

# **Task Force on Structural Changes in Budget and Tax Policy**

## **Meeting Minutes**

August 31, 2016

### **I. Call to order**

The meeting of the Task Force on Structural Changes in Budget and Tax Policy convened at 9:26 a.m. on Wednesday, August 31, 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
- Dr. Stephen Sheffrin
- Louis Reine
- Mayor Randy Roach
- William C. Potter
- Barry Erwin
- Jay Dardenne
- Sean Reilly
- Jason DeCuir

Alternate:

- Steve Procopio (Robert Travis Scott)

b) Approval of Minutes:

The minutes from the meeting on August 29, 2016 were approved as written.

- c) Approval of Agenda:  
The agenda was unanimously approved as distributed

### **III. Agenda Topics**

- a) Extension Request Status:

The request of the initial September 1, 2016 deadline for producing recommendations to be extended to September 30, 2016 was granted.

- b) Preparation of Report:

During a discussion of steps in preparing the final report, members discussed how information will be shared and the frequency of future meetings. Monday, September 12<sup>th</sup>, Wednesday, September 14<sup>th</sup> and Friday, September 16<sup>th</sup> were agreed upon as potential meeting dates for the next three meetings.

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

Dr. Richardson continued an overview from the previous meeting of information gathered during previous task force meetings. 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:

#### **Sales Tax Administration Issues**

- Administrative Issues—to be coordinated with the Louisiana Sales Tax Streamlining and Modernization Commission—created by Act 405 of 2015 Regular Session of the Legislature
- working towards common state and local tax base
  - STSMC interim report on January 15, 2016 and Commission's duties are through June 2017
  - MME: complicated in terms of economic competitive and common state/local sales tax base
    - Alternative: short-term, include as part of state tax base but also, as necessary, allow tax rebates as competitive conditions warrants

- Long-term alternative: examine possibilities of removing from state and local tax bases—but being fully aware of local collections
  - Business utilities
    - Revenue raising for state
    - Not part of local sales tax bases
    - Impose gross receipts tax on business utilities but allow for certain deductions for industries for competitive purposes
- Collection—focus on uniform collecting body for state and local
- Auditing
- Proposals are suggested and recommended because they represent good tax policy and not because a Market Fairness Bill may at some point pass the U.S. Congress-

The dependency of local governments on sales tax was discussed. Having a common tax base and a uniform collection process that will help support locals governments was identified as an important determining factor in handling sales tax collection changes. Taxing personal services to reduce the rate was discussed. Deciding which services to include was also discussed.

During a discussion of taxing food for home consumption at the state level, SNAP eligibility and who would be impacted by the changes were discussed in length. Eric Horent, Undersecretary, Department of Children and Family Services, provided information on eligibility requirements to receive benefits. Between 19 - 20% of the population currently receive SNAP benefits in Louisiana.

Sales tax increase in sales tax collection following the recent flooding. Comparison to spikes after Hurricane Katrina. Estimating, timing, effects of 5% rate,

### **Information about Louisiana's Individual Income Tax**

- Louisiana Taxable Income Options
  - Joint Filer
  - Single Filer

Actual Tax Liability will be a based on the Louisiana Taxable Income, the rates that apply, and then any tax credits that reduce the tax liability.

- Louisiana taxpayers by filing status
- Tax Exemptions, Deductions and Credits
- Exemptions that decisions have to be made on:
  - Federal Tax Liability
  - Excess itemize deductions

These two items make up almost 60% of all exemptions and credits. The total number of taxpayers who itemize and the estimated itemized deductions by income were identified. Possible tax increase due to eliminating excess itemized deductions by income was also discussed.

- Suggestions for Exemptions and Credits
  - Ask People to Eliminate Federal Tax Liability in exchange for lower rates
  - Excess Itemized Deductions: Allow up to \$7,500 per tax return
  - Average retirement for Persons in Teachers and State Workers is around \$25,000. Allow retirement exemptions to be limited to first \$30,000 of a person's retirement. This will also be somewhat comparable to how the Federal government handles Social Security
  - Make following suggestions for other credits
    - Eliminate education credits
    - Allow historic tax credit to be reviewed in 2021
    - film credit for existing credits to be redeemed over time; eliminate motion picture credit as of July 2017; review changes as suggested by LED
    - Keep earned income tax credit and child care credits and, if add food, etc. to sales tax base, increase from 3.5% to 10%
    - Establish inventory tax credit and natural gas tax credit at 50% of inventory ad valorem liability and gradually eliminate over a 5 year period
- Brackets
  - Present Brackets and Rates Applied to Louisiana Taxable Income for Joint and Single Filers
  - Stelly Brackets Applied to Louisiana Taxable Income
  - Changing Brackets
  - EID Taxpayers
  - Option All Taxpayers: Stelly Brackets and \$10,000 cap on EID and FITD

- Possibility of losing progressivity at the top of the income scale with the flat tax
- Eliminating credits from current brackets
- Eliminating credits from current structure
- Property Tax
  - Homestead Exemption
  - Industrial Tax Exemption
  - Other Tax options

Industrial Tax exemption overview by Mandi Mitchell, Louisiana Economic Development

Ms. Mitchell provided a brief overview of the Industrial tax exemption. Commentary was given on the possibility of reducing the exemption and how it would affect national competitiveness. Emphasis was placed on not limiting or capping the program drastically. The guidelines of the current executive order were outlined and how they affect the future of the program was discussed in length.

- Final Report
  - Appreciate sensitivity and interest of the State Legislature in making fundamental tax reform
  - Understand that it is impossible to accomplish fundamental tax reform without creating concerned individuals
  - Report will focus on creating system that provided sufficient revenues to fund state services
  - Maintain broad base and low rates thereby enhancing equity, competitiveness and simplicity
  - Focus on
    - Critical review of spending program
    - Reformed tax structure
    - Sales tax, Individual Income Tax, Corporate Income and franchise taxes and local tax issues

#### **IV. New Business**

- a) Next meeting: Monday, September 12, 2016

b) No meeting on Friday, September 2, 2016

**V. Adjournment**

The meeting was adjourned at 3:22 p.m.

Minutes submitted by: Marisha Patterson