

SENATE CONCURRENT RESOLUTION NO. 6

BY SENATOR ALLAIN

A CONCURRENT RESOLUTION

To establish a task force to meet and study state and local taxation laws with respect to local government funding from ad valorem taxes on inventory, ad valorem taxes on vessels in Outer Continental Shelf Lands Act Waters, and the state associated tax credits to identify state and local government funding sources that will fully fund local and state government and retain and improve the state's business competitiveness, and report its findings and recommendations.

WHEREAS, the local ad valorem tax, the inventory tax credit, industrial exemptions, corporate tax rates and complicated business tax structure, rebates, credits and exclusions have become one of the largest structural problems in the budget of the state of Louisiana and without reform this tax and the associated Louisiana tax system will continue to be one of the major drivers of future deficits; and

WHEREAS, Louisiana is one of a minority of states that do not exempt inventory from ad valorem tax, and, instead, local governments levy and collect ad valorem taxes on inventory and vessels in Outer Continental Shelf Lands Act Waters and the businesses paying this tax are reimbursed by the state for the amount of the tax paid via a partially refundable tax credit on their state income and corporate franchise tax returns; and

WHEREAS, since 2005, Louisiana's gross domestic product has grown by over twenty-six percent and during that same time, the inventory tax credit has grown by almost ninety-six percent, outstripping the rate of growth of the overall state economy by more than three times; and

WHEREAS, in 2014, the state issued inventory credits worth over four hundred fifty-two million dollars, of which only seventy-six million dollars offset tax liabilities and over three hundred seventy-five million dollars served as direct cash reimbursements; and

WHEREAS, this money is a direct reduction of state general funds with no legislative appropriation, oversight or evaluation as a spending priority by the legislature;

and

WHEREAS, neither exempting inventory from taxation nor eliminating the credit is a viable solution because exempting inventory from local property tax without an alternative revenue source would harm the ability of local governments that rely on these taxes to provide essential services; and

WHEREAS, eliminating the inventory tax credit would subject businesses that pay this tax to an unsustainable tax burden and significantly decrease Louisiana's competitiveness; and

WHEREAS, inaction is not an option due to the rate of growth of the tax credit and its growing impact on the state's fiscal health; and

WHEREAS, if the inventory tax credit continues its current rate of growth, it will increase to annual expenditure of over one billion dollars within the next eight years, which could result in either higher taxes or severe budget cuts, the latter of which could ultimately prove disastrous for the two largest state general fund beneficiaries, higher education and healthcare.

THEREFORE, BE IT RESOLVED that the Legislature of Louisiana establishes a task force to meet and do the following:

- (1) Examine other states' local government tax structure.
- (2) Forecast the long-range impact of the current structure on both state and local government funding.
- (3) Examine economic competitiveness models and reports to determine recommended best practices.
- (4) Recommend comprehensive solutions that will fully fund local government, reduce or eliminate the growing impact on the state general fund of the state tax credits for ad valorem taxes on inventory and vessels, and retain or enhance the state's business competitiveness.

BE IT FURTHER RESOLVED that the task force shall consist of the following members, who shall serve without compensation except for their reasonable and necessary expenses related to the performance of their duties as members of the task force or per diem or expense reimbursement to which they may be individually entitled as members of their

respective constituent organizations:

(1) Two members of the Senate, to be appointed by the president of the Senate.

(2) Two members of the House of Representatives, to be appointed by the speaker of the House.

(3) A member appointed by the board of directors of the Police Jury Association of Louisiana.

(4) A member appointed by the board of directors of the Louisiana Assessor's Association.

(5) A member appointed by the executive board of the Louisiana Sheriffs Association.

(6) A member appointed by the executive board of the Louisiana Municipal Association.

(7) A member appointed by the board of directors of the Louisiana School Boards Association.

(8) A member appointed by the board of directors of the Louisiana Association of Business and Industry.

(9) A member appointed by the board of directors of the Louisiana Retailers Association.

(10) A member appointed by the governing board of the Louisiana Automobile Dealers Association.

(11) A member appointed by the state director of the Louisiana chapter of the National Federation of Independent Business.

(12) A member appointed by the board of directors of Louisiana Industrial Development Executives Association.

(13) A member appointed by the board of directors of the Public Affairs Research Council of Louisiana.

(14) A member appointed by the members of the Louisiana Tax Commission.

(15) The secretary of the Department of Revenue, or the secretary's designee.

(16) The secretary of the Department of Economic Development, or the secretary's designee.

(17) The faculty member with revenue forecasting experience serving on the Revenue Estimating Conference.

(18) The Legislative Auditor or the auditor's designee.

(19) A representative from the American Federation of Labor and Congress of Industrial Organizations.

(20) A member appointed by the board of directors of the Offshore Marine Services Association.

BE IT FURTHER RESOLVED that the task force shall conduct monthly meetings or as needed and may consider testimony from witnesses and documents produced for purposes of the task force.

BE IT FURTHER RESOLVED that the meetings of the task force shall be held at the state capitol and be open to the public, pursuant to the provisions of R.S. 42:12 et seq.

BE IT FURTHER RESOLVED that the members of the Senate and the House of Representatives shall elect the chairman of the task force, shall prepare the schedules and agendas for meetings, and coordinate all staff support deemed necessary for the function of the task force.

BE IT FURTHER RESOLVED that the fiscal division staffs of the Senate and House of Representatives, Legislative Fiscal Office, Legislative Auditor, the Louisiana Tax Commission and the Department of Revenue, shall provide any necessary support to carry out the purposes of the task force.

BE IT FURTHER RESOLVED that this task force shall convene no later than July 31, 2016, and report its findings and recommendations to the president of the Senate and the speaker of the House of Representatives no later than February 1, 2017.

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PRESIDENT OF THE SENATE

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SPEAKER OF THE HOUSE OF REPRESENTATIVES