

**Joint Meeting of the House Committee on Ways & Means and
the Senate Committee on Revenue and Fiscal Affairs**

Thursday, October 13, 2016

Upon Adjournment of the meeting of the Joint Legislative Committee on Capital Outlay
Committee Room 6
2016 Interim Meeting

I. CALL TO ORDER

Representative Abramson called the meeting to order in House Committee Room 6, of the State Capitol in Baton Rouge, Louisiana, at 11:02 a.m. The secretary called the roll and a quorum was established.

II. ROLL CALL

MEMBERS PRESENT:

MEMBERS ABSENT:

REPRESENTATIVES:

Representative Neil C. Abramson, chairman
Representative Joseph Bouie, Jr.
Representative Chris Broadwater
Representative Paula Davis
Representative Phillip R. DeVillier
Representative Stephen C. Dwight
Representative Stephanie Hilferty
Representative Dodie Horton
Representative Mike Huval
Representative Barry Ivey
Representative Edward C. "Ted" James, II
Representative Robert A. Johnson
Representative James H. "Jim" Morris, vice chairman
Representative Julie Stokes
Representative Thomas P. Willmott

Representative Jimmy Harris
Representative Marcus L. Hunter
Representative John C. "Jay" Morris, III
Representative Major Thibaut

SENATORS:

Senator Jean-Paul "J.P." Morrell, chairman
Senator Dale M. Erdy, vice chairman
Senator Eddie J. Lambert
Senator W. Jay Luneau
Senator Neil Riser

Senator Gary L. Smith, Jr.
Senator John R. Smith

III. STAFF MEMBERS PRESENT:

Ashley Albritton, Capital Outlay Specialist
Penny Bouquet, Administrative Secretary
Linda Hopkins, Committee Secretary
Alison Pryor, House Deputy Director
Elise Read, House Senior Legislative Analyst
Anita Carr, Senate Administrative Secretary
Martha S. Hess, Senate Counsel
Bobbie Hunter, Senate Senior Budget Analyst
Daniel Leming, House Sergeant at Arms

IV. DISCUSSION

Representative Abramson called the meeting to order and indicated that three task forces would report on the progress of their work.

Dept. of Revenue Secretary Kimberly Robinson and Dr. Jim Richardson updated the committees on House Concurrent Resolution No. 11 by starting with the budgetary framework and sufficient revenue. The target includes stability, fairness, economic competitiveness, the business climate, and simplicity, with the goal to eliminate exemptions, deductions, and credits that add complications to the tax law. (See Exhibit A)

Dr. Richardson discussed major changes in the revenue-side. The state is much more dependent on income and sales tax and need to accelerate and raise money, which will make up more than 60% of the tax structure. In 2017, it's anticipated 4% of the revenue will be coming from oil and gas.

Secretary Robinson elaborated on the differences between what the task force achieved in comparison to the Tax Foundation; expanding the tax base, elimination of the federal income tax deduction, (similar to the constitutional amendment that will be on the ballot in November for corporations would also apply to individuals). Both the Institute on Taxation and Economic Policy and the Tax Foundation are recommending this approach. Louisiana is in the very small minority of states that allow a 100% deduction for federal income taxes paid. The Tax Foundation is in support of flat rates, but Secretary Robinson and Dr. Richardson's recommendation is to maintain three different rates and the existing changes to the brackets. Recognizing that the flat rate is popular, Louisiana's rate structure is not necessarily in line with other southern states. In addition to eliminating the federal income tax deduction, they focused on reducing itemized deductions to 50%. Allowing taxpayers to use these deductions would equate to about 42% of the deductions claimed by Louisiana taxpayers.

The presentation concluded with items which have not been finalized, such as the motion picture credit, digital media credit, and research and development credit, along with other tax exemptions. Dr. Richardson spoke to the fact that the task force will need to look at the return on investments and place a cap at the front. The key question remains: "Are the programs that reduce our tax collections more important than lower tax rates for everyone?" And the fundamental question, "Do you include a broad-tax base with low rates for everyone, or some special programs with higher rates because of a narrow base."

Next, there was a question and answer session.

Present to speak on behalf of the "Governor's Task Force on Transportation Infrastructure Investment" was Secretary Shawn Wilson, Ph.D., Louisiana Department of Transportation & Development, who discussed gasoline taxes remaining at the same rate for over 27 years. Dr. Wilson also discussed the overview of members of the team, representing business and industry. The recommendation, due to the governor on January 1, 2017, has prompted the task force to travel the state, visit communities, and to allow citizens to voice their opinion and ideas. The task force has held two meetings in the State Capitol discussing the DOTD Budget, efficiencies produced, and roads and more capacities; yet it has not shed responsibilities in any way. Dr. Wilson suggested a focus on rural needs and to dedicate money to modes of transportation. (See Exhibit B)

There was a question and answer session from the committee members regarding construction, bridges, materials, and transportation, concluding there is no real way to keep up with inflation.

Present to speak on behalf of the Sales Tax Streamlining and Modernization Commission was Representative Julie Stokes, discussing exemptions, exclusions, and eliminations on the local and state levels. She summarized the past four commission meetings, covering caps and thresholds, along with centralized collections. She stated that the hope of the commission is to modernize or streamline the bases between the parishes and state, as well as some services; as a benefit, this will be a recodification of the sales tax. (See Exhibit C)

Representative Abramson adjourned the meeting at 1:27 p.m.

Respectfully submitted,

Neil C. Abramson, chairman