

Task Force on Structural Changes in Budget and Tax Policy

Meeting Minutes

June 10, 2016

I. Call to order

The meeting of the Task Force on Structural Changes in Budget and Tax Policy convened at 9:21 a.m. on Friday, June 10, 2016 in the House Committee Room 1 located on the ground floor 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
- Dr. James Alm
- V. Thomas Clark, Jr.
- Jason DeCuir
- Louis Reine
- Robert Travis Scott
- Barry Erwin
- Randy Roach
- Jay Dardenne
- William C. Potter
- Dr. Steven Sheffrin

b) Approval of Minutes:

The minutes from the meeting on June 3, 2016 were approved as written.

c) Approval of Agenda:

The agenda was unanimously approved as distributed.

III. Agenda Topics

a) Presentation: Heavy Equipment Rental Industry by William Backstrom, Partner, Jones Walker LLP and Kirk Degueyter, Owner, Bottom Line Equipment

During a presentation which was a continuation of his sales tax commentary from the May 27, 2016 meeting, Mr. Backstrom outlined some of the tax hurdles currently being faced by the HURT Coalition. Major areas of emphasis during the presentation were the topics of business inputs, tax pyramiding, triple taxation, inventory tax and sale for resale. Information was also provided on tax practices and administrative tax procedures of neighboring states. Examples were given of how structural defects are driving unnatural business decisions. Administrative burdens were identified as the cause for decisions which are effecting aspects of business such as where equipment is purchased, where to locate property, capital investment and where to do marketing. Mr. Backstrom provided suggestions on possible way to fix these issues.

- b) Presentation: State Income and Sales Tax by Dr. James Richardson, LSU, Dr. Steven Sheffrin, Tulane University, Dr. James Alm, Tulane University

Dr. Richardson, Dr. Alm and Dr. Sheffrin provided information on possible ways to simplify the tax base with an emphasis on sales and individual income tax. Dr. Richardson identified the need to take an in depth look at the structure of these two taxes based on the fact that 60% of revenues currently come from a combination of sales and individual income tax. A timeline was given which reflected the changes that have been made in state tax burdens over time. Members discussed in length the distribution of sales and income tax burdens with the current tax structure, including all exemptions exclusions, deductions and credits. Estimates of who pays the currents state sales and income tax in Louisiana were given. Distributional estimates of revenue neutral changes were also discussed.

- c) Presentation: Brief Overview of State Corporate Tax Issues by Dr. Steven Sheffrin, Tulane University

Dr. Sheffrin began his presentation by providing a brief history and scope of corporate taxation. Singles sales factors were identified and reasons a state decides what is applied by allocations or what is applied by apportionment were outlined. During a discussion of apportionment, the economic effects of apportionment were given. Members discussed shifts in burden in tax to out of state taxpayers as well. Dr. Sheffrin also provided information on the pros and cons of combined reporting, sales factors and services, examples of market sourcing and corporate tax rates.

- d) Presentation: Corporate Income and Franchise Tax by William Backstrom, Partner, Jones Walker LLP

Following Dr. Sheffrin's presentation, Mr. Backstrom returned to provide information on corporate income and franchise tax from his perspective as a Corporate Administrative Attorney. Emphasis was placed on the ideas that corporate tax laws should provide both certainty and predictability. Uniformity was also identified as a beneficial quality of good tax law. The need to avoid double/multiple taxation was also discussed in length. Members also discussed discretionary authority and its challenges as well as combined reporting and structural composition of the corporate tax base in other states.

IV. New Business / Potential Agenda Items

- a) Agenda topic for June 17, 2016 meeting: Business Taxes
- b) Presentation by the Department of Revenue on Corporate Income and Franchise Tax was deferred to the June 17th meeting
- c) Discussion of industry representatives to provide commentary during future meetings
- d) Scheduling Task Force meetings for July and August
- e) No Task Force meetings will be held on June 24, 2016 or July 1, 2016

V. Adjournment

The meeting was adjourned at 3:15 p.m.

Minutes submitted by: Marisha Patterson