



## LOUISIANA GOVERNOR OFFICIALLY UNVEILS NEW TAX REFORM PACKAGE

Today, Louisiana Gov. Bobby Jindal appeared before a joint meeting of the Louisiana House Committee on Ways & Means and the Louisiana Senate Committee on Revenue & Fiscal Affairs to officially unveil his administration's proposed tax reform plan that, according to the Governor, would "eliminate income taxes in a revenue neutral manner by eliminating over 200 tax loopholes and broadening the state sales tax base." The plan, if passed, would have an effective start date of January 1, 2014. Although the Governor and his team have not yet provided a detailed information package, below are some specific aspects of the plan that have been released by the Governor's office:

- eliminate the personal income tax and corporate income and franchise taxes entirely (thereby eliminating approximately \$2.7 billion in annual revenue)
- raise the state sales tax rate to 5.88% and broaden the state sales tax base (which, according to the Governor's office, would result in approximately \$2.1 billion in annual revenue). If passed, the new combined state and local sales tax rate would be the highest in the country
- expand the state sales tax base to include many services, such as personal, professional, and other services (however, no additional local sales taxation of services is currently planned)
- retain an exclusion from the state sales tax base for the following types of services:
  - healthcare services
  - education services
  - construction services
  - oil and gas services
  - real estate services
  - financial services
  - legal services
  - funeral services
  - the purchase of advertisement ("buys")
- create a *de minimis* exclusion that would exclude any service provider with annual revenue under \$10,000
- eliminate more than 200 exemptions/exclusions/deductions, including approximately 190 sales tax exemptions and exclusions (which, according to the Governor's office, would result in \$114 million in additional annual revenue)
- retain the following sales tax exemptions/exclusions:
  - food for home consumption
  - residential utilities
  - prescription drugs (state-level)



- fuel
  - any other constitutionally protected sales tax exemptions/exclusions
  - manufacturing, machinery, and equipment ("MM&E")
  - non-residential utilities
  - farm and agriculture
  - drilling rigs
  - vessels greater than 50 tons
  - tangible personal property for lease or rental
  - manufacturers' rebates
  - trade-in value on new vehicle purchases
  - preservation/rehabilitation of historic structures
  - vendors compensation
  - certain non-profit organizations (religious, military, disabled)
  - purchases whose cost is already borne by the taxpayer
  - purchases made by federal, state, and local governments
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- create a Family Assistance Rebate Program ("FARP") to provide "targeted relief" from sales tax increases for low-income working families who currently pay little or no income tax
  - create a Retirees Benefit Program ("RBP") to provide "targeted relief" for retirees (including municipal, state, federal, Social Security/disability, private sector) who have less than \$60,000 adjusted gross income and currently pay little or no income tax
  - create a uniform sales tax base for "remote sales" by vendors not located in Louisiana (in anticipation of possible federal legislation allowing states to require state sales tax collection by remote sellers)
  - create a Louisiana Sales Tax Commission to act as the single collector, auditor, interpreter, and rule-maker around the state and local sales taxes. The Commission would be made up of state and locally nominated gubernatorial appointees confirmed by the Louisiana Senate. The Commission would contract with local sales tax collectors to perform collection and auditing services on behalf of the Commission
  - create a uniform sales/use tax return
  - create a single Tax Court that would have jurisdiction over all state and local tax cases. The Tax Court would consist of three elected judges (one judge would serve the First Circuit, one judge would be shared between the Second and Third Circuits, and one judge would be shared between the Fourth and Fifth Circuits). On issues relating to sales tax, only those cases that had been previously arbitrated by the Uniform Sales Tax Commission would be eligible for appeal to the Tax Court
  - increase the cigarette tax rate from \$0.36 to \$1.41 per pack (factoring in a 40% discount for "behavioral changes")
  - increase the tax rate for other tobacco products to equal 68% of the manufacturer's price
  - "tighten" certain severance tax exemptions



- retain but modify the enterprise zone ("E-Z") and movie tax credit incentive programs
- retain the state-level inventory tax credit (providing state offset to local inventory taxes)
- eliminate all sales tax holidays for Louisiana residents

In his briefing to the Louisiana Legislature; however, Gov. Jindal did note that the current plan being presented is "not etched in stone." According to the Governor, the goal of the plan is the elimination of corporate income and franchise taxes and the personal income tax, and a simpler tax system.

A copy of the tax plan provided by the Governor's Office can be found [here](#).

The official press release from the Governor's Office regarding the new tax reform package can be found [here](#).

The Jones Walker SALT Team will be tracking the Governor's legislative effort closely and will provide updates as this legislative process continues. Be sure to follow the Jones Walker SALT Team on Twitter [@JonesWalkerSALT](#) to receive breaking updates as they occur.

—[Matthew A. Mantle](#)



*Remember that these legal principles may change and vary widely in their application to specific factual circumstances. You should consult with counsel about your individual circumstances. For further information regarding these issues, contact:*

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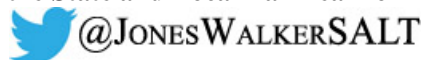
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