



LOUISIANA STATE &  
LOCAL TAX EXPERTS



# SALES TAX CENTRALIZATION & 2021 TAX REFORM

ACECL Lunch-n-Learn 2021  
Jason DeCuir, MBA, JD, LL.M

# KEY TAX REFORM ITEMS:



**1** CENTRALIZED SALES  
TAX COLLECTION (CA)



**2** ELIMINATE THE FIT  
DEDUCTION CORP. &  
INDIVIDUAL (CA)



**3** LOWER INCOME  
TAX RATES



**4** CONTINUE PHASE OUT OF  
THE FRANCHISE TAX



**5** PHASE OUT INVENTORY  
TAX (CA)



**6** ITEP CENTRALIZED  
APPROVAL PROCESS (CA)

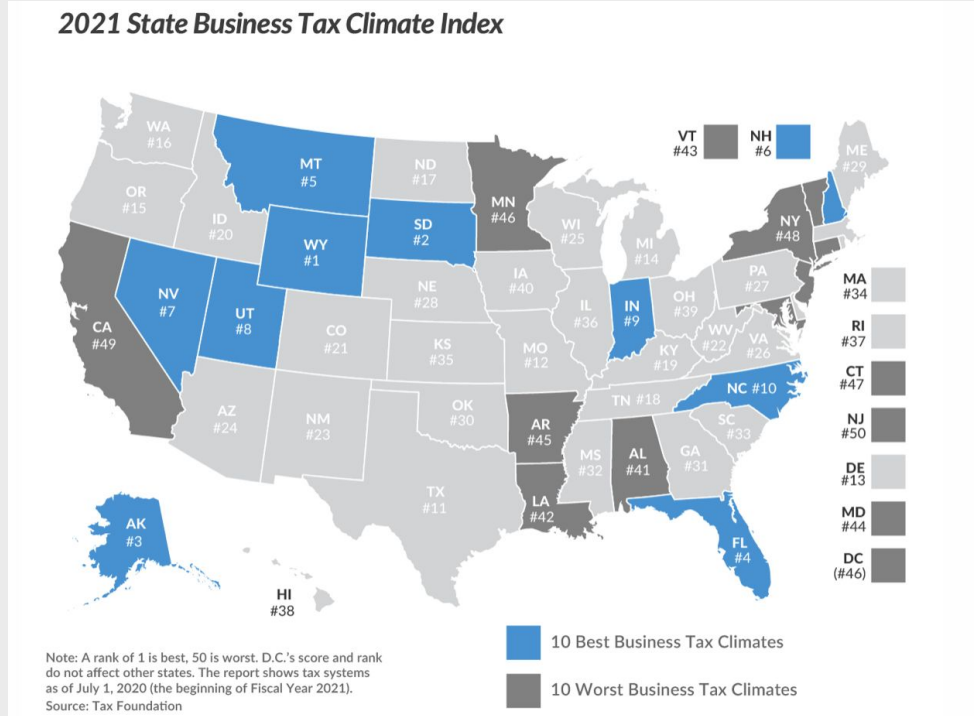


**7** SEVERANCE TAX  
REFORM

# CURRENT TAX ENVIRONMENT

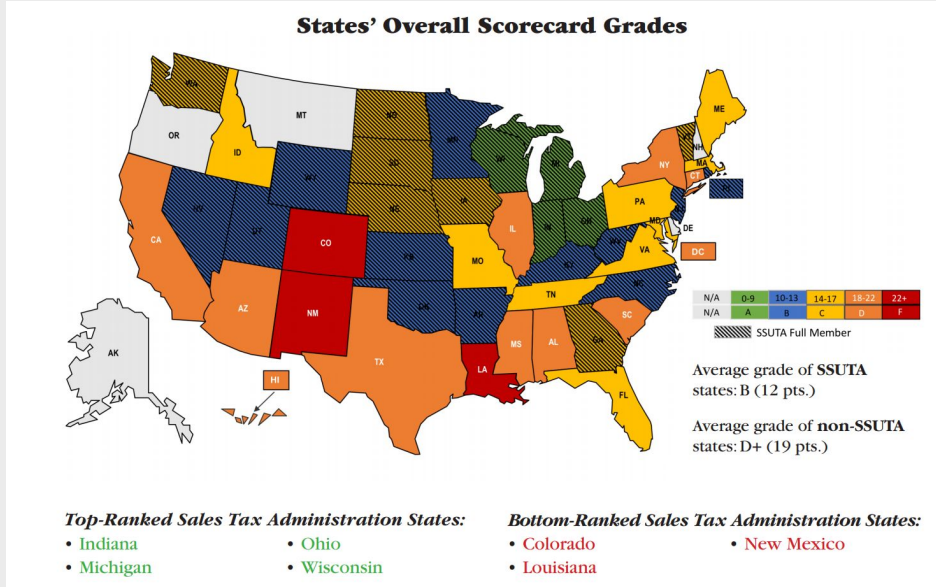
Louisiana		
	Rank	Score
Overall Rank	42 (-1)	4.46
Corporate Taxes	35 (+2)	4.76
Individual Taxes	32 (+0)	4.71
Sales Taxes	49 (-1)	2.94
Property Taxes	23 (+10)	5.18
Unemp. Insur. Taxes	4 (+0)	5.78

Rankings courtesy of Tax Foundation

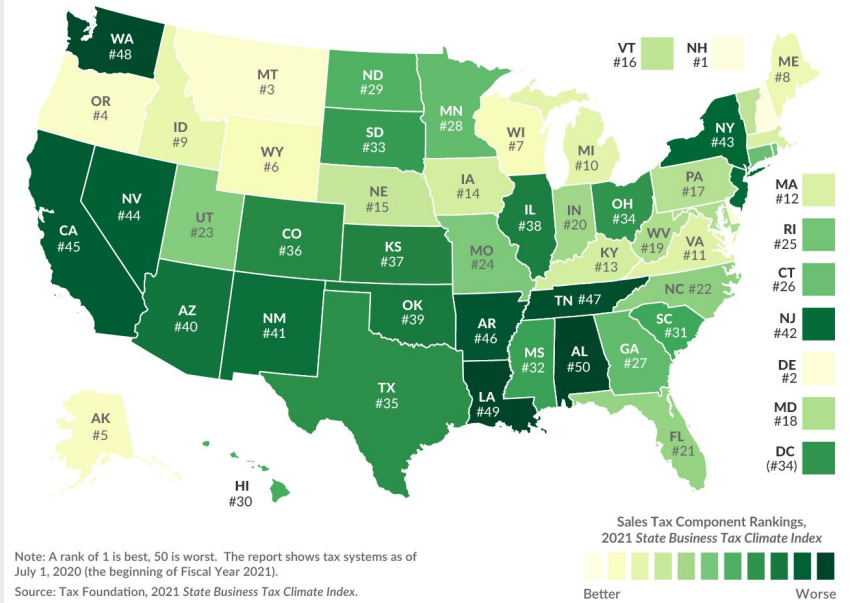




# SALES TAX



### How Does Your State Rank on Sales Taxes? Sales Tax Component Rankings, 2021 State Business Tax Climate Index



## LA Sales Tax Rankings:

- Tax Foundation ranks Louisiana 49th in sales tax administration and COST gives Louisiana a score of “F”

# LA SALES TAX SYSTEM

LOUISIANA DEPARTMENT  
OF REVENUE

State taxes

LOCAL COLLECTORS

Local taxes



- ← 25 school boards
- ← 11 tax commissions
- ← 7 police/juries
- ← 6 sheriff offices
- ← 4 municipalities

ULSTB

Local rules, opinions

- local rule
- local opinion
- private letter rulings
- multi-parish audits

REMOTE SALES TAX  
COMMISSION

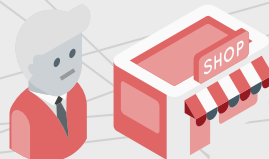
Online sales

APPEALS

BOARD OF TAX  
APPEALS

DISTRICT COURT

LA BUSINESS



What's my rate? Local tax dispute? State tax dispute? Who can I appeal to? Who is my taxing authority? Online sales tax? Do I need a local ruling/guidance? Audited?

# PASSAGE OF HR 31

## Centralized Sales Tax

*To legislate with regard to the administration and collection of sales taxes.*

BILL / RESOLUTION	AUTHOR	DESCRIPTION	STATUS
HR 31	Speaker Clay Schexnayder	Urges and requests that a study group comprised of members with sales and use tax expertise be formed to make recommendations to the legislature related to the creation of a centralized sales and use tax collection system.	Sent to the Secretary of State

# MEMBERSHIP OF THE HR 31 STUDY GROUP

Members:

1. **Jason DeCuir (Chair)**, speaker of the House of Representatives designee
2. **Senator Cameron Henry**, appointed by president of the Senate
3. **Meryl Kennedy Farr**, appointed by the speaker of the House of Representatives
4. **Joel Robideaux**, appointed by the president of the Senate
5. **Rep. Beau Beaulieu**, appointed by chairman of the House Committee on Ways and Means
6. **Sen. Bret Allain**, the chairman of the Senate Committee on Revenue and Fiscal Affairs
7. **Stephen Barnes**, the principal university economist from the Revenue Estimating Conference
8. **Robert Travis Scott**, the president of the Public Affairs Research Council of Louisiana
9. **Barry Erwin**, The president and chief executive officer of the Council for a Better Louisiana



# MEMBERSHIP OF THE HR 31 STUDY GROUP

Members Continued:

10. **Jessica Elliott**, representative from the Louisiana Retailers Association
11. **Stephen Waguespack**, representative from the Louisiana Association of Business and Industry
12. **Guy Cormier**, representative from the Police Jury Association of Louisiana,
13. **Karen White**, representative from the Louisiana Municipal Association,
14. **Gregory Ruppert**, representative from the Louisiana Sheriffs' Association,
15. **Andrew Kolb**, attorney from the Louisiana Uniform Local Sales Tax Board,
16. **Cade Cole**, representative from the Local Tax Division of the Board of Tax Appeals,
17. **Drew Talbot**, attorney from the Louisiana Association of Local Sales Tax Administrators.,
18. **Luke Morris**, representative from the Department of Revenue, and
19. **Dr. Janet Pope**, executive director of the Louisiana School Boards Association.

# FINAL RECOMMENDATIONS OF HR 31 STUDY GROUP

**ALL STAKEHOLDERS OF THE HR 31 STUDY GROUP UNANIMOUSLY VOTED AND APPROVED A CONSTITUTIONAL AMENDMENT WITH THE FOLLOWING CRITERIA**



**01**

**ESTABLISH IT AS A STATEWIDE POLITICAL SUBDIVISION**

**02**

**PERMIT IT TO COLLECT STATE AND LOCAL SALES AND USE TAXES**

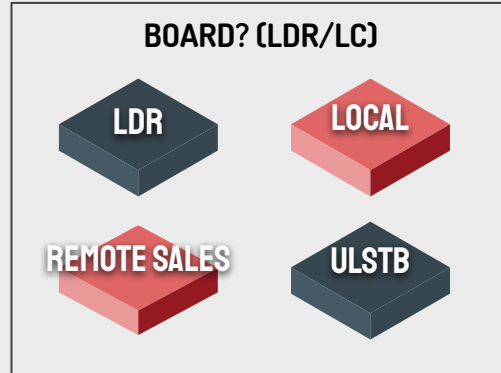
**03**

**FUND IT WITH STATE AND LOCAL SOURCES OF REVENUE**

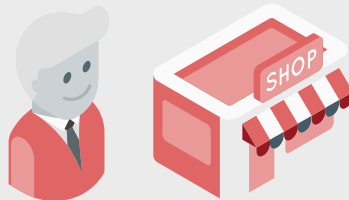
This recommendation was also endorsed by LSA, LMA, LSBA, PJA, and LDR

# PROPOSED LA SALES TAX SYSTEM

## UNIFIED SALES TAX ENTITY



LA BUSINESS



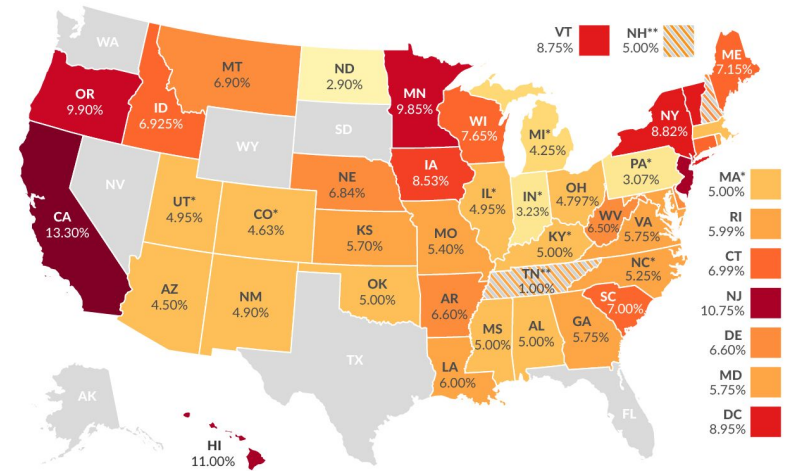
# INDIVIDUAL INCOME TAX

## Problems with LA Individual Income Tax:

- Repeal Federal Income Tax Deduction (~\$744 million) FYE19
- Only six of the 41 states that impose a tax on income allow taxpayers to claim federal income tax deduction
- Piggyback FED AGI. This means our state tax system is impacted by policy changes in congress.
- TCJA passed and LA's citizens realized a tax increase
- Currently 3 distinct rates of tax
- All flow-through businesses pay through the personal income tax

## How High are Individual Income Tax Rates in Your State?

Top State Marginal Individual Income Tax Rates, 2020



Note: Map shows top marginal rates: the maximum statutory rate in each state. This map does not show effective marginal tax rates, which would include the effects of phase-outs of various tax preferences. Local income taxes are not included.  
 (\*) State has a flat income tax.  
 (\*\*) State only taxes interest and dividend income.



<b>Married filing joint</b>	2% on the first \$25K
	4% on the next \$75K
	6% on the taxable income above \$100K
<b>Single</b>	2% on the first \$12K
	4% on the next \$37K
	6% on the taxable income above \$50K

# CORPORATE INCOME TAX

## Current Tax Rate System:

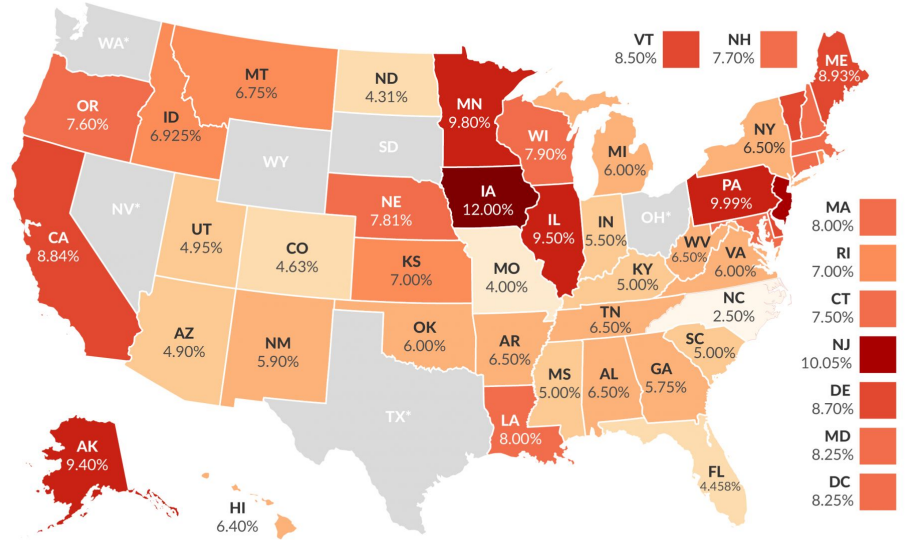
- 4% → first \$25,000
- 5% → next \$25,000
- 6% → next \$50,000
- 7% → next \$100,000
- 8% → taxable income above \$200,000

## Reforms to corporate income tax:

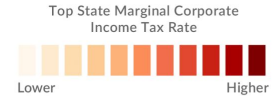
- Repeal Federal Income Tax Deduction (~\$120 million) FYE19
- Move to one or two rates of tax
- Also piggybacks FED AGI

## How High are Corporate Income Tax Rates in Your State?

Top Marginal Corporate Income Tax Rates as of January 1, 2020



Note: (\*) Nevada, Ohio, Texas, and Washington do not have a corporate income tax but do have a gross receipts tax with rates not strictly comparable to corporate income tax rates. Delaware and Oregon have gross receipts taxes in addition to corporate income taxes, as do several states like Pennsylvania, Virginia, and West Virginia, which permit gross receipts taxes at the local (but not state) level. Florida's corporate income tax rate will return to 5.5% for tax years beginning on or after Jan. 1, 2022. Georgia's corporate income tax rate will revert to 6% on January 1, 2026. The state could see a drop to 5.5% in 2020, pending legislative approval. Illinois' rate includes two separate corporate income taxes, one at a 7% rate and one at a 2.5% rate. Indiana's rate will change to 5.25% on July 1, 2020. The rate is scheduled to decrease to 4.9% by 2022. Mississippi continues to phase out the 3 percent bracket by increasing the exemption by \$1,000 a year. This year, the exemption is \$2,000. By the



# INCOME TAX

## INDIVIDUAL INCOME TAX

EXEMPTIONS	FYE 6-17	FYE 6-18	FYE 6-19	FYE 6-20 (projected)	FYE 6-21 (projected)
Federal Income Tax Deduction	\$806,266,935	\$824,420,06 3	\$743,982,604	\$736,543,000	\$721,812,000

## CORPORATE INCOME TAX

EXEMPTIONS	FYE 6-17	FYE 6-18	FYE 6-19	FYE 6-20 (projected)	FYE 6-21 (projected)
Federal Income Tax Deduction	\$142,579,157	\$130,590,949	\$119,796,414	\$107,817,000	\$102,426,000

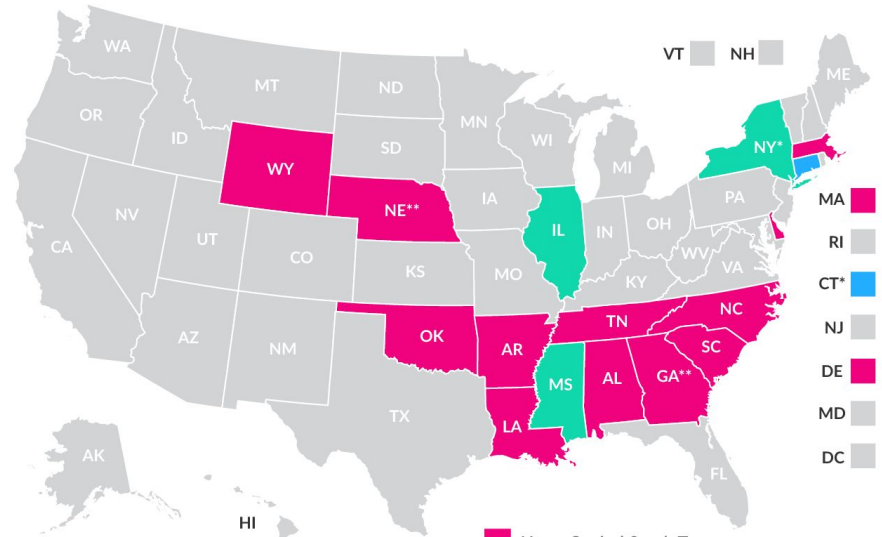
# FRANCHISE TAX

## Problems with LA Franchise Tax:

- The franchise tax is a tax on working capital.
- LA has a very complicated franchise tax.
- The tax rate is currently assessed on the taxable base at the rate of \$1.50 per \$1000 on the first \$300,000 and \$3.00 per \$1000 over \$300,000.
- The franchise tax was recently expanded to certain LLCs.

## Does Your State Have A Capital Stock Tax?

State Capital Stock Taxes as of January 1, 2020



Note: (\*) Taxpayer pays the greater of corporate income tax or capital stock tax liability. (\*\*) Based on a fixed dollar payment schedule. Effective tax rates decrease as taxable capital increases. Capital stock taxes are levied on net assets of a company or its market capitalization.

Source: Bloomberg Tax; state statutes





# SEVERANCE TAX

-Oil and Natural Gas are taxed by two separate methods:

-Oil is taxed by value

-Natural Gas is taxed by volume

-Study by Dr. Jim Richardson and Dr. Greg Upton:

<https://www.lsu.edu/ces/publications/2020/mineral-revenues-in-louisiana-online-df.pdf>

Louisiana has the highest severance tax rate for oil of any state in the continental United States; 12.5 percent of its value at the time and place of severance [R.S. 47:633(7)(a)]

Neighboring states, Arkansas and Mississippi, have a 5 percent and 6 percent tax rate for oil and natural gas, respectively. Most states in the continental United States tax oil and natural gas at the same (or very similar) rates. Louisiana is unique in this regard.

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# QUESTIONS?

## Contact Information



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