

Summary of Activities of the State Tax Structure Subcommittee of the House Committee on Ways and Means

April 11, 2023

The State Tax Structure Subcommittee of the House Committee on Ways and Means was established pursuant to HR No. 178 of the 2022 Regular Session to study the state's tax structure, including state tax exemptions and credits, and to make recommendations concerning eliminating the state tax levied on individual and corporate income and corporation franchise taxes and reforming state tax exemptions and credits to the legislature prior to the convening of the 2023 Regular Session of the Legislature of Louisiana.

The Subcommittee was composed of the following members:

Representative Phillip DeVillier - Chair
Representative Gerald "Beau" Beaulieu, IV - Vice Chair
Representative Marcus Anthony Bryant
Representative Rhonda Gaye Butler
Representative Les Farnum
Representative Wayne McMahan
Representative Buddy Mincey, Jr.
Representative Joseph A. Orgeron
Representative Neil Riser
Representative Laurie Schlegel
Representative Malinda White
Representative Matthew Willard

SUMMARY OF INFORMATION PRESENTED TO THE SUBCOMMITTEE

The Subcommittee conducted six public hearings at which it received information on major state taxes, constitutionally authorized local taxes, and collections from each tax type as well as tax expenditures charged against these taxes.

The Subcommittee conducted its public hearings during meetings at the State Capitol Building in Baton Rouge on the dates listed on the following pages. Also featured on the following pages is a listing of presentations received and topics addressed in these meetings, respectively.

Archived video of each Subcommittee meeting, along with materials presented to the Subcommittee, are available on the Subcommittee's page of the House website, www.house.louisiana.gov/wm.

October 12, 2022:

Meeting focused on the state's overall tax structure:

Presentation by House Fiscal Division staff on major state taxes, rate structure of each tax; information on the base of each tax; revenues generated from each tax type; information on tax expenditures; and FY 2023 state budget information.

November 2, 2022:

Meeting focused on studying personal income, corporate income, and corporate franchise tax structures:

Presentation by Department of Revenue staff on corporate income and franchise taxes; collections of and expenditures from each tax; pass-through entities; state and local tax limitations (SALT); apportionment formulas; and historical information on rates and brackets for each tax type.

Presentation by Legislative Fiscal Office staff on the Revenue Estimating Conference and adopted forecasts; history of state general fund collections; income and franchise tax fiscal notes; 2022 personal income, corporate income, and corporate franchise tax reform; and state aid to local governments.

November 16, 2022:

Meeting focused on studying the state's sales tax structure:

Presentation by Department of Revenue staff on the state's sales tax structure; discussion on taxable services in Louisiana verses taxation of services across the U.S.; information and explanation of "use" tax; sales tax filing and remittance; vendor's compensation; sales tax exclusions and exemptions; fiscal impact of exclusions and exemptions; remote sales and remote sellers; the La. Sales and Use Tax Commission for Remote Sellers; direct marketers and the consumer use tax; taxation of digital goods; and state sales tax dedications.

November 30, 2022:

Meeting focused on studying the state's severance, gas, and other excise tax structures, and property taxes:

Presentation by House Fiscal Division staff on tobacco and alcoholic beverages excise taxes; rate structure of each tax; revenues generated from each tax type; comparison information on how Louisiana's rates

compare to other states.

Presentation by House Fiscal Division staff on severance tax; discussion of tax basics and rate structure.

Presentation by Dr. Greg Upton on mineral revenues; history of severance tax collections of oil and gas; oil and gas severance tax rates in Louisiana and rates compared to other states; discussion of valuation of oil and gas for severance tax purposes; exemptions to the tax; and sensitivity of production to tax changes.

Presentation by Department of Transportation and Development staff on the state gas tax; history of the Transportation Trust Fund (TTF); discussion of uses of gas tax and other revenues deposited into the TTF; discussion of the vehicle sales tax and dedicated uses of revenues from that tax; and discussion of allocation of highway funds, goals for the state highway system, selection of transportation projects for funding, and DOTD's proposed FY 23-24 budget.

Presentation by Department of Revenue staff on taxes and fees on hemp and marijuana-related products including the consumable hemp products tax and fees on sales of therapeutic marijuana.

Presentation by representatives of the Louisiana Tax Commission on the purpose and functions of the commission; overview of property taxes; discussion of assessment of property by parish assessors and calculation of property tax; discussion of property tax millages; and discussion of property classifications, appraisal methodologies, assessment levels, and exemptions.

Presentation by Department of Revenue staff on the inventory tax credit; information on the relationship between local property tax and state income tax with respect to business inventory; discussion of business types eligible for inventory tax credit; legislative history of the inventory tax credit; national context of business inventory taxes; and discussion of state revenue loss attributable to the credit.

Presentation by Louisiana Legislative Auditor staff on ad valorem taxes and adoption of local millages; discussion of provisions Article VII of the La. Constitution on reappraisal of property subject to taxation and mandatory adjustment of millages; and discussion of process and procedures for adoption of local millages.

Presentation by Department of Economic Development staff on the industrial tax exemption program (ITEP); discussion of the program's history and development; ITEP application process; and discussion of the administration of ITEP and roles of the department, the governor, and the State Board of Commerce and Industry.

January 11, 2023:

Meeting focused on receiving public testimony from interested parties regarding the state's tax structure. Testimony included presentations and statements from the following public and private entities:

Jim Patterson, Louisiana Association of Business and Industry	Gregory Ruppert, Louisiana Sheriffs' Association
Drew Talbot, Louisiana Association of Tax Administrators	Clarence Lymon, Louisiana Uniform Local Sales Tax Board
Will Green, Louisiana Automobile Dealers Association	Andrew Kolb, Louisiana Uniform Local Sales Tax Board
Stacey Roussel, Louisiana Budget Project	Dawn McVea, National Federation of Independent Business
Brian Landry, Louisiana Chemical Association	Troy Wayman, One Acadiana
Tommy Fauchaux, Louisiana Mid-Continent Oil and Gas Association	Daniel Erspamer, Pelican Institute for Public Policy
John Gallagher, Louisiana Municipal Association	Debbie Hinton on behalf of Guy Cormier, Police Jury Association of Louisiana
Karen White, Louisiana Municipal Association	Steven Procopio, Public Affairs Research Council of Louisiana
Tanner Watson on behalf of Mike Moncla, Louisiana Oil and Gas Association	Tab Troxler, St. Charles Parish Assessor
Dannie Garrett, Louisiana School Boards Association	David Lindenfeld, Together Baton Rouge
Joseph Lopinto, Louisiana Sheriffs' Association	Joy Banner, Wallace Community, St. John the Baptist Parish

January 31, 2023:

Meeting focused on receiving fiscal updates.

Presentation by House Fiscal Division staff on a time line of budget dates and the state's fiscal year; breakdown of surplus and excess revenues; comparison of state general fund forecasts adopted at REC; five-year base line projections and the incentive expenditure forecast in HB 1; and the Budget Stabilization Fund and the Revenue Stabilization Trust Fund.

Presentation by a representative from the Council on State Taxation (COST) on national state and local tax trends; discussion of Louisiana's COST scorecard; and Louisiana's state and local business tax burdens.

Presentation by a representative of the Tax Foundation on Louisiana's income tax and its competitive standing; comparison of 2023 state business tax climate index; flat income taxes; and possible future reforms for Louisiana.