

Regular Session, 2011

SENATE BILL NO. 259

BY SENATOR MARIONNEAUX

TAX/TAXATION. Creates a state commission (SCORE) to submit a written plan by January 6, 2012, to reduce and eliminate state income taxes, recommend budget reduction actions, and reduce or eliminate tax benefits; provides that if a concurrent resolution containing the plan is adopted, then the phase-out of income tax over 10 calendar years begins and the governor and the commissioner of administration are directed to take certain budget reduction actions and submit budget reduction legislation. (See Act)

1 AN ACT

2 To enact R.S. 47:32(D), relative to income taxes; to phase out the taxes on personal and
3 corporate income; to provide for the related matter of insuring that the phase-out of
4 income tax revenue is offset with a reduction of expenditures by requiring the
5 governor and the commissioner of administration to present to the legislature a
6 program by a certain date to implement or propose the implementation of certain
7 budget-cutting actions by administrative action, adoption of rules and regulations,
8 and proposed legislation; to provide for an effective date; and to provide for related
9 matters.

10 Be it enacted by the Legislature of Louisiana:

11 Section 1. R.S. 47:32(D) is hereby enacted to read as follows:

12 §32. Rates of tax

13 * * *

14 **D.(1) Notwithstanding the provisions of Subsections A and C of this**
15 **Section, the rates applicable to each class of taxpayer as set forth in those**
16 **Subsections shall be phased out over ten calendar years as follows:**

17 **(a) For tax years beginning during 2013, ninety percent of the rates**

1 provided for in those Subsections.

2 (b) For tax years beginning during 2014, eighty percent of the rates
3 provided for in those Subsections.

4 (c) For tax years beginning during 2015, seventy percent of the rates
5 provided for in those Subsections.

6 (d) For tax years beginning during 2016, sixty percent of the rates
7 provided for in those Subsections.

8 (e) For tax years beginning during 2017, fifty percent of the rates
9 provided for in those Subsections.

10 (f) For tax years beginning during 2018, forty percent of the rates
11 provided for in those Subsections.

12 (g) For tax years beginning during 2019, thirty percent of the rates
13 provided for in those Subsections.

14 (h) For tax years beginning during 2020, twenty percent of the rates
15 provided for in those Subsections.

16 (i) For tax years beginning during 2021, ten percent of the rates provided
17 for in those Subsections.

18 (2) No tax shall be assessed, levied, collected, or paid upon the income
19 of an individual or a corporation for any tax year commencing on or after
20 January 1, 2022.

21 (3)(a) In order to insure that the phase-out of individual and corporate
22 income tax beginning in 2013 and completed by January 1, 2022, required by
23 the provisions of Subsections A and C of this Section is offset by reductions of
24 state expenditures, the governor and the commissioner of administration are
25 hereby directed to do the following to implement or begin the implementation
26 of the budget reduction actions set forth in Subparagraph (c) of this Paragraph
27 within the time provided for in Subparagraph (b) of this Paragraph. They shall:

28 (i) Take the necessary administrative action, or require the appropriate
29 head of any governmental agency under their jurisdiction to take such

1 administrative action, in those cases where such budget reduction actions may
2 be implemented by such administrative action.

3 (ii) Adopt the necessary rules or regulations, or require the secretary of
4 a department or the appropriate head of any governmental agency under their
5 jurisdiction to adopt such rules or regulations, in those cases where such budget
6 reduction actions require the adoption of rules or regulations in order to be
7 implemented.

8 (iii) Propose specific legislative bills to be enacted by the legislature
9 where such budget reduction actions require the enactment of a law or laws in
10 order to be implemented.

11 (b) No later than the day required for the governor to submit the
12 executive budget to the Joint Legislative Committee on the Budget as provided
13 for in R.S. 39:37(A), the governor and the commissioner of administration are
14 hereby further directed to provide a written report to such committee and to
15 provide to each member of the legislature a printed copy of such report within
16 a week thereafter of the following to implement or begin the implementation of
17 the budget reduction actions set forth in Subparagraph (c) of this Paragraph:

18 (i) The administrative actions they have taken, propose to take, or have
19 required the secretary of a department or the appropriate head of any
20 governmental entity under their jurisdiction to take.

21 (ii) The rules or regulations they have adopted, or that the secretaries of
22 departments or the appropriate heads of governmental agencies under their
23 jurisdiction have adopted.

24 (iii) The specific legislative bills they will propose to the legislature to be
25 enacted, a statement of their full support for such legislation, and a
26 comprehensive plan of the governor for persuading the voters of the state and
27 legislators to support the enactment of such legislation.

28 (c) The budget reduction actions which the governor and the
29 commissioner of administration are hereby directed to implement or provide

1 for the implementation are the following:

2 (i) Require only one manager for every ten state employee positions or
3 more.

4 (ii) Eliminate ten percent by value of state consulting contracts.

5 (iii) Renegotiate the state's consulting contracts to require a five percent
6 reduction in cost.

7 (iv) Establish a system of centralized collection, automated notices, and
8 tax refund offsets to collect state accounts receivables.

9 (v) Require the implementation of R.S. 22:1065 (LaHIPP) in order to
10 purchase private insurance for low-income citizens when it is cheaper than
11 Medicaid.

12 (vi) Propose legislation to change state law and provide for the
13 enforcement of federal law to reduce state-funded emergency room visits for
14 nonemergencies by twenty-five percent.

15 (vii) Require the review of all Medicaid-funded hospitalizations for
16 medical necessity.

17 (viii) Establish physician-training agreements between Charity Hospitals
18 and other hospitals in Louisiana with a high Medicare patient mix in order to
19 capture Medicare medical education funding.

20 (ix) Reform the state Medicaid Preferred Pharmaceutical Drug List to
21 include the most effective drugs at the lowest price for each illness.

22 (x) Reduce administrative costs for the state Medicaid Program by ten
23 percent.

24 (xi) Require state prisoners to pursue a GED as an incentive for
25 probation or parole in order to reduce the recidivism rate.

26 (xii) Establish a self-sustaining state revolving loan fund to finance local
27 capital outlay projects at reduced borrowing costs.

28 (xiii) Postpone the current "LaGov ERP" computer upgrade until a
29 cost-benefit analysis is completed and discontinue the program if the analysis

1 indicates that it should be discontinued.

2 (xiv) Propose legislation to place all higher education institutions except
3 for community colleges under the jurisdiction of the Board of Regents.

4 (xv) Require the Board of Regents to eliminate wasteful duplicate
5 programs by assigning each college and university a role, scope, and mission;
6 provide for Louisiana State University to be the state's flagship university; and
7 implement a system for the universal uniform transfer of course credits from
8 community colleges to four-year colleges and universities, and also for the
9 universal uniform transfer of course credits among colleges and universities.

10 (xvi) Enter into joint ventures with private developers, chosen by
11 competitive bid, to develop underutilized state land into income-producing
12 assets, with the recurring revenues shared by the state and the private
13 developers.

14 (xvii) Authorize the legislative auditor to audit per-patient costs,
15 employees per occupied bed, and medical supplies procurement and
16 management at Louisiana's Charity Hospitals, and require the implementation
17 of recommendations by the legislative auditor.

18 (xviii) Direct that annual spending per secure commitment in the
19 Louisiana Office of Juvenile Justice be equal to the southern average.

20 (xix) Require conditions in the contracts of all state vendors and
21 contractors that they receive a tax clearance from the Department of Revenue
22 certifying that all state taxes have been paid, and that the state is authorized to
23 offset any future tax liabilities against contract payments owed such vendors
24 and contractors.

25 (xx) Establish cooperative agreements with the states of Mississippi and
26 Arkansas to purchase supplies in bulk and share heavy equipment, specialized
27 vehicles, aircraft, warehouse space, call centers, collection operations, licensing
28 functions, back office operations, and agricultural, fishery and nursery
29 operations, similar to the Wisconsin-Minnesota Collaboration Project.

1 (xxi) Propose legislation to competitively bid state contracts for
2 maintenance of state-owned computer hardware and software.

3 (xxii) Propose an executive budget which appropriates only ninety-seven
4 percent of revenue estimates by the Revenue Estimating Conference in order to
5 minimize mid-fiscal year budget cuts and avoid disruption of agency budgets.

6 (xxiii) Any recommendations proposed by the Commission on
7 Streamlining Government in its report dated December 15, 2009, which are not
8 in conflict with or otherwise would limit the budget reduction actions required
9 by this Subparagraph.

10 (xxiv) Any other budget reduction actions proposed by the governor or
11 the commissioner.

12 Section 2. A. There is hereby established and provided for the State Commission on
13 Revenues and Expenditures (SCORE) to develop a plan which includes the reduction and
14 eventual elimination of the state personal and corporate income taxes set forth in Section 1
15 of this Act and recommendations on actions to be taken to maintain a balanced budget
16 sufficient for the ordinary expenses of the operation of state government while providing the
17 level of services and programs necessary to meet the needs of the citizens of Louisiana,
18 particularly in the areas of education, health, social services, and the quality of life.

19 B. The plan shall include recommendations for replacing or otherwise taking into
20 account the loss of revenues due to the reduction and elimination of income taxes, through
21 the reduction or elimination of various tax exemptions, exclusions, deductions, rebates, or
22 credits; the reduction or elimination of government services; enhancing effectiveness,
23 efficiencies, and/or economies in the provision of government services, including
24 restructuring state government; or some combination of these actions.

25 C. The commission shall be composed of the following members:

- 26 (1) The president of the Senate or his designee.
27 (2) The speaker of the House of Representatives or his designee.
28 (3) The governor or his designee.
29 (4) The chair of the Senate Finance Committee or his designee.

1 (5) The chair of the Senate Revenue and Fiscal Affairs Committee or his designee.

2 (6) The chair of the Senate Education Committee or his designee.

3 (7) The chair of the Senate Health and Welfare Committee or his designee.

4 (8) The chair of the House Appropriations Committee or his designee.

5 (9) The chair of the House Ways and Means Committee or his designee.

6 (10) The chair of the House Education Committee or his designee.

7 (11) The chair of the House Health and Welfare Committee or his designee.

8 (12) The commissioner of administration or his designee.

9 (13) A faculty member of a university or college in Louisiana who has expertise in

10 forecasting revenues jointly selected by the president of the Senate, the speaker of

11 the House of Representatives, and the governor.

12 D. The designation of membership set forth in this Section shall be completed and
13 submitted to the office of the Senate president prior to July 1, 2011. The commission shall
14 meet upon the call of the president of the Senate prior to August 1, 2011. At its first
15 meeting, the commission shall select a chairman from among its members.

16 E. The staffs of the Senate, the House of Representatives, the legislative fiscal office,
17 the legislative auditor, and the division of administration shall provide staff support and
18 otherwise assist the commission to the extent requested by the commission.

19 F. Every agency, board, commission, and department of state and local government
20 shall furnish such information, reports, aid, services, and assistance as may be requested by
21 the commission.

22 G. The commission shall submit a written plan to the legislature and the governor
23 on or before January 6, 2012, together with recommendations for legislation. At the 2012
24 Regular Session, by concurrent resolution which includes the plan, the legislature shall
25 consider the plan, may modify the plan, and may adopt the resolution. Adoption of the
26 concurrent resolution shall be considered adoption of the plan contained in the resolution.

27 Section 3. Section 1 of this Act shall become effective upon the adoption of a
28 concurrent resolution pursuant to Section 2 of this Act. Sections 2 and 3 of this Act shall
29 become effective upon signature by the governor or, if not signed by the governor, upon

1 expiration of the time for bills to become law without signature by the governor, as provided
2 by Article III, Section 18 of the Constitution of Louisiana. If vetoed by the governor and
3 subsequently approved by the legislature, this Act shall become effective on the day
4 following such approval.

The original instrument was prepared by Jerry J. Guillot. The following digest, which does not constitute a part of the legislative instrument, was prepared by Riley Boudreaux.

DIGEST

Marionneaux (SB 259)

Present law provides tax rates on individual and corporate income as follows:

Individual rates

2% of the first \$12,500 of net income which is in excess of the credits against net income provided for in present law.

4% percent on the next \$37,500 of net income.

6% on any amount of net income in excess of \$50,000 of net income.

Corporate rates

4% on the first \$25,000 of net income.

5% on the amount of net income above \$25,000 but not in excess of \$50,000.

6% on the amount of net income above \$50,000 but not in excess of \$100,000.

7% on the amount of net income above \$100,000 but not in excess of \$200,000.

8% on all net income in excess of \$200,000.

Proposed law creates the State Commission on Revenues and Expenditures (SCORE) and requires the commission to submit a written plan to the legislature and the governor on or before January 6, 2012, together with recommendations for legislation, for a plan which includes the reduction and eventual elimination of the state personal and corporate income taxes set forth in the proposed law and recommendations on actions to be taken to maintain a balanced budget sufficient for the ordinary expenses of the operation of state government while providing the level of services and programs necessary to meet the needs of the citizens of Louisiana. The plan must also include recommendations for replacing or otherwise taking into account the loss of revenues due to the reduction and elimination of income taxes, through the reduction or elimination of tax benefits; the reduction or elimination of government services; enhancing effectiveness, efficiencies, and/or economies in the provision of government services, including restructuring state government; or some combination of such actions.

Requires the legislature to consider the plan at the 2012 Regular Session in a concurrent resolution and permits the legislature to modify the plan or adopt the resolution. If the resolution is adopted, the plan in the resolution is considered "adopted".

The commission is composed of the following members:

- (1) The president of the Senate or his designee.
- (2) The speaker of the House of Representatives or his designee.
- (3) The governor or his designee.
- (4) The chair of the Senate Finance Committee, or his designee.

- (5) The chair of the Senate Revenue and Fiscal Affairs Committee or his designee.
- (6) The chair of the Senate Education Committee or his designee.
- (7) The chair of the Senate Health and Welfare Committee or his designee.
- (8) The chair of the House Appropriations Committee or his designee.
- (9) The chair of the House Ways and Means Committee or his designee.
- (10) The chair of the House Education Committee or his designee.
- (11) The chair of the House Health and Welfare Committee or his designee.
- (12) The commissioner of administration or his designee.
- (13) A faculty member of a university or college in Louisiana who has expertise in forecasting revenues jointly selected by the president of the Senate, the speaker of the House of Representatives, and the governor.

Proposed law provides that if the concurrent resolution containing the plan is adopted, then the Section of the proposed law becomes effective which phases out the individual and corporate income tax over 10 calendar years by reducing the above rates 10% per calendar year, beginning with calendar year 2013 and ending in calendar year 2022, when no individual or corporate income tax would be due. For instance, for tax years beginning in 2013, tax would be assessed at 90% of the rates above; for tax years beginning in 2014, 80%; 2015, 70%, etc.

Proposed law provides that if the concurrent resolution containing the plan is adopted, then the Section of the proposed law becomes effective which directs the governor and the commissioner of administration to take the following actions:

1. Take the necessary administrative action, or require such action to be taken to implement the budget reductions set forth below.
2. Adopt the necessary rules or regulations, or require the secretary of a department or the appropriate head to adopt such rules or regulations to implement the budget reductions set forth below.
3. Propose specific legislative bills to be enacted by the legislature where such budget reduction actions set forth below require the enactment of a law or laws in order to be implemented.

Directs the governor and the commissioner of administration to provide a written report to the Joint Legislative Committee on the Budget no later than the day required for the governor to submit the executive budget to the committee on the administrative budget reduction actions they have taken and the rules and regulations that were adopted and the specific legislative bills they will propose to the legislature to be enacted, a statement of their full support for such legislation, and a comprehensive plan of the governor for persuading the voters of the state and legislators to support the enactment of such legislation.

The budget reduction actions the governor and the commissioner of administration are directed to implement or provide for the implementation are the following:

- (1) Require only one manager for every 10 state employee positions or more.
- (2) Eliminate 10% by value of state consulting contracts.

- (3) Renegotiate the state's consulting contracts to require a 5% reduction in cost.
- (4) Establish a system of centralized collection, automated notices, and tax refund offsets to collect state accounts receivables.
- (5) Require the implementation of RS 22:1065 (LaHIPP) in order to purchase private insurance for low-income citizens when it is cheaper than Medicaid.
- (6) Propose legislation to change state law and provide for the enforcement of federal law to reduce state-funded emergency room visits for nonemergencies by 25%.
- (7) Require the review of all Medicaid-funded hospitalizations for "medical necessity".
- (8) Establish physician-training agreements between Charity Hospitals and other hospitals in Louisiana with a high Medicare patient mix in order to capture Medicare medical education funding.
- (9) Reform the state Medicaid Preferred Pharmaceutical Drug List to include the most effective drugs at the lowest price for each illness.
- (10) Reduce administrative costs for the state Medicaid Program by 10%.
- (11) Require state prisoners to pursue a GED as an incentive for probation or parole in order to reduce the recidivism rate.
- (12) Establish a self-sustaining state revolving loan fund to finance local capital outlay projects at reduced borrowing costs.
- (13) Postpone the current "LaGov ERP" computer upgrade until a cost-benefit analysis is completed and discontinue the program if the analysis indicates that it should be discontinued.
- (14) Propose legislation to place all higher education institutions except for community colleges under the jurisdiction of the Board of Regents.
- (15) Require the Board of Regents to eliminate wasteful duplicate programs by assigning each college and university a role, scope, and mission; provide for LSU to be the state's flagship university; and implement a system for the universal uniform transfer of course credits from community colleges to 4-year colleges and universities, and also for the universal uniform transfer of course credits among colleges and universities.
- (16) Enter into joint ventures with private developers, chosen by competitive bid, to develop underutilized state land into income-producing assets, with the recurring revenues shared by the state and the private developers.
- (17) Authorize the Legislative Auditor to audit per-patient costs, employees per occupied bed, and medical supplies procurement and management at Louisiana's Charity Hospitals, and require the implementation of recommendations by the Legislative Auditor.
- (18) Direct that annual spending per secure commitment in the Louisiana Office of Juvenile Justice be equal to the Southern average.
- (19) Require conditions in the contracts of all state vendors and contractors that they receive a tax clearance from the Department of Revenue certifying that all state taxes have been paid, and that the state is authorized to offset any future tax liabilities against contract payments owed such vendors and contractors.

- (20) Establish cooperative agreements with the states of Mississippi and Arkansas to purchase supplies in bulk and share heavy equipment, specialized vehicles, aircraft, warehouse space, call centers, collection operations, licensing functions, back office operations, and agricultural, fishery and nursery operations, similar to the Wisconsin-Minnesota Collaboration Project.
- (21) Propose legislation to competitively bid state contracts for maintenance of state-owned computer hardware and software.
- (22) Propose an Executive Budget which appropriates only 97% of revenue estimates by the Revenue Estimating Conference in order to minimize mid-fiscal year budget cuts and avoid disruption of agency budgets.
- (23) Any recommendations proposed by the Commission on Streamlining Government in its Report dated December 15, 2009, which is not in conflict with or otherwise would limit the budget reduction actions required by this section of the proposed law.
- (24) Any other budget reduction actions proposed by the governor or the commissioner.

Effective upon signature of the governor or lapse of time for gubernatorial action.

(Adds R.S. 47:32(D))

Summary of Amendments Adopted by Senate

Committee Amendments Proposed by Senate Committee on Revenue and Fiscal Affairs to the engrossed bill.

1. Changes the bill from a 4-year phase out of individual and corporate income tax beginning in 2011 and ending in 2015, when no tax would be due to the 10-year phase out described above.

Senate Floor Amendments to reengrossed bill.

1. Creates the State Commission on Revenues and Expenditures (SCORE) and requires the commission to submit a written plan to the legislature and the governor on or before January 6, 2012, together with recommendations for legislation, for a plan to reduce and eventually eliminate state income taxes; recommend budget reduction actions; and reduce or eliminate tax benefits.
2. Authorizes the legislature to modify and adopt the plan through the adoption of a concurrent resolution.
3. Provides that if the concurrent resolution containing the plan is adopted, then the section of the proposed law becomes effective which phases out the individual and corporate income tax over 10 calendar years.
4. Provides that if the concurrent resolution containing the plan is adopted, then the section of the proposed law becomes effective which directs the governor and the commissioner of administration to take administrative actions; adopt rules and regulations; and propose specific legislation to take a list of budget reduction actions set forth in the proposed law.