Household Income Distribution (2 of 3)

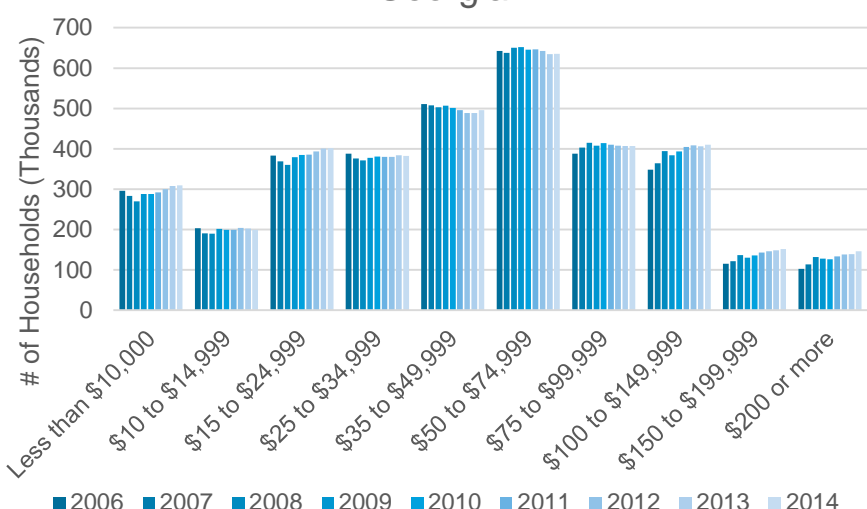


Peer States' Household Income Distribution (3 of 3)

Florida



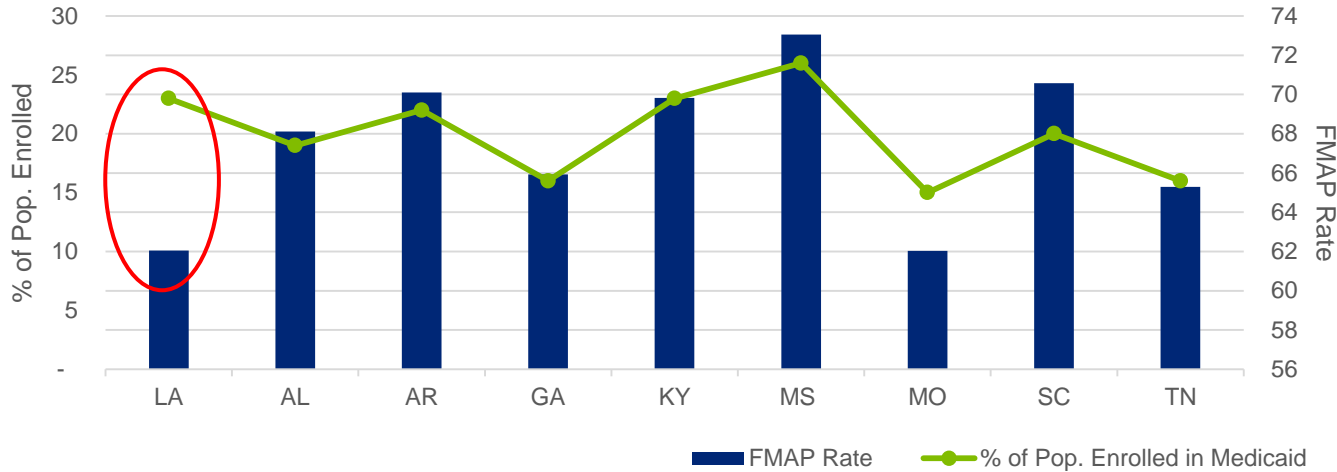
Georgia



Medicaid Trends in Louisiana

Medicaid Trends

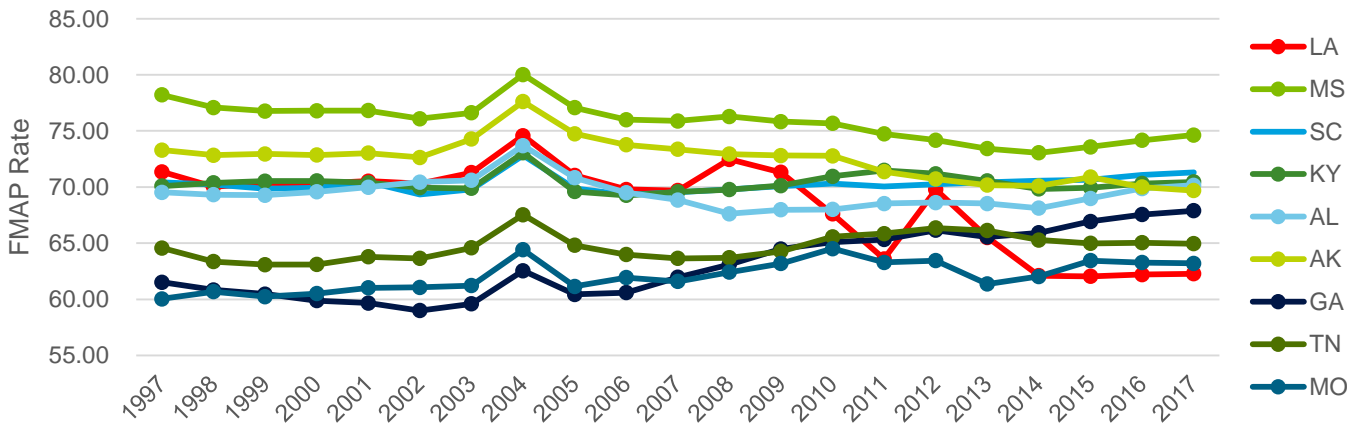
Louisiana is not being reimbursed at the same rates as comparable states.



Percent of Population on Medicaid vs. FMAP Rate (FY2014)

Medicaid eligibility is largely determined by income. Louisiana has the largest gap between percent of population enrolled in Medicaid and its FMAP rate. The gap between the two signals a greater financial need in Louisiana than the FMAP rate suggests.

This cost the State an estimated \$400 million in FY 2014.



FMAP Rates of SEC States (FY1997-2017)

Louisiana's Federal Medical Assistance Percentage (FMAP) was the lowest in the SEC for 2015 through 2017. The trend implies Louisiana's per capita income is the highest in the SEC, which means they receive the lowest amount of reimbursement dollars from the Federal government.

Louisiana's low FMAP rate costs the State hundreds of millions of dollars every year.