

Task Force on Structural Changes in Budget and Tax Policy

Meeting Minutes

August 29, 2016

I. Call to order

The meeting of the Task Force on Structural Changes in Budget and Tax Policy convened at 9:22 a.m. on Monday, August 29, 2016 in the House Committee Room 5 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, Jr.
- Dr. Jim Alm
- Mayor Randy Roach
- William C. Potter
- Robert Traces Scott
- Barry Erwin
- Jay Dardenne
- Sean Reilly

Alternate:

- Camille Conaway (Jason DeCuir)

b) Approval of Minutes:

The minutes from the meeting on August 26, 2016 were approved as written.

c) Approval of Agenda:

The agenda was unanimously approved as distributed.

III. Agenda Topics

a) Overview: Goals of Budget and Tax Policy

Secretary Robinson provided a brief overview of the goals and responsibilities of the Task Force which have been the focus of previous meetings and presentations. The four goals of the task force were identified as:

- Long-term stability
- Fairness
- Competitive Environment
- Administrative simplicity

b) Presentation: Report of HCR 11 Task Force on Structural Changes in Budget and Tax Policy by Dr. James Richardson, Louisiana State University

Dr. Richardson provided an overview of information gathered during previous task force meetings. In order to organize information for the report, Dr. Richardson began his presentation with background information on the role of the Task Force and why it was created. The important factors to consider when establishing the budgetary framework were identified. During the framework discussion, the fundamental purpose of providing sufficient revenues to fund public services was highlighted. The factors in successfully funding public services include:

- Decide how much state wants to spend on public services
- Decide how to pay for these public services with the tax structure having these qualities:
 - Short and long-term stability
 - Fairness across and among various income groups
 - Economic competitiveness
 - Simplicity—reducing exemptions, deductions, and credits that expand the length and number of the tax forms, that add to taxpayer compliance burdens, and that create distortions in taxpayer behaviors

Stability, fairness, competitiveness and simplicity are achieved with a broad tax base and lowest rates as possible.

Spending Choices and recommendations

- Budgetary practices and possible changes
- Common Cost Across State Government: Unfunded Accrued Liability
 - Will be paid regardless
 - Ranges in percentage
 - Substantial Fee that affects budget
 - Initial debt must be paid by 2029

During a discussion of the UAL, members asked questions about different aspect as it relates to funding, legacy costs, employee contribution options and the MFP amongst other topics.

- Tax Choices: Sales, Individual Income, and CIFT
- Estimated Taxes for Fiscal 2017

Funding sources were discussed in length. The need to evaluate the outcome of recent changes at the corporate level was identified. Members discussed alternative methods for different tax types that could be changed for Fiscal year 2017.

- Tax Restructuring—Decisions

Film credits were discussed in length by members. The need for the credits to be an incentive and not at subsidy was identified. Various recommendations and scenarios were presented by members. Members agreed that further information from LED to provide clarity on the current state of the program would be necessary to create the final recommendation. Mr. Clark asked to produce draft paragraphs on what the Task Force would recommend in regards to the Film credit.

- Distribution of Current Income and Sales Tax Structure
- Estimates of Sales Tax Impact on Households
- Goals of Tax Changes
- Sales Tax Options
 - Sales Tax Base, Pre-2016 (not including Motor Vehicles)
 - Sales Tax Base for Motor Vehicles,
 - Sales Tax Base, ACT 26, First Extraordinary Session, Louisiana Legislature, 2016

- Services, Not taxed in Louisiana but now taxed in Tennessee and Texas
- Food for home consumption, prescription drugs, and residential utilities
- Manufacturing Machinery Equipment
 - Tax Reform Changes
 - Opt-ins
- Sale of Electric Power or Energy: Non-residential
- Comparing Sales Tax Base with and without Food, etc. at 5% and 3%

IV. New Business

- a) Request has been submitted for the initial September 1, 2016 deadline for producing recommendations to be extended to September 31, 2016
- b) Next meeting: Wednesday, August 31, 2016
- c) No meeting on Friday, September 2, 2016
- d) August 31st meeting will start at item VI.C.4 of the agenda

V. Adjournment

The meeting was adjourned at 12:18 p.m.

Minutes submitted by: Marisha Patterson