

## After Stelly flub, why quibble?

August 2, 2010

The back-to-school sales tax holiday Aug. 6 and 7, when many purchases will be exempt from the 4 percent state sales tax, comes at a time when state government is struggling to hold the line on the budget, and laying off people to do it. But the cost of taking a bit of the burden off harried parents will be only about \$6 million.

And why worry about that? After all, according to a new report, Louisiana has already created far worse budget problems for itself, and on the eve of major recession, too, by repealing part of the Stelly Plan tax changes.

Not only was it a policy blunder, as figures from the nonpartisan watchdog Louisiana Budget Project show, but it was bad theater in the bargain.

For years, Louisiana exempted food for home preparation and utilities from the state sales tax. But each year, the Legislature made food and utilities subject to the tax for just that one year. Until the next year.

This was not only tiresome, but it made the taxation system less fair. Rich or poor, there's no way around paying for food and utilities, and a flat sales tax on necessities represents a bigger chunk out of small incomes than from large ones.

Former state Sen. Vic Stelly hit open a way to make the system more fair.

He proposed making the sales tax exemptions permanent, no fooling, seriously this time. And, he said, the lost revenue could be made up by changing the state income tax brackets at the upper end of the scale.

Louisiana voters approved the Stelly Plan in 2003. That's where the bad theater comes in.

Income-tax payers in the higher brackets were shocked, shocked we say, to learn that the changes in the upper-income tax brackets might actually force them to pay more in taxes.

It was an outrage, and we are assured that it was affecting not just the rich, but middle-income people, too.

In fact, your income had to be at least \$80,000 a year before the gains from the sales tax exemption were offset by increase income tax payments. But the shocked and well-off won the day, and voters repealed the Stelly income tax changes.

We did not, however, repeal the forever-and-ever sales tax exemptions.

If we hadn't repealed Stelly, according to the Louisiana Budget Project, we'd have had enough revenue to cover the \$567 million 2010 budget shortfall with \$82 million left over. Projected budget shortfalls 2010-12 are expected to total \$2.4 trillion.

Stelly income tax revenue could have made up all but \$600 million of it.

An adage says that sometimes there victims, and sometimes there are only volunteers.

On the Stelly plan, we volunteered to be victims.