

# Louisiana's Fiscal Future

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# Current Fiscal Outlook

- Tax Changes
  - .45 Roll Off: ~\$455 Million
  - 2% Business Utilities Expiration: ~\$211 Million
- Dedications
  - \$340 Million Vehicle Sales Tax to TTF
- Education Stipends
  - \$247 Million teacher stipend, differential pay, and tutoring
- Current Deficit with Education Stipends:
  - **FY 26: \$587 Million**
  - **FY 27: \$617 Million**
  - **FY 28: \$755 Million**



# Tax Reform Goals

- Stabilize state revenues with permanent reforms
- Adopt smart tax cuts without drastic revenue shortfalls
- Simplify our complex tax code
- Modernize the tax structure to reflect today's economy
- Improve tax competitiveness to generate long-term economic growth and opportunity



# State Comparisons



| 2014                                | 2024                                |                              |
|-------------------------------------|-------------------------------------|------------------------------|
| 2014 Population: 4.646 Million      | 2024 Population: 4.59 Million       | Population Change -1.21%     |
| 2014 Median Family Income: \$44,600 | 2024 Median Family Income: \$57,650 | Median Income Change +29.26% |



| 2014                                | 2024                                |                              |
|-------------------------------------|-------------------------------------|------------------------------|
| 2014 Population: 9.937 Million      | 2024 Population: 10.7 Million       | Population Change +7.68%     |
| 2014 Median Family Income: \$46,600 | 2024 Median Family Income: \$68,610 | Median Income Change +47.23% |

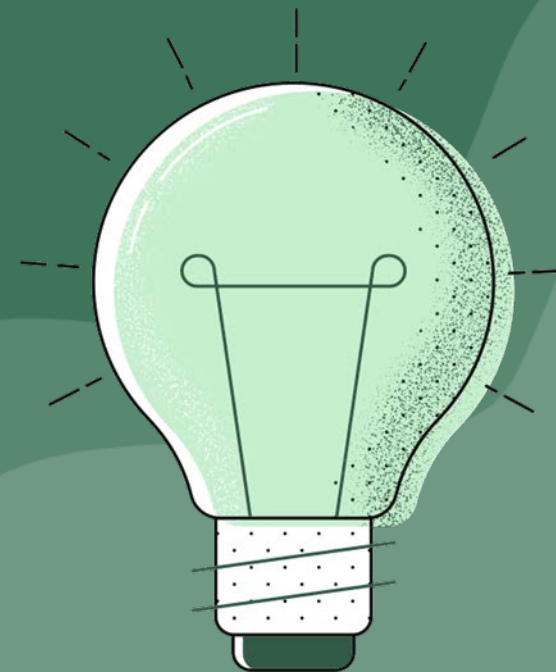


| 2014                                | 2024                                |                              |
|-------------------------------------|-------------------------------------|------------------------------|
| 2014 Population: 6.733 Million      | 2024 Population: 7.4 Million        | Population Change +6.91%     |
| 2014 Median Family Income: \$50,100 | 2024 Median Family Income: \$82,660 | Median Income Change +64.99% |

# Solutions Overview

## Simplify Tax Structure

- Individual Income Tax Cut
  - Reduce Individual Income Tax Rates to a Single Flat Rate
  - Increase Standard Deduction
  - Simplify Tax Reduction Triggers
- Broaden Sales Tax Base
  - Eliminate and Consolidate Exemptions and Exclusions
  - Expand Base to Services and Digital Goods
  - Reduce Overall Rate
- Corporation Income Tax Reform
- Eliminate Corporation Franchise Tax
- Inventory Tax Reform
- Severance Tax Reform
- Article VII Fund Changes



# Corporation Tax Incentives

| <b>Tax Incentive</b><br><i>(Credits, Rebates, Programs)</i> | <b>No. of Claimants</b> | <b>Corp. Income</b><br><i>(139,944 Filers)</i> | <b>Corp. Franchise</b><br><i>(13,409 Filers)</i> | <b>Ind. Income</b><br><i>(2,124,970 Filers)</i> | <b>Sales Tax Rebates</b> | <b>Revenue Loss</b>  | <b>Economic ROI</b> | <b>Fiscal ROI</b> |
|---|-------------------------|--|--|---|--------------------------|----------------------|---------------------|-------------------|
| Inventory Tax   | 7,691                   | \$146,072,527                                  | \$107,012,279                                    | \$31,162,957                                    |                          | \$284,247,763        | N/A                 | N/A               |
| Quality Jobs  | 110                     | \$141,430,344                                  |  |   | \$8,631,312              | \$150,061,656        | 67.66%              | -89.32%           |
| Motion Picture  | 112                     | \$130,846,673                                  |  | \$3,635,537                                     |                          | \$134,482,210        | 60.04%              | -89.58%           |
| Historic Structures   | 1,009                   | \$27,110,506                                   | \$4,276,716                                      | \$54,872,368                                    |                          | \$86,259,590         | 13.61%              | -91.15%           |
| Enterprise Zones  | 168                     | \$17,200,604                                   | \$435,511  | \$2,809,619                                     | \$2,624,404              | \$23,070,138         | 23.76%              | -91.41%           |
| Digital Media   | 41                      | \$16,871,297                                   |  | \$43,580  |                          | \$16,914,877         | 80.11%              | -88.84%           |
| Research & Development                                      | 199                     | \$1,229,292                                    | \$1,544,255                                      | \$8,714,537                                     |                          | \$11,488,084         | -8.97%              | -92.67%           |
| Retention & Modernization                                   | 4                       | \$2,040,000                                    | \$262,000  |   |                          | \$2,302,000          | 4.66%               | -94.37%           |
| Industrial Tax Equalization                                 | 26                      | \$1,309,022                                    | \$461,097  | \$434,839                                       |                          | \$2,204,958          | -16.52%             | -95.19%           |
| Angel Investor  | 252                     | \$25,965                                       | \$54,654   | \$1,701,395                                     |                          | \$1,782,014          | -18.70%             | -92.71%           |
| Manufacturing Establishments                                | 3                       | -\$75,096                                      | -\$41,424  |   | \$1,002,950              | \$886,430            | N/A                 | N/A               |
| Musical & Theatrical  | 4                       | \$758,797                                      |  |   |                          | \$758,797            | N/A                 | N/A               |
| Sound Recording   | 2                       | \$47,229                                       |  |   |                          | \$47,229             | N/A                 | N/A               |
| <b>Totals</b>   | <b>9,621</b>            | <b>\$484,867,160</b>                           | <b>\$114,005,088</b>                             | <b>\$103,374,832</b>                            | <b>\$12,258,666</b>      | <b>\$714,505,746</b> |                     |                   |

# Budget Stabilization (Rainy Day) Fund

- Current Balance: **\$ 1,057,762,279.74**
- Funding Mechanisms:
  1. Funds from SGF & dedicated funds in excess of the expenditure limit (excludes severance & royalties)
  2. All revenues received by the state as a result of production or exploration of minerals in excess of \$750 Million (this number can change)
  3. 25% of money designated in the official forecast as nonrecurring
  4. Money appropriated by the legislature
  5. Money received by Feds for reimbursement of costs associated with a federally declared disaster, not to exceed actual costs
- Cap: 4% of total state revenue receipts for previous FY

# Budget Stabilization (Rainy Day) Fund

- Appropriations:
  1. If official forecast of recurring money for next FY is less than official forecast of recurring money for current FY, then the difference (not to exceed 1/3 of fund balance) shall be incorporated into next FY official forecast after 2/3 vote
  2. If a deficit for current FY is projected due to a decrease in the official forecast, an amount equal to 1/3 of the fund not to exceed the projected deficit may be appropriated after a 2/3 vote
  3. If there is a federal declared disaster, up to 1/3 of the fund not to exceed actual costs may be appropriated after a 2/3 vote
- In no event shall the amount included in the official forecast for the next FY pursuant to (1) + the amount appropriated in the current FY pursuant to (2) + the amount appropriated pursuant to (3) exceed 1/3 of the fund balance at the beginning of the current FY



# Revenue Stabilization Trust Fund

- Current Balance: **\$2,767,181,114.47**
- Funding Mechanisms:
  1. Corporation income and franchise revenue in excess of \$600 Million
  2. 70% of mineral revenues between \$660 Million - \$950 Million
- In any FY in which the balance of the fund at the beginning of the year is in excess of \$5 Billion, can appropriate an amount not to exceed 10% of the fund balance for:
  1. Transportation infrastructure
  2. Capital outlay
- Legislature may authorize an appropriation in an emergency from the fund at any time for any purpose after a 2/3 vote

# Proposed Constitutional Fund Changes

## *Responsible Use of Funds for Budget Stability*

- Combine Budget Stabilization Fund and Revenue Stabilization Fund
- Increase BSF cap to 7.5% of total state revenue receipts for previous FY
  - RSF transferred from the Constitution to statute
  - Deposit the excess of the current BSF balance over 7.5% of total state revenue receipts of the prior fiscal year
  - No new funding is applied to RSF
    - Sunsets 2027
    - If a balance remains at sunset, funds are deposited into SGF
  - 10-20% of CIFT revenue → BSF
    - If BSF reaches cap, this revenue is designated as nonrecurring and available for appropriation
  - 10-20% of mineral revenue → BSF
    - If BSF reaches cap, this revenue is designated as nonrecurring and available for appropriation

# Proposed Timeline

- **November 2024:** Special Session between Election Day & Thanksgiving
- **January 1, 2025:** Income Rate Reduction
- **March 29, 2025:** Constitutional Changes
- **April 14, 2025:** Fiscal Session begins with stable budget picture

