

Task Force on Structural Changes in Budget and Tax Policy

Meeting Minutes

October 7, 2016

I. Call to Order

The meeting of the Task Force on Structural Changes in Budget and Tax Policy convened at 9:32 a.m. on Friday, October 7, 2016 in the House Committee Room 6 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
- Jason Decuir
- Sean Reilly
- William C. Potter
- Jay Dardenne
- Robert Travis Scott
- Barry Erwin
- Louis Reine

Alternates:

- Bryan Beam for Mayor Roach

b) Approval of Agenda:

The agenda was approved as distributed.

c) Approval of the meeting minutes was deferred to the second half of the meeting to allow time for review.

III. Agenda Topics

a) Discussion: Inventory Tax Credit and Ad Valorem Proposal

Mr. Scott provided a brief overview of Dr. Sheffrin's proposal on the Inventory Tax Credit and local Ad Valorem taxes. The proposal presented significant modifications to the industrial tax exemption, the local personal property tax as it applies to inventories, and the state inventory tax credit. Components of the proposal included the following:

- A constitutional amendment should be introduced that would require local governmental approval for enactment of a specific industrial tax exemption.
 - A constitutional amendment and supporting statutory legislation should be introduced to create a new class of property -- "inventory property" -- that would be classified at the same rate as land and residential property and that (after voter approval) would be phased-in over time.
 - The Legislature should reduce the inventory tax credit from its current level as local governments reduce reliance on the personal property tax on inventories.
- b) Local Commentary by Scott Richard of the Louisiana School Boards Association, Karen White of the Louisiana Municipal Association, Greg Ruppert of the Jefferson Parish Sheriff's Office and Chris Guidry serving as a representative for Ascension Parish, St. John and St. James Parishes.

In response to Dr. Sheffrin's proposal, issues that should be taken into consideration by the Task Force were identified by members of local government. Mr. Richard, Ms. White, Mr. Guidry and Mr. Ruppert outlined the following views and concerns:

- Any proposal to alter the property subject to ad valorem taxation or to alter the assessment rate of or create and set an assessment rate applicable to a new class of property should be by Constitutional amendment and should include an automatic millage adjustment.
- The increase in one source or type of tax revenue as an off-set to a reduction of another source or type of tax revenue, when considering "local government" in the aggregate is not a valid concept.
- The issues pertaining to the classification of property as "inventory" or otherwise, have nothing to do with the authority of a School

Board, a Parish government, a Municipal government, a Sheriff, a District Attorney, or any other unit of government.

During the discussion with representatives of local government, members discussed tax burden, economic development concerns, protecting local government, as well as intended and unintended consequences. The effects that a phase out of the inventory tax would have on revenues of different parishes were also discussed in detail.

Receiving feedback from the business community in regards to the proposal was discussed as an important factor in making final decisions. Members agreed to allow an opportunity in future meetings to review input from the business community.

c) Discussion: Sales Tax and MM&E

Local Commentary by Mark West, Ascension Parish Sales and Use Tax Authority and Dannie Garrett, Louisiana School Board Association

Mr. West provided commentary on the taxation of Manufacturing, Machinery and Equipment at the local level. He identified that Louisiana is experiencing the largest industrial expansion since the 1980s. Mr. West expressed that decreases in MM&E will result in a significant hit to the revenues of river parishes and other industrial parishes. During his commentary, Mr. West suggested offsetting the reduction of MM&E with a non-industrial tax as a possible solution.

Mr. Garrett provided background commentary on the current varying financial obligations of schoolboards. He suggested that changes within the same sales tax payer group were the best options when making changes to the tax structure. Members also discussed the economic impact of removing MM&E. Benefits of allowing local officials to make decisions about MM&E were identified by Mr. Garrett

d) Discussion: HCR 25 Reports

During a discussion of the HCR 25 reports, which delineating initiatives that State Departments will undertake to ensure more efficient operations in Fiscal Year 2016-2017 and beyond, members identified potentially beneficial practices that could be implemented including the following:

- Expansion of IT services for more interaction with public
 - IT consolidation
 - Fleet management
 - Cell phone contracts
 - Hospital contracts
 - Reducing the total number contracts
 - Dual enrollment
 - Workforce training
 - Occupational forecasting
 - Utilization of existing trust funds
 - Consolidation of regional offices
- e) Approval of meeting minutes:
Amendments were made to the minutes to reflect the following:
- Correction to Mr. Erwin's name in the list of attendees
 - Additional note that Mr. Reine abstained from voting on the Non-Profit proposal made by Mr. Potter.
- The minutes were approved as amended.

IV. New Business

- a) Upcoming Meeting Dates:
- Tuesday October 11, 2016
 - Monday, October 17, 2016
 - Friday, October 21. 2016
- b) Topics of further discussion:
- HCR 25 Reports
 - LED credit programs
 - Property Tax
 - Evaluation of total impact of recommendations

IV. Adjournment

The meeting was adjourned at 2:13 p.m.

Minutes submitted by: Marisha Patterson