

## House rejects first piece of 'fiscal cliff' puzzle

2018 LEGISLATURE SPECIAL SESSION

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The state House shot down a crucial piece of tax legislation Wednesday night after a tense debate and airing of grievances that have mired the body in gridlock for much of the ongoing 17-day special session.

The chamber began advancing legislation earlier in the evening, only to be rocked with the 38-67 vote against Rep. Stephen Dwight's sales tax proposal. It needed 70 votes to pass but was steadfastly opposed by Democrats and some Republicans.

"No one ran on the platform of wanting to raise taxes, but we came here to make difficult decisions," Dwight said. "Without this bill, I don't know that we are going to be able to go."

Lawmakers still have no final deal on addressing the looming "fiscal cliff" the state faces when temporary tax measures expire in June - ultimately the reason why lawmakers find themselves in their fifth special session in just over two years.

Legislation that would direct the state to create a new userfriendly budget transparency website won unanimous passage and now advances to the Senate. An effort to set a new spending cap fell short of the 70 votes needed to advance to the Senate but was left in a posture so it could be brought up again later.

The bills on spending, both of which were carried by House Speaker Taylor Barras, are part of a package proposed by Republican House leadership to get caucus members to back revenue-raising measures. The special session must end by March 7, but the late-night debate showed that discord remains when it comes to raising revenue.

"At the end of the day, we've placed politics ahead of the people, and we should all be ashamed. Myself included," said Rep. Barry Ivey, R-Central.

House Republican caucus Chairman Lance Harris, R-Alexandria, shot back against those who opposed the bill.

"I'm tired of the blame game," said Harris, who voted in favor of

the sales tax bill. "It's time for us to man up and woman up and get the job done."

The House remained in limbo for much of the day, before finally starting work on bills shortly after 4 p.m. Tension over revenue-raising measures bubbled over when the temporary sales tax measure hit the floor.

"We promised the taxpayers that when that money went off the books, there would be true tax reform, and I don't see it yet," said Rep. Pat Smith, D-Baton Rouge.

Revenue-raising proposals require 70 votes to pass and neither Republicans nor Democrats have enough votes on their own. Factions within each party further disagree on the best approach to closing the gap.

"I think there's good parts of this bill and bad parts of this bill, but we need to move it on," Dwight said of House Bill 23, which would mean about \$300 million toward closing the gap.

Even the size of the gap has become a point of contention. Officially, it's \$994 million, but that doesn't take into account the estimated \$300 million windfall the state will collect because of the federal tax overhaul. State taxes in Louisiana are tied to federal taxes - a drop in federal taxes will mean an increase for some state taxpayers, though not enough to cancel out the tax cut.

Some lawmakers further question the size of the gap because they want to see an update in the state's economic forecast, which comes in March.

"That's counting money we don't have," Rep. Ted James, DBaton Rouge, said. Republicans have favored relying on cuts or changes in the sales tax to bridge the gap and Democrats want to alter the state income tax structure before agreeing to a continued sales tax hike.

If no deal is reached by the end of the special session, the Legislature likely will end up in a new special session when the regular session ends in June. The regular session starts March 12, and lawmakers cannot generally take up revenue-raising proposals.

Two tax bills are seen as critical to any compromise: Dwight's sales tax bill, which would allow the state to continue collecting taxes on some items exempted before the 2016 changes and to extend a quarter of a penny or half a penny of sales tax that would otherwise expire June

30. The other would cut a tax break for middle- and upper-income people who itemize deductions when they file their taxes each year - a Democratic priority that many Republicans oppose.

Without one bill's passage, it's unlikely the other could get enough votes.

Gov. John Bel Edwards told attendees at a Baton Rouge Rotary Club lunch to press their legislators to "get together. Get in a room. Lock the door. And don't come out until we get the damn thing done."

He predicted that the coming hours would ultimately determine whether the special session is a success or failure.

"They're doing this now. But look, this is work that should have been done in advance of the special session and that is why we're paying the price now," Edwards said.