

LOUISIANA

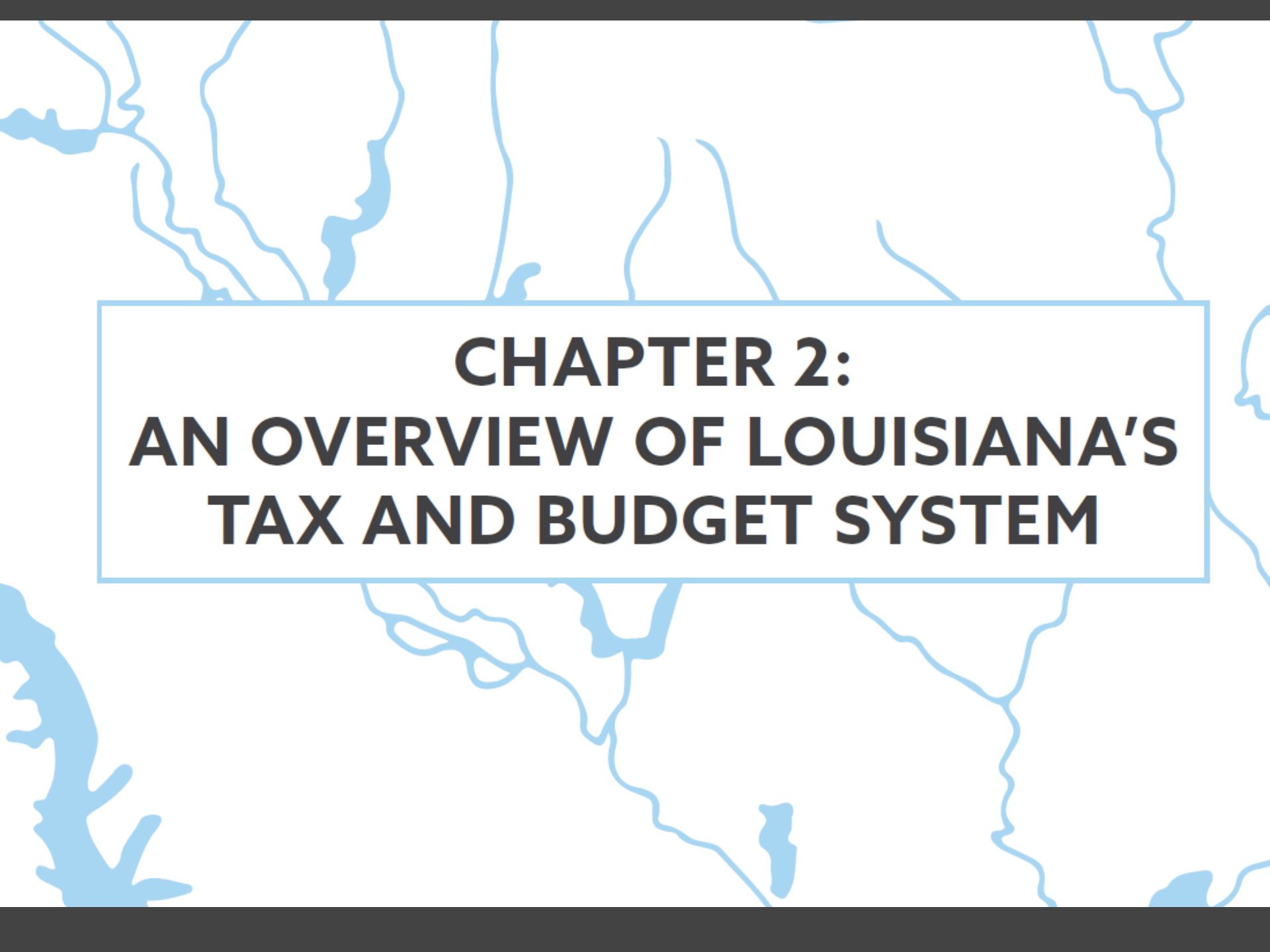
FISCAL REFORM:

A FRAMEWORK FOR THE FUTURE

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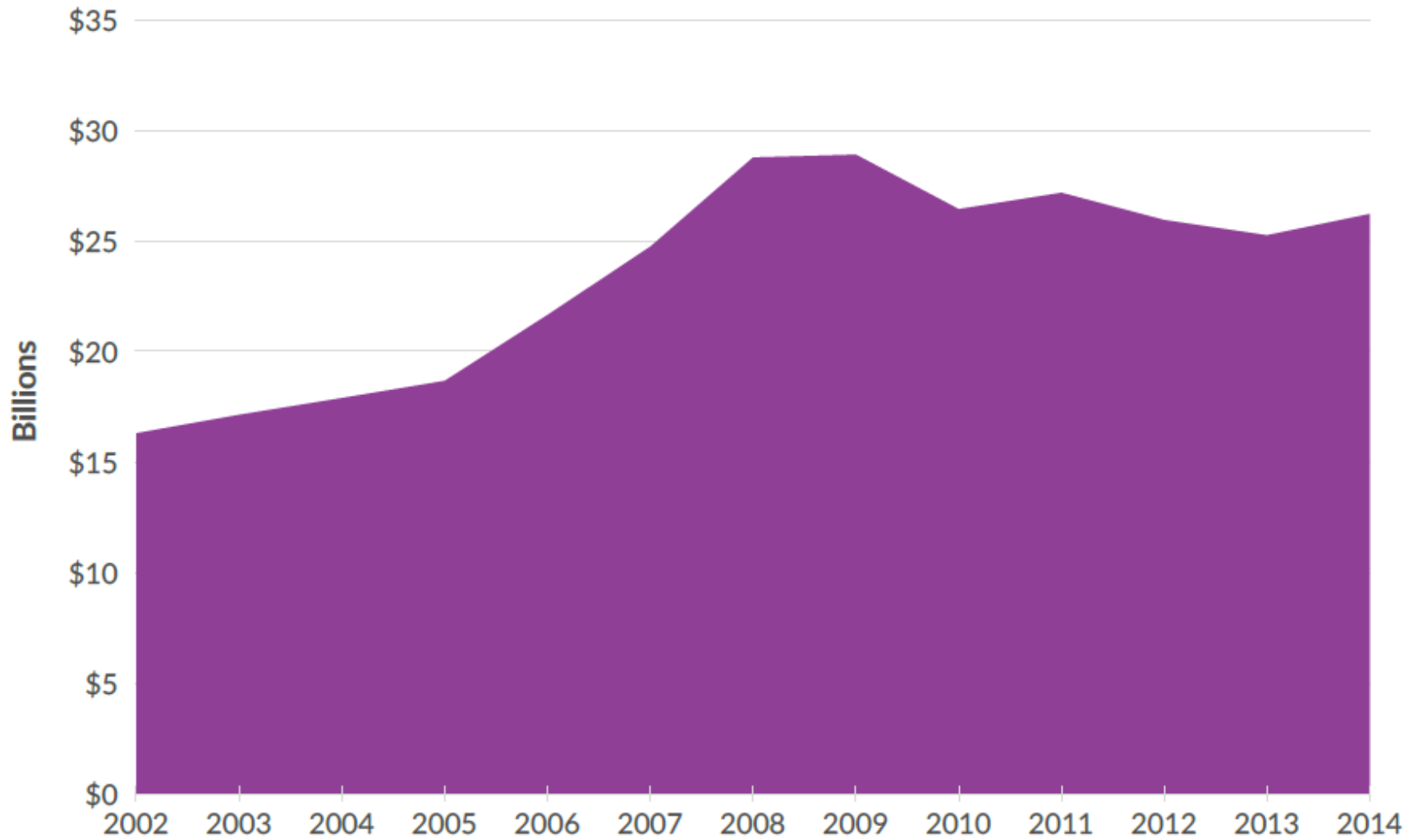
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LOUISIANA



**CHAPTER 2:
AN OVERVIEW OF LOUISIANA'S
TAX AND BUDGET SYSTEM**

Figure 2a.

Louisiana Total State Expenditures (FY 2002 – FY 2014)



Source: Louisiana Comprehensive Annual Financial Reports (2002-2014).

Figure 2c.

Percent of Total Louisiana State Government Tax Collections (FY 2013)

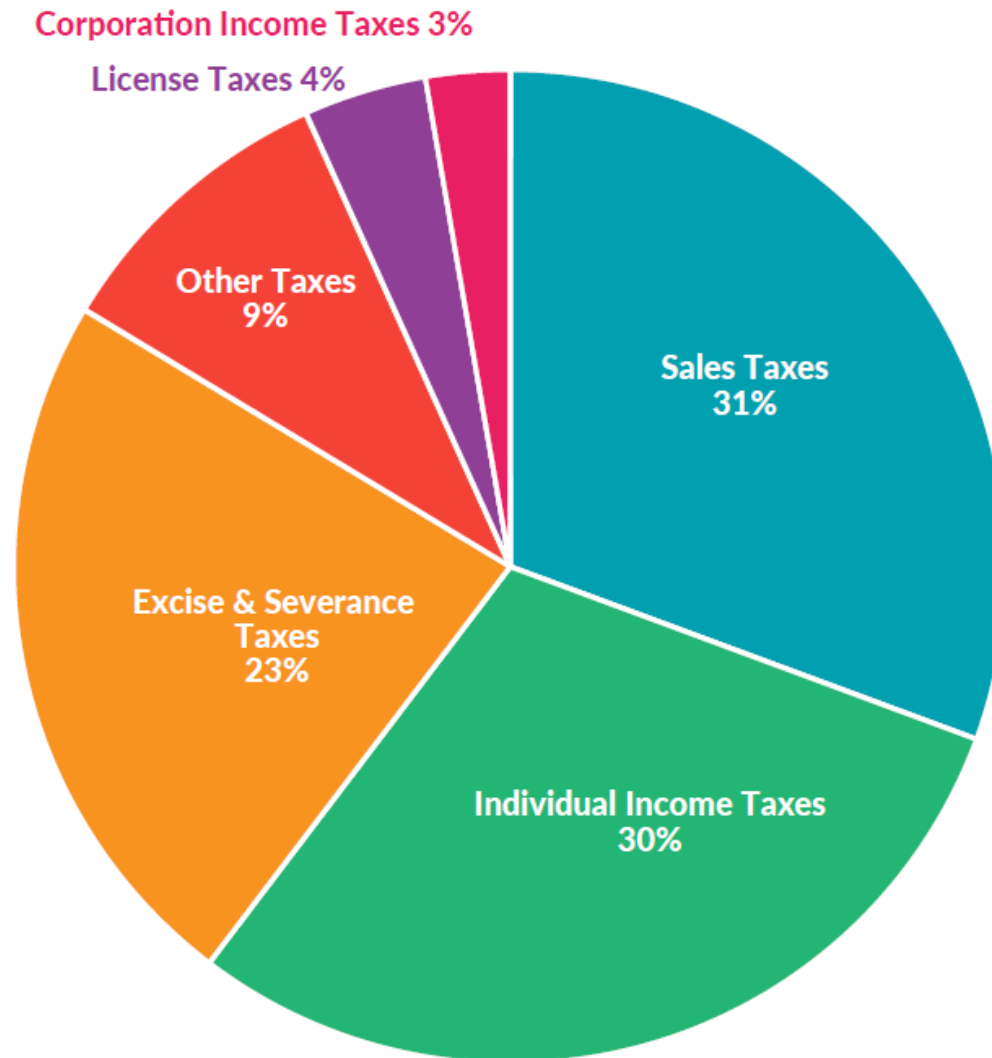
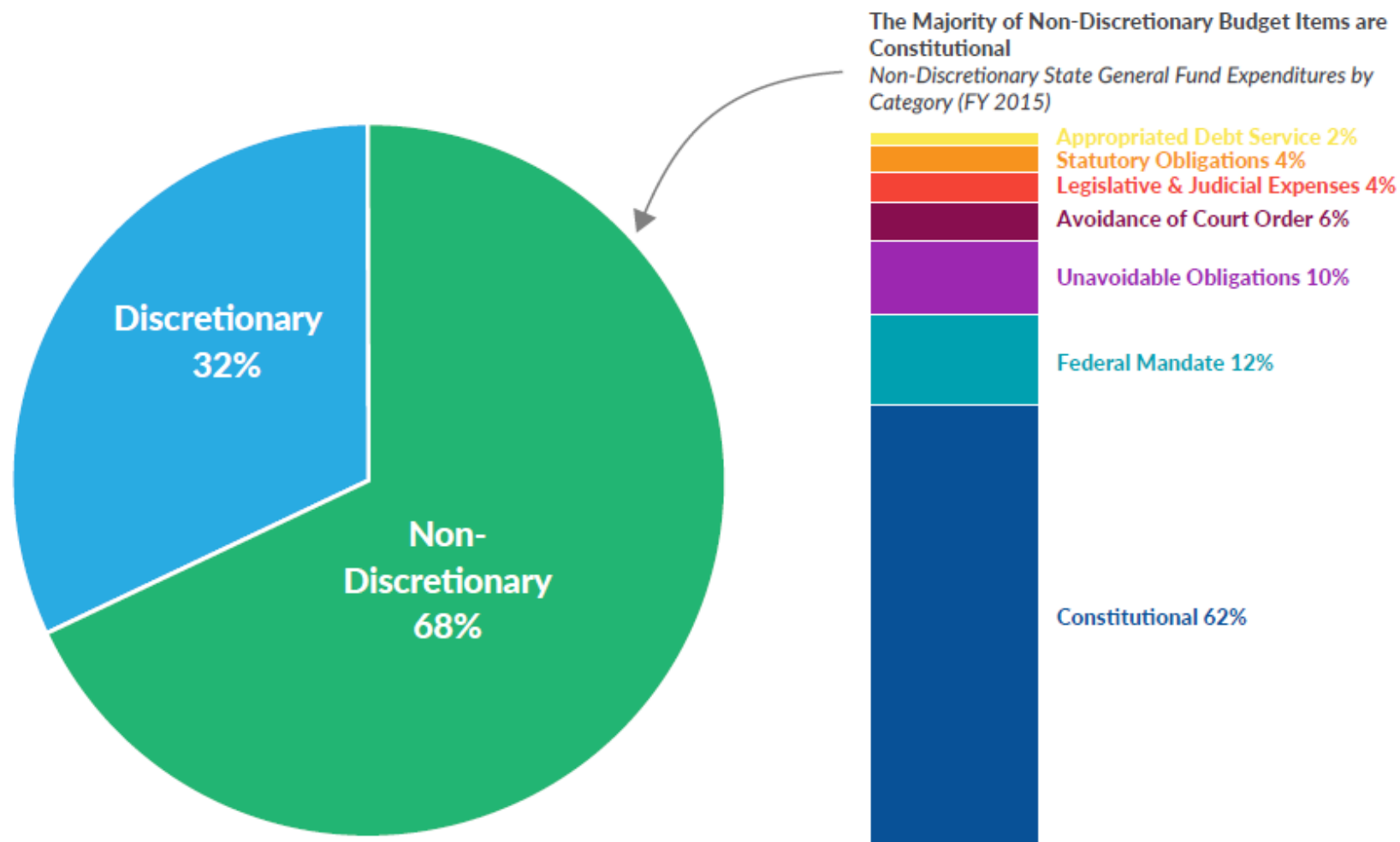


Figure 2d.

Breakdown of Louisiana State General Fund Expenditures by Type (FY 2015)

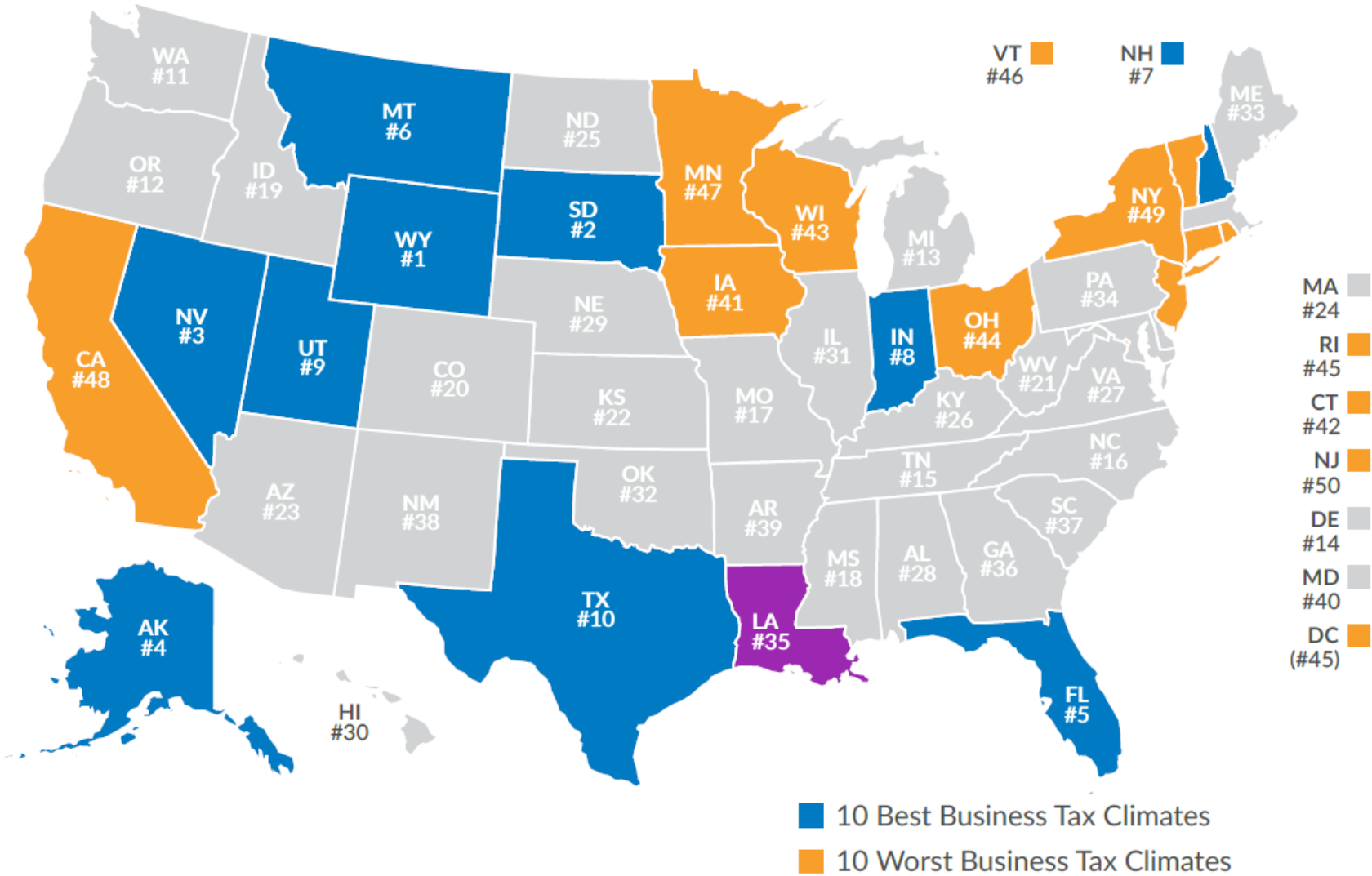


Note: "Due to Court Order" category not shown on this figure because it only amounts to 0.2 percent and is thus not visible.

Source: Louisiana Department of Administration, *State Budget Document* (FY 2014-2015).

Figure 2f.

State Business Tax Climate Index Rankings



Source: Tax Foundation, 2015 State Business Tax Climate Index.

Louisiana's *State Business Tax Climate Index* Overall & Subcomponent Rankings

Overall	35th
Corporate Income Tax	23rd
Individual Income Tax	27th
Sales Tax	50th
Unemployment Insurance	6th
Property Tax	24th



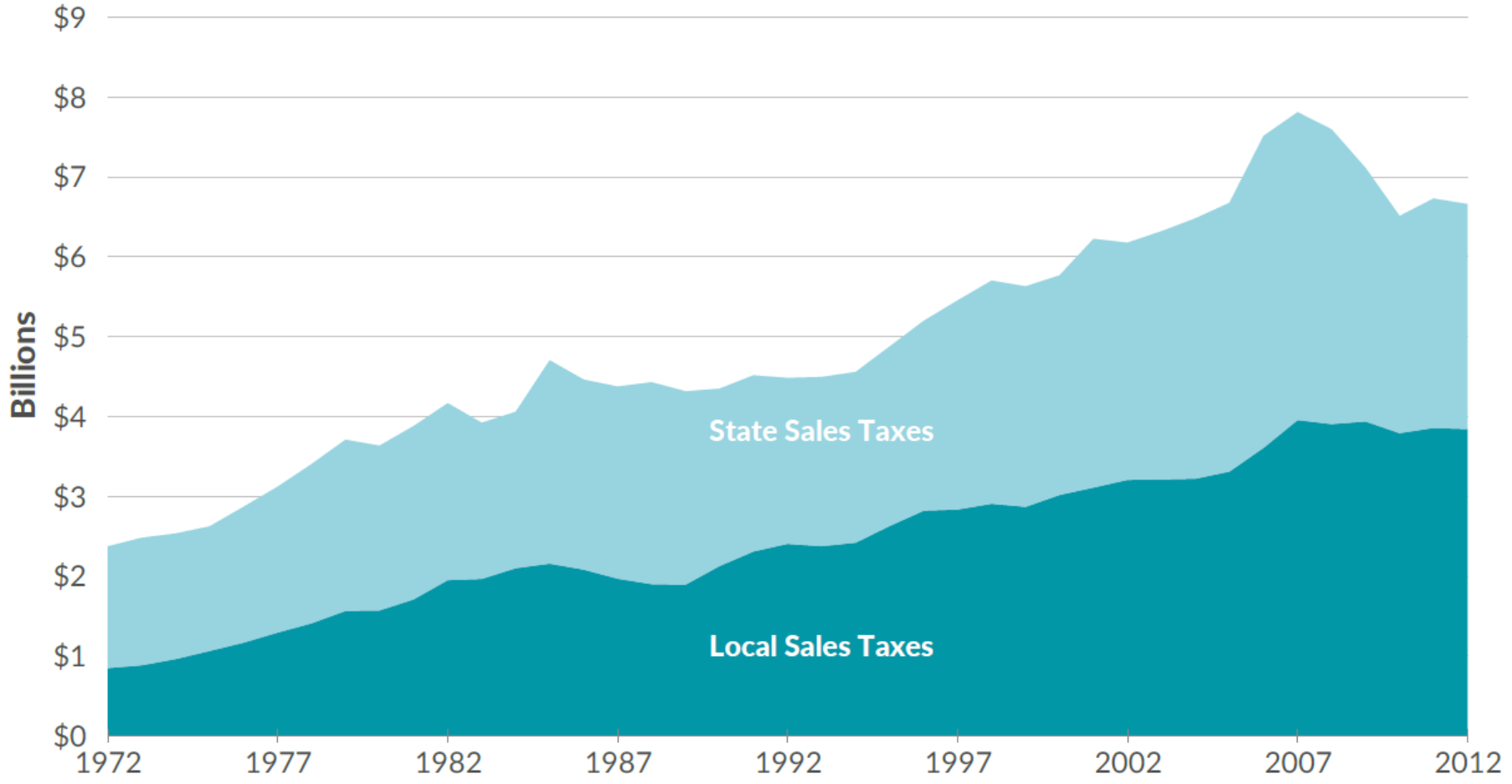
**CHAPTER 3:
STATE AND LOCAL SALES TAXES**

The Homestead Exemption

Based on the most recent data, Louisiana's homestead exemption is one of the highest in the nation. The only state exceeding it is South Carolina's School Property Tax Exemption for Homeowners at \$100,000.¹¹⁴ The existence of such a large exemption significantly limits the local property tax base.

Figure 3a.

Louisiana State and Local Tax Collections (1972 - 2012, in 2012 Dollars)



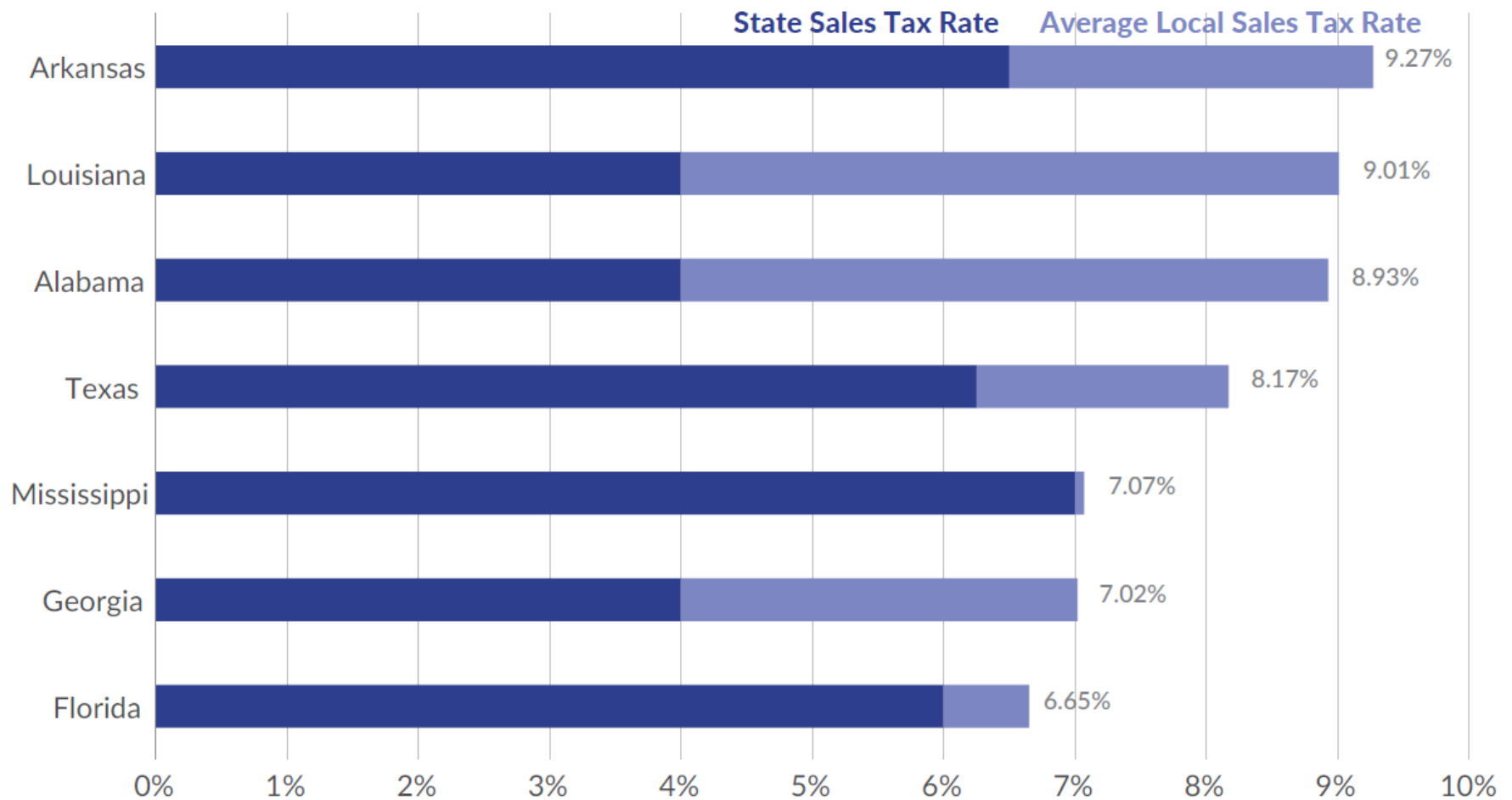
Note: Dollar amounts are inflation-adjusted based on the annual average Consumer Price Index for All Urban Consumers (CPI-U) with a 2012 base year.

Source: Census Bureau, *State and Local Government Finances*; Bureau of Labor Statistics, *Consumer Price Indexes (All Urban Consumers)*.

Figure 3b.

Average Combined State-Local Sales Tax Rates

Louisiana and Select Regional Competitors (as of July 1, 2015)



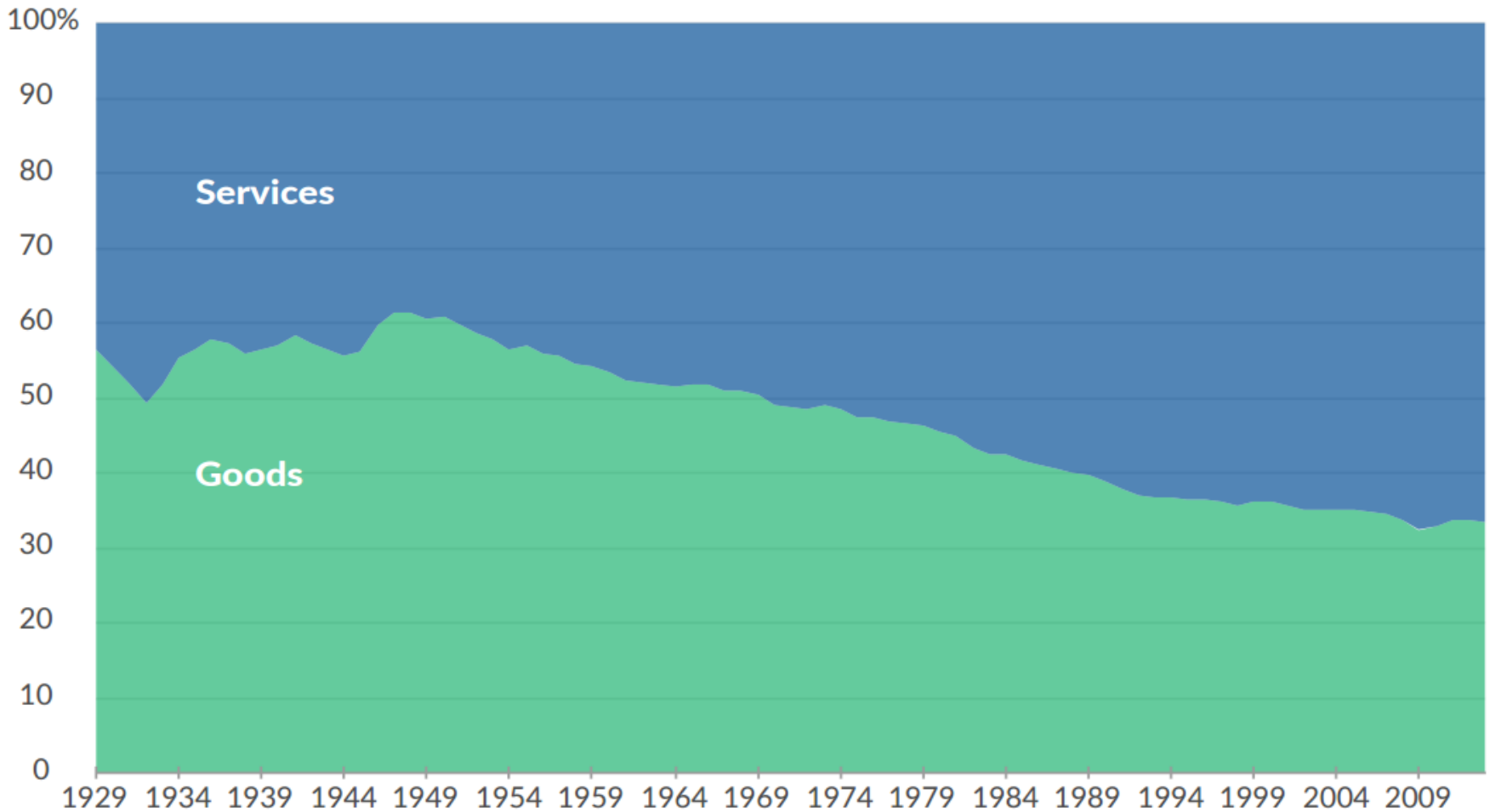
Source: Tax Foundation, State and Local Sales Tax Rates, Midyear 2015.

Louisiana's Sales Tax Base: Narrow, Complicated, and Lacking Uniformity and Neutrality

Figure 3d.

Percent of Total U.S. Personal Consumption Expenditures

Goods and Services (1929 - 2013)

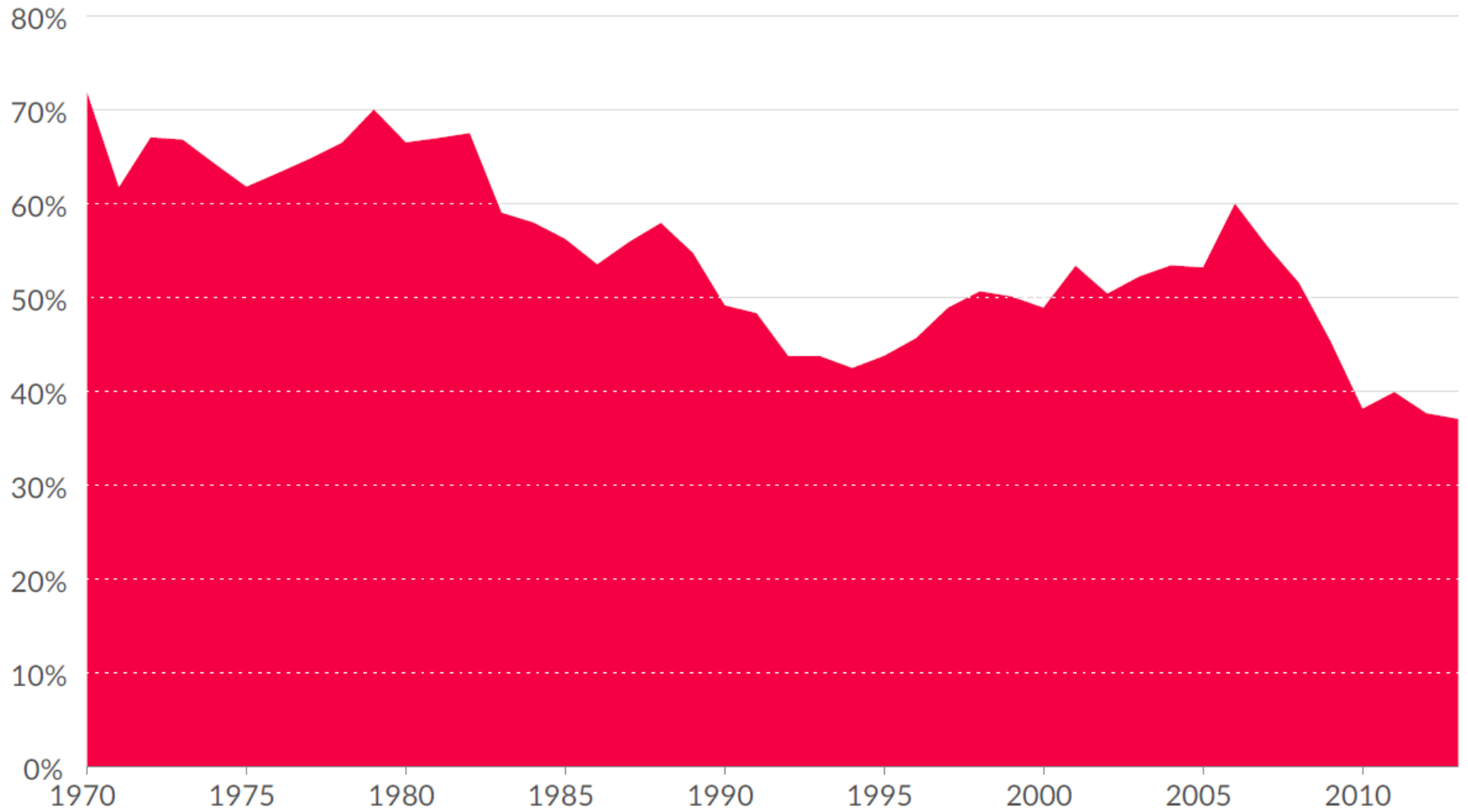


Source: Bureau of Economic Analysis, *National Income and Production Accounts, Personal Income and Outlays*.

Figure 3c.

Louisiana Sales Tax Breadth

Measured by Implicit Sales Tax Base by Personal Income (1970 - 2014)



Source: Professor John Mikesell, Indiana University.

Table 3b.
Taxability of Select Transactions by Parish

Note: A check mark indicates the transaction is fully taxable in that parish and no state exemption was adopted.

Parish	Pharmaceuticals	Food for Home Consumption	Farm Equipment	Manufacturing Machinery & Equipment
Acadia Parish	✓	✓	✓	✓
Allcn Parish	✓	✓	✓	✓
Ascension Parish	✓	✓	✓	✓
Assumption Parish	✓	✓	✓	✓
Avoyelles Parish	✓	✓	✓	✓
Bcauregard Parish	✓	✓	✓	✓
Bicville Parish	✓	✓	✓	✓
Bossier Parish	✓	✓	✓	✓
Caddo Parish	✓	✓	✓	Exemption applies to Shreveport City/ Town—2.75% tax only
Calcasieu Parish	✓	Exemption applies to Calcasieu Parish Policy Jury —1% tax only	✓	Exemption applies to City of Lake Charles—2.25% tax only (limited to Brownfield area only)
Caldwell Parish	✓	✓	✓	✓
Camcrou Parish	✓	✓	✓	✓
Catahoula Parish	✓	✓	✓	✓
Claiborne Parish	✓	✓	✓	✓
Concordia Parish	✓	✓	✓	✓
De Soto Parish	✓	✓	✓	✓
East Baton Rouge Parish	Exemption applies to EBR School Board—1% tax; Zachary School Board—1% tax; and 1% sewer and street levy	✓	✓	✓
East Carroll Parish	✓	✓	✓	✓
East Feliciana Parish	✓	✓	✓	✓
Evangeline Parish	✓	✓	✓	✓
Franklin Parish	✓	✓	✓	✓
Grant Parish	✓	✓	✓	✓
Iberia Parish	✓	✓	✓	✓
Iberville Parish	✓	✓	✓	✓
Jackson Parish	✓	✓	✓	✓
Jefferson Davis Parish	✓	✓	✓	✓
Jefferson Parish	Taxable at lower rate	✓	✓	Exemption applies throughout entire parish
Lafayette Parish	✓	✓	✓	✓
Lafourche Parish	✓	✓	✓	✓
La Salle Parish	✓	✓	✓	✓
Lincoln Parish	✓	✓	✓	✓
Livingston Parish	✓	✓	✓	✓
Madison Parish	✓	✓	✓	✓
Morhouse Parish	✓	✓	✓	✓
Natchitoches Parish	✓	✓	✓	✓
Orleans Parish	✓	✓	✓	✓
Ouachita Parish	Exemption applies to City of Monroce—1% tax only	✓	✓	Exemption applies to City of West Monroce—2% tax only
Plaquemines Parish	✓	Taxable at lower rate (1%)	✓	✓
Pointe Coupee Parish	✓	✓	✓	✓
Rapides Parish	✓	✓	✓	✓
Red River Parish	✓	✓	✓	✓
Richland Parish	✓	✓	✓	✓
Sabine Parish	✓	✓	✓	✓
St. Bernard Parish	✓	✓	✓	✓
St. Charles Parish	✓	✓	✓	✓
St. Helena Parish	✓	✓	Exemption applies throughout entire parish	✓
St. James Parish	✓	✓	✓	Exemption applies to St James Parish Council—1% tax only
St. John The Baptist Parish	✓	✓	✓	✓
St. Landry Parish	✓	✓	✓	✓
St. Martin Parish	✓	✓	✓	✓
St. Mary Parish	✓	✓	✓	✓
St. Tammany Parish	✓	✓	✓	✓
Tangipahoa Parish	✓	✓	✓	✓
Tensas Parish	✓	✓	✓	✓
Terrebonne Parish	✓	✓	✓	✓
Union Parish	✓	✓	✓	✓
Vermilion Parish	✓	✓	✓	✓
Vernon Parish	✓	✓	✓	✓
Washington Parish	✓	✓	✓	✓
Webster Parish	✓	✓	✓	✓
West Baton Rouge Parish	Exemption applies to educational facilities district levy only (1%)	✓	✓	✓
West Carroll Parish	✓	✓	Exemption applies to West Carrol Parish Policy Jury— 3% tax only	✓
West Feliciana Parish	✓	✓	✓	✓
Winn Parish	✓	✓	✓	✓

Table 3f.

Changes that Louisiana Must Implement under the Marketplace Fairness Act in Order to Require Out-of-State Sellers to Collect Sales Tax

Requirement	Is Louisiana Currently Compliant?
One tax authority per state. Designate one entity in each state responsible for administration, returns, and audits.	No
One audit. Provide one unified audit in each state.	No
One joint tax return. Provide one tax return that encompasses all jurisdictions in the state.	No
Uniform base. Require uniformity between state and local tax bases within the state.	No
Base database. Provide information indicating taxability of different products, including all exemptions.	In progress. While this is available at the state level, a database is currently being created outlining local sales tax bases under the Sales Tax Streamlining and Modernization Commission.
Rates database. Provide sales tax rate information and a boundary database.	Yes
Notice of rate changes. State must provide 90 days' notice of rate changes or hold seller harmless for noncompliance.	No ⁶³
Free software. Provide free sales tax calculation software for transactions. Software must be able to file in all states.	No
Liability waiver. Waive liability for errors made when seller relies on information provided by the state or the free software.	Yes

Table 3g.

Changes that Louisiana Must Implement under the Streamlined Sales and Use Tax Agreement in Order to Require Out-of-State Sellers to Collect Sales Tax

Requirement	Is Louisiana Currently Compliant?
State level administration of sales and use tax collections (state and local).	No
Uniformity in the state and local tax bases.	No
Uniformity of major tax base definitions.	Yes ⁶⁵
Central, electronic registration system for all member states.	No ⁶⁶
Simplification of state and local tax rates.	No
Uniform sourcing rules for all taxable transactions.	No ⁶⁷
Simplified administration of exemptions.	No
Simplified tax returns.	No
Simplification of tax remittances.	Yes (done electronically)
Protection of consumer privacy.	Yes

Sales Tax Option A

Option A would move Louisiana from one of the most challenging tax codes in the country to one that is streamlined and has low compliance costs. It would modestly broaden the tax base as well. Option A would:

Unify state and local sales tax collections and audits by creating an independent, joint-run state-local sales tax authority composed of representatives from local tax collection bodies and the state department of revenue. This unified collection and audit commission would make Louisiana compliant with pending federal legislation allowing for sales tax collection on internet purchases.

Unify state and local sales tax bases on all transactions. This would make the manufacturing machinery exemption required for all localities, removing exemptions for food and prescription drugs at both the state and local level, and no longer allowing optional exemptions at the local level.

Expand the sales tax base (state and local) to include select services that currently enjoy exemptions. We provide detailed options for small, medium, and large sales tax expansion in Table 3h.

Table 3h.

Sales Tax Base Expansion Options⁶⁸

Service Type	In Current Tax Base?	Expanded Base Options (includes current base items)		
		Small	Medium	Large
Communication Services	✓	✓	✓	✓
Automobile Repair Services	✓	✓	✓	✓
Motor Vehicle Rental & Leasing	✓	✓	✓	✓
Membership Clubs (For Profit)	✓	✓	✓	✓
Amusements	✓	✓	✓	✓
Photo Processing & Video Rental Services	✓ ⁶⁹	✓	✓	✓
Accommodations	✓	✓	✓	✓
Dry Cleaning, Clothing Repair, & Shoe Repair Services	✓	✓	✓	✓
Household Services (Moving, Repairs, & Cleaning)	✓ ⁷⁰	✓	✓	✓
Museum, Zoo, & Recreation Activities Admissions		✓	✓	✓
Veterinary Services		✓	✓	✓
Personal Care Services		✓	✓	✓
Financial Service Charges, Fees, & Commissions			✓	✓
Investment Services			✓	✓
Trust, Fiduciary, & Custody Services			✓	✓
Legal Services			✓	✓
Accounting Services			✓	✓
Membership Clubs (Nonprofit)			✓	✓
Labor Organization Dues			✓	✓
Professional Association Dues			✓	✓
Funeral & Burial Services			✓	✓
Real Estate Services				✓
Rental Housing				✓
Household Utilities				✓
Healthcare Outpatient Services (Including Physicians and Dentists)				✓
Hospitals, Nursing Homes, & Home Healthcare				✓
Higher Education Tuition & Expenses				✓
Elementary & Secondary Education Tuition & Expenses				✓
Childcare Services, Daycare, & Nursery Schools				✓
Public & Private Transportation Services				✓
Gaming		Subject to Gaming Taxes		
Insurance		Subject to Insurance Taxes		

Sales Tax Option B

Option B includes some elements of Option A, but is less comprehensive. It would unify collections and audits while broadening the tax base (state and local base unification would not occur under this option). Option B would:

Unify state and local sales tax collections and audits by creating an independent, joint-run state-local sales tax authority composed of representatives from local tax collection bodies and the state department of revenue. This unified collection and audit commission would make Louisiana compliant with pending federal legislation allowing for sales tax collection on internet purchases.

Expand the sales tax base (state and local) to include select services that currently enjoy exemptions. We provide detailed options for small, medium, and large sales tax expansion in Table 3h.

Sales Tax Option C

Option C is more limited, but would still unify the state and local sales tax bases with some exceptions. In addition, it would broaden the sales tax base.

Unify state and local sales tax bases on all transactions except for food for home consumption and prescription drugs. This would make the manufacturing machinery exemption required for all localities and no longer allow optional exemptions at the local level (with the exception of optional exemptions for food for home consumption and prescription drugs).

Expand the sales tax base (state and local) to include select services that currently enjoy exemptions. We provide detailed options for small, medium, and large sales tax expansion in Table 3h.

Questions?

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