

2016 First Extraordinary Session

SENATE CONCURRENT RESOLUTION NO. 6

BY SENATOR ALLAIN

TAX/AD VALOREM. Establishes a task force to study ad valorem taxes that are offset by state tax credits.

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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

1 twenty-six percent and during that same time, the inventory tax credit has grown by almost  
2 ninety-six percent, outstripping the rate of growth of the overall state economy by more than  
3 three times; and

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

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

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

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

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

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

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

26 (1) Examine other states' local government tax structure.

27 (2) Forecast the long-range impact of the current structure on both state and local  
28 government funding.

29 (3) Examine economic competitiveness models and reports to determine  
30 recommended best practices.

1           (4) Recommend comprehensive solutions that will fully fund local government,  
2 reduce or eliminate the growing impact on the state general fund of the state tax credits for  
3 ad valorem taxes on inventory and vessels, and retain or enhance the state's business  
4 competitiveness.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

27           BE IT FURTHER RESOLVED that this task force shall convene no later than July  
28 31, 2016, and report its findings and recommendations to the president of the Senate and the  
29 speaker of the House of Representatives no later than February 1, 2017.

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The original instrument was prepared by Lenore Heavey. The following digest, which does not constitute a part of the legislative instrument, was prepared by James Benton III.

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## DIGEST

SCR 6 Engrossed

2016 First Extraordinary Session

Allain

Creates 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.

The task force is to be comprised of 21 members that include members of the Senate and the House of Representatives, industry representatives, local and state government representatives, a public interest representative, the faculty member with revenue forecasting experience serving on the Revenue Estimating Conference, the Legislative Auditor, and a representative from the American Federation of Labor and Congress of Industrial Organizations.

Requires that the task force meet monthly or as needed, starting 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.

Requires that the legislative members shall elect the chairman.

Summary of Amendments Adopted by SenateCommittee Amendments Proposed by Senate Committee on Revenue and Fiscal Affairs to the original bill

1. Specifies that legislative members elect the task force chairman.
2. Makes provisions regarding the frequency of meetings.
3. Adds an additional member to the task force.