STATEMENT ON BEHALF OF LOUISIANA LOCAL GOVERNMENTS

TO: Task Force on Structural Changes in Budget and Tax Policy

FR: Louisiana School Boards Association
Louisiana Municipal Association
Police Jury Association of Louisiana
Louisiana Sheriffs Association
Louisiana Assessors Association
Louisiana District Attorneys Association

DATE: May 13, 2016

We represent the elected local governments in Louisiana that rely upon the ad valorem (property) taxes and sales taxes that have been adopted by the voters in the various parishes, municipalities, and school districts in the State of Louisiana. A determination by the Task Force on Structural Changes in Budget and Tax Policy that the best way to solve Louisiana's budget problem is to exempt even more property from local property taxes and the put local sales tax collections in the hands of the state - thereby making every parish, municipality, school board, assessor, sheriff, and district attorney in the state more reliant on an appropriation from the State General Fund - confirms the worry that local governments expressed when they were provided only one seat on the Task Force.

With regard to inventory, Louisiana's local governments have been taxing personal and business property since the 1930's to fund their own operations. These taxes are adopted only by a vote of the local voters, including local business people. It is true, as asserted in the *Task Force* resolution, that the Legislature created the Louisiana income tax credit in 1991 to reimburse businesses for a portion of their local property taxes. What is conspicuously absent from the resolution is the fact that in 1989, the voters of Louisiana rejected a constitutional amendment to empower a committee of primarily state officials to grant an exemption for up to 10 years for additional inventory as the result of a new or expanded distribution facility (see CA #3, Act 26 of 1989). Only ***after*** that did the business lobby come to the state and convince the legislature to implement the tax credit, which has now grown to the point that it has placed the state in a perilous fiscal condition. Attempts to resolve the state's budget crisis by eliminating the inventory tax, while simultaneously promising to give local governments money from the State General Fund, do nothing to correct the state's budget problem. Instead, they penalize local government by eliminating a tax imposed by local voters to correct a problem that was created by a vote of the legislature, thereby making the state's ineffective fiscal mismanagement a problem for local governments to rectify. If the state can no longer afford the benefit it has previously afforded to businesses for the last 25 years, then that is the decision the state should make. The state, or this Task Force, should not blame that decision on local government.

Similarly, the proposal to strip local governments of the authority to collect local sales taxes, which are also adopted by local voters, does nothing to benefit the state budget. In fact, the collection of local sales taxes by the state will increase the duties of the state and increase the costs of operating the Louisiana Department of Revenue. The fiscal limitations of the Department of

Revenue will lead to less vigorous auditing and collection activities. Historically the state has millions of dollars in uncollected tax revenues.

Also, the assertion that this proposal aligns Louisiana with federal legislation is somewhat misleading. There is no federal legislation that has won Congressional approval that would permit states to mandate that out-of-state vendors collect and remit state and local sales taxes. Unless and until Louisiana eliminates the 100+ exemptions to state sales taxes that have resulted in a massive lack of uniformity in the tax base applicable to state and local sales taxes, Louisiana will continue to be ineligible under the provisions of the proposed federal legislation. Therefore, Louisiana will not fiscally benefit from collection of sales taxes from out-of-state vendors, but Louisiana businesses will benefit from impairing the ability of local governments to collect the taxes imposed by local voters.

The Tax Foundation, cited as a reference in the Task Force resolution, recently admitted in formal testimony before the Sales and Use Tax Streamlining and Modernization Commission that its ranking of Louisiana's tax system will be UNAFFECTED by the adoption of a system of state central collection of local sales taxes. The Tax Foundation, as well as other business-oriented tax groups from across the country, testified before the commission that the primary problem with Louisiana's sales tax system is the numerous exemptions and the multiple sales tax holidays adopted by the legislature.

The resolution being considered by the Task Force on Structural Changes in Budget and Tax Policy does nothing to actually benefit the state budget. It is merely another step toward stripping local governments of the tax revenues that local voters have entrusted to them to provide for education, police and fire protection, and local transportation needs. The legislature has enacted numerous provisions in Louisiana law that allow restrict local tax collection, including the Homestead Exemption, the 10-year Industrial Tax Exemption, multiple exemptions on valuation of property subject to taxation, and numerous local sales tax exemptions and exclusions. This proposed Task Force resolution will destroy the ability of local governments to meet the demands of the local voters in areas of education, public safety, and infrastructure.

We, the undersigned, on behalf of our membership, urge the rejection of the proposed resolution that recommends exempting property from local ad valorem taxes and imposing a system of state centralized collection of local sales taxes.

Further we urge the Task Force to focus on how the state can change its own operations and policies instead of shifting responsibility for the state's fiscal crises to local government.