

2015 Regular Session

HOUSE BILL NO. 471

BY REPRESENTATIVE STOKES

Prefiled pursuant to Article III, Section 2(A)(4)(b)(i) of the Constitution of Louisiana.

TAX/SALES & USE: Establishes the Sales Tax Streamlining and Modernization Commission to perform a comprehensive study of Louisiana's state and local sales and use tax systems

1 AN ACT

2 To enact R.S. 47:301.2, relative to sales and use taxes; to establish the Sales Tax  
3 Streamlining and Modernization Commission; to provide for membership; to provide  
4 for duties of the commission; to provide for the various policies to be considered by  
5 the commission; to provide with respect to commission meetings; to require certain  
6 reporting; to provide for effectiveness; and to provide for related matters.

7 Be it enacted by the Legislature of Louisiana:

8 Section 1. R.S. 47:301.2 is hereby enacted to read as follows:

9 §301.2. Sales Tax Streamlining and Modernization Commission

10 A. Purpose. The legislature hereby recognizes that:

11 (1) The sales and use tax on tangible personal property, services, rentals, and  
12 leases hereinafter referred to as "sales tax", represents one of Louisiana's two major  
13 revenue sources, representing an average of forty percent of state general fund  
14 receipts.

15 (2) The sales tax is the main source of revenue for most of Louisiana's local  
16 governments.

17 (3) There exist significant structural issues impacting the state and local sales  
18 taxes, which include legislative actions that adversely impact the tax base, a distinct

1 shift away from a goods-based to a services-based economy, and an increasing shift  
2 from "brick and mortar" retail transactions to e-commerce purchases.

3 (4) The combined average sales tax rate of 8.9% for Louisiana was the third  
4 highest in the nation as reported by the Tax Foundation in 2014.

5 (5) The legislature further recognizes that it is good public policy to  
6 contemplate modernization of the sales tax structure to reflect the 21<sup>st</sup> century  
7 economy as a way to aid in stabilizing the sales tax as a revenue source for the state  
8 and its local governments.

9 B. Sales Tax Streamlining and Modernization Commission. For these  
10 reasons, the Sales Tax Streamlining and Modernization Commission, hereinafter  
11 referred to as "commission", is hereby established to perform a comprehensive study  
12 of Louisiana's state and local sales tax systems, and to make recommendations to the  
13 legislature regarding revision of practices, administrative procedure, statutory law,  
14 and Louisiana Constitution, all for the purpose of streamlining and modernizing this  
15 vital revenue source for the state and its local governments. The recommendations  
16 shall contemplate an overall goal of ensuring both revenue stability and taxpayer  
17 equity through the adoption of proven contemporary tax policies which are based on  
18 the concept of a low tax rate with a broad base to be administered fairly and  
19 efficiently.

20 C. Members. The commission shall consist of the following nineteen, who  
21 shall serve without compensation except for their reasonable and necessary expenses  
22 related to the performance of their duties as members of the commission, and then  
23 only in such amounts as is provided by law for state employees and officials:

24 (1) The secretary of the Department of Revenue.

25 (2) The speaker of the House of Representatives or his designee.

26 (3) The president of the Senate or his designee.

27 (4) The chairman of the House Committee on Ways and Means or his  
28 designee.

29 (5) The chairman of the Senate Committee on Revenue and Fiscal Affairs  
30 or his designee.

1           (6) A member appointed by the Louisiana Police Jury Association.

2           (7) A member appointed by the Louisiana Municipal Association

3           (8) A member appointed by the Louisiana School Board Association.

4           (9) A member appointed by the Louisiana Association of Tax

5           Administrators.

6           (10) A member appointed by the Louisiana Sheriff's Association.

7           (11) A member appointed by the Louisiana Multiparish Tax Commission.

8           (12) A member appointed by the Louisiana Society of Certified Public

9           Accountants.

10          (13) A member appointed by the Public Affairs Research Council.

11          (14) A member appointed by the Louisiana Association of Business and

12          Industry.

13          (15) A member appointed by the Louisiana Retailers Association.

14          (16) A member appointed by the Louisiana Budget Project.

15          (17) Three faculty members of a Louisiana public university selected by the  
16          speaker of the House of Representatives, president of the Senate, and the governor.

17          D. Meetings. (1) The commission shall conduct monthly meetings and may  
18          consider testimony from witnesses and documents produced for purposes of the  
19          commission. The first meeting shall be held no later than July 31, 2015. A majority  
20          of the commission members shall constitute a quorum. Meetings of the commission  
21          shall be held at the state capitol and be open to the public, pursuant to the provisions  
22          of R.S. 42:12 et seq.

23          (2) The commission shall elect a chairman at its first meeting by a majority  
24          vote of the members present and voting. The chairman shall prepare the schedules  
25          and agendas for meetings, and shall coordinate the staff support deemed necessary  
26          for the function of the commission. The following organizations shall assist the  
27          commission with staff support as may be required:

28                 (a) Louisiana Department of Revenue.

29                 (b) Staff of the House of Representatives, Senate, Legislative Fiscal Office,  
30                 and Legislative Auditor's Office.

1           (3) The commission, by majority vote of members present and voting, may  
2           establish research groups and subcommittees of less than a quorum of commission  
3           members, and shall establish guidelines and timetables for their reports to the  
4           commission. Meetings of research groups and subcommittees shall not be  
5           considered public meetings.

6           E. Studies. The duty of the commission shall be to perform a comprehensive  
7           study of the following issues relating to Louisiana's state and local sales tax systems  
8           and to develop specific recommendations for legislative consideration relative  
9           thereto:

10           (1) A study of the state's overall goals in its scheme of taxation and how state  
11           and local sales tax policy affects the economy of our state, and how changes in such  
12           policy may better position Louisiana for the future in terms of equity and economic  
13           competitiveness.

14           (2) A study of the state and local government sales tax bases and rates and,  
15           to the degree practicable, how those compare with that of other states with similar  
16           populations and economies. This shall include examination of the concept of  
17           broadening the tax base to allow for lower rates and a more equitable system. Given  
18           the global shift of economic activity from goods-based to services-based  
19           consumption, such study shall specifically include consideration of the taxation of  
20           services as a way to strengthen the base and also to help offset the otherwise  
21           regressive nature of a sales tax structure where few services are taxed. Further, this  
22           study shall include consideration of the impact of tax rates on the deleterious effects  
23           of the migration of economic consumption from land-based to the internet, not only  
24           on state and local revenue stability, but also on the economic competitiveness and  
25           survival of Louisiana's retail businesses, which local businesses are critical to the  
26           vitality of the cultural and community life in this state.

27           (3) A study of all special tax treatment against sales tax, inclusive of credits,  
28           deductions, discounts, exclusions, exemptions, and rebates. This shall include, to the  
29           degree practicable, a comparison to that of other states with similar populations and  
30           economies.

1           (4) A study of state and local government sales tax collection and audit  
 2           procedures and, to the degree practicable, a comparison to that of other states which  
 3           are considered at a national level to have an efficient, contemporary administrative  
 4           and procedural scheme.

5           F. Reports and Recommendations. The commission shall review any  
 6           reports of the research groups and subcommittees, and after having conducted its  
 7           comprehensive review, shall prepare a report of its recommendations for any revision  
 8           of current practices, administrative procedure, statutory law, and Louisiana  
 9           constitution. A recommendation concerning the collection or administration of local  
 10           sales and use taxes shall require approval of three-quarters of the members of the  
 11           commission. The commission's interim report shall be submitted to the governor,  
 12           the president of the Senate, and the speaker of the House of Representatives no later  
 13           than January 15, 2016. The final report shall be prepared as determined by the  
 14           commission.

15           G. Sunset. The commission shall terminate on June 30, 2017.

16           Section 2. This Act shall become effective upon signature by the governor or, if not  
 17 signed by the governor, upon expiration of the time for bills to become law without signature  
 18 by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If  
 19 vetoed by the governor and subsequently approved by the legislature, this Act shall become  
 20 effective on the day following such approval.

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#### DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

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HB 471 Engrossed

2015 Regular Session

Stokes

**Abstract:** Establishes the Sales Tax Streamlining and Modernization Commission to perform a comprehensive study of Louisiana's state and local sales and use tax systems.

Proposed law establishes the Sales Tax Streamlining and Modernization Commission, hereinafter referred to as "commission", to perform a comprehensive study of La.'s state and local sales tax systems, and to make recommendations to the legislature regarding revision of practices, administrative procedure, statutory law, and La. constitution.

Proposed law requires that the recommendations of the commission contemplate an overall goal of ensuring both revenue stability and taxpayer equity through the adoption of proven

contemporary tax policies which are based on the concept of a low tax rate with a broad base to be administered fairly and efficiently.

Proposed law provides for a 19 member commission, consisting of the following:

- (1) The secretary of the Department of Revenue.
- (2) The speaker of the House of Representatives or his designee.
- (3) The president of the Senate or his designee.
- (4) The chairman of the House Committee on Ways and Means or his designee.
- (5) The chairman of the Senate Committee on Revenue and Fiscal Affairs or his designee.
- (6) A member appointed by the La. Police Jury Association.
- (7) A member appointed by the La. Municipal Association.
- (8) A member appointed by the La. School Board Association.
- (9) A member appointed by the La. Association of Tax Administrators.
- (10) A member appointed by the La. Sheriff's Association.
- (11) A member appointed by the La. Multiparish Tax Commission.
- (12) A member appointed by the La. Society of Certified Public Accountants.
- (13) A member appointed by the Public Affairs Research Council.
- (14) A member appointed by the La. Association of Business and Industry.
- (15) A member appointed by the La. Retailers Association.
- (16) A member appointed by the La. Budget Project.
- (17) Three faculty members of a La. public university selected by the speaker of the House of Representatives, president of the Senate, and the governor.

Proposed law provides that commission members shall serve without compensation except for their expenses related to the performance of their duties as members of the commission, and then only as authorized by law for state employees and officials.

Proposed law requires that the commission meet monthly and hold its first meeting no later than July 31, 2015. A majority of the commission members shall constitute a quorum, and commission meetings shall be held at the state capitol and be public meetings pursuant to La. open meetings law.

Proposed law requires that the commission elect a chairman at its first meeting, and provides that the chairman shall prepare the schedules and agendas for meetings, and coordinate the staff support for the commission. The commission may obtain staff support from the following organizations:

- (1) La. Department of Revenue.
- (2) Staff of the House of Representatives, Senate, Legislative Fiscal Office, and Legislative Auditor's Office.

Proposed law authorizes the establishment of research groups or subcommittees consisting of less than a quorum of commission members. Meetings of research groups and subcommittees shall not be considered public meetings.

Proposed law requires the commission to study the following:

- (1) State and local government sales tax bases and rates.
- (2) All special tax treatment against sales tax, inclusive of credits, deductions, discounts, exclusions, exemptions, and rebates.
- (3) State and local government sales tax collection and audit procedures.

Proposed law requires that after it has completed its studies, the commission shall prepare a report of its recommendations for any revision of current practices, administrative procedure, statutory law, and La. constitution. A recommendation which concerns the collection or administration of local sales and use taxes shall require 3/4ths vote of all members of the commission. The commission's interim report shall be submitted to the governor, the president of the Senate, and the speaker of the House of Representatives no later than Jan. 15, 2016. The final report shall be prepared as determined by the commission.

Proposed law provides that the commission shall terminate on June 30, 2017.

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

(Adds R.S. 47:301.2)

#### Summary of Amendments Adopted by House

The Committee Amendments Proposed by House Committee on Ways and Means to the original bill:

1. Add a requirement that, for purposes of the commission's report of its recommendations, a recommendation which concerns the collection or administration of local sales and use taxes shall require 3/4ths vote of all members of the commission.
2. Deletes requirement that the commission consider the issue of centralized tax collection.