PAR Mini-Guide to the Louisiana 2021 Constitutional Amendments

AN INDEPENDENT NON-PARTISAN REVIEW

AMENDMENT 1: Sales Tax Streamlining

A VOTE FOR

Allow a single authority to oversee the collection, electronic filing and policy guidance for state and local sales taxes.

A VOTE AGAINST

Continue to constitutionally require separate collection, filing and policy oversight of sales taxes by the state and local governments.

AMENDMENT 1: Sales Tax Streamlining

proposed change

This amendment would provide five key changes to the current sales tax system. **1.** Create a new commission with representatives of state and local agencies. The commission would: **2.** create a combined state, local and remote sales tax collection process for all taxing authorities; **3.** remit revenue to the collector for each local taxing authority and to the state revenue department; **4.** issue policy guidance; and 5. develop rules for audits. The amendment would take effect only after the Legislature – with a 2/3 majority – passes another bill detailing the process.

argument for

Louisiana's outdated tax system is the worst in the nation. This amendment would vastly improve Louisiana's reputation as a place to do business while at the same time providing layers of safeguards for local governments to ensure their revenue streams. The new process would be more likely to prevent lawsuits claiming Louisiana's system does not meet Supreme Court or U.S. constitutional standards for fairness and open commerce. This amendment has bipartisan support from both governmental and business interests.

argument against

Moving to a consolidated system takes control from the local governments to collect their sales taxes. No one knows local business behavior better than local authorities. The current system provides a streamlining process that can be adapted and improved with time. Other states' local governments that let the state government collect taxes on a consolidated basis are not as reliant on sales taxes as Louisiana local agencies. Also, if a local jurisdiction receives its sales tax remittance late under the new system, then government cash flow would be disrupted.

AMENDMENT 2: Tax Reform

AX

A VOTE FOR

Lower the maximum rate of the income tax and allow removal of a major state tax deduction, triggering statutory reforms for individual and corporate income and franchise taxes.

A VOTE AGAINST

Keep the Constitution's current tax rates and the requirement to allow a deduction for federal taxes paid, which would stop all the statutory reforms.

AMENDMENT 2: Tax Reform

proposed change

This amendment would set in motion a series of tax changes affecting the individual income tax, the corporate income tax and the corporate franchise tax, plus a trigger to reduce taxes if state revenue grows very rapidly. The plan is designed generally to leave taxpayers in all income categories with about the same tax obligation while leaving the state with a similar but more consistent amount of revenue from income taxes. Upon passage of the amendment, three companion statutes would become effective.

argument for

The package would create a more fair and stable tax system that would encourage in-migration, job creation and business investment. Moving our upper individual income tax rate from approximately 18th highest to the 40th highest in the nation will do wonders for Louisiana's image. Experts and studies have been saying for over a decade that Louisiana needs to eliminate exemptions and lower rates, and that's what this package would do. These reforms simplify the tax structure and increase stability for taxpayers and the state budget.

argument against

The deduction for federal taxes is a good one and should be kept while also lowering individual income tax rates, because Louisiana taxpayers should get a cut and the state government already has too much revenue. On the other hand, others might argue that the deduction for federal taxes should be eliminated and the higher tax rates should be kept in place to expand state revenue to meet the Louisiana government's many needs. The reform's financial triggers could prevent revenue spikes and dampen state revenue growth.

AMENDMENT 3: Taxing Authority for New Levee Districts

A VOTE FOR

Allow levee districts created since 2006 to raise a 5-mill property tax where district voters also approve the amendment.

A VOTE AGAINST

Continue to allow levee districts created since 2006 to get voter approval for any tax millage.

AMENDMENT 3: Taxing Authority for New Levee Districts

proposed change

This amendment would allow districts created from Jan. 1, 2006, through Oct. 9, 2021, to levy a 5-mill property tax with a vote of the board. The amendment would not affect levee districts the Legislature might create in the future. To become effective in a levee district, the amendment must pass statewide and within the particular levee district. If approved statewide but not in a particular levee district, the amendment will not be effective in that levee district.

argument for

Flood control is a constant battle in Louisiana. That is why levee boards have had a tax base of 5 mills since the 1800s. While districts can supplement this funding with additional voter-approved taxes, that is not always feasible; a district might have insufficient funding or organization to call for an election. The core value of fairness says that a handful of districts should not be excluded from the same authority held by other levee districts in the state. This amendment amounts to a local referendum.

argument against

Levee district boards should have to make the case to their constituents that taxes are needed and that the money will be put to good and efficient use. Just because Louisiana levee boards in the past have had authority to assess a 5-mill tax doesn't mean that's good public policy. If the districts lack the funds to get started they can rely on private fundraising or other government entities for backing until a tax passes.

AMENDMENT 4: Tapping more dedicated money to fix a deficit

A VOTE FOR

Allow the transfer of more dedicated funds to fix a state budget deficit.

A VOTE AGAINST

Keep the current 5% limit for tapping dedications to fix a deficit.

.

AMENDMENT 4: Tapping more dedicated money to fix a deficit

proposed change

This amendment would increase the amount that the governor can tap from dedications in the event the state recognizes it needs more revenue to fill a projected shortfall. The mechanism typically is used as a budget-balancing device during unexpected economic downturns. Dedicated funds could be tapped for 10% instead of the current limit of 5%. The move requires the approval of the Legislature's joint budget committee.

argument for

Dedicated funds are rampant and tie the hands of policy makers by restricting flexibility in the appropriations process. This fact can be particularly problematic during a fiscal crisis, when the state might have many pots of protected money but inadequate authority to free up that revenue. Increasing the amount of dedications that can be tapped would rescue vital programs that are often targeted in budget deficit situations, such as healthcare and higher education.

argument against

The whole point of dedicating funds is to maintain the integrity of important programs and priorities that the Legislature has determined deserve special protection. State leaders already have ample flexibility with a 5% cap to redirect dedications when facing a deficit. If there's a problem with dedicated funds being too restrictive, the solution is to permanently un-dedicate the money in some of the funds, not to rob the funds.

Visit PARLOUISIANA.ORG for the full version.

PAR's mission is to be Louisiana's independent voice offering solutions to crucial issues for the betterment of our state through accurate, objective research and focusing public attention on those solutions.