



Louisiana Budget Project

PROVIDING INDEPENDENT,
NONPARTISAN research and analysis
of Louisiana fiscal issues and their
impact on low and moderate
income residents.

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Contact:

KAREN MILLER
225.929.5266, x220
EDWARD ASHWORTH
225.929.5266 x224
225.907.3035 (cell)

STAFF

Edward Ashworth
Director
edwardashworth@lano.org

Tim Mathis
Analyst
timmathis@lano.org

Karen Miller
Communications/Public Relations
karenmiller@lano.org

State Tax Loophole Costs \$643 Million

(Baton Rouge – April 14, 2011) A new report by the Louisiana Budget Project addresses the \$643 million Louisiana loses each year in income tax revenue. The report is the fourth in a series of 6 whitepapers that propose narrowly drawn tax increases to provide balanced, transparent solutions to Louisiana’s fiscal crisis.

The report analyzes a tax loophole that allows Louisianans to reduce their state taxable income by the amount they paid in federal income taxes that year. Only 6 other states allow for a deduction in federal income taxes paid.

According to the Louisiana Budget Project, the wealthiest Louisianans benefit tremendously from this loophole. Since low-and moderate-income families typically pay little to no federal income tax, they receive few, if any benefits from Louisiana’s deduction for federal income taxes.

“This seriously undermines the only major state tax that is based on ability to pay,” says Edward Ashworth, Director of the Louisiana Budget Project.

The Louisiana Budget Project recommends limiting the allowable deduction of federal income taxes from state taxable income. Capping deductions would make Louisiana’s personal income tax structure more equitable while providing additional revenue to protect basic public services and investments needed for a strong economy.

“By slashing vital programs,” continued Ashworth, “Louisiana is doing long term damage to infrastructure, education, and services that support the most vulnerable members of our communities.”

The Baton Rouge-based Louisiana Budget Project provides independent research and analysis of Louisiana fiscal issues and their impact on low and moderate income residents.

For a copy of the full report and more information on LBP, visit www.labudget.org and read [Deduction for Federal Income Taxes: A Lopsided Loophole Costs Louisiana Millions.](#)

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8281 Goodwood Blvd, Ste A
Baton Rouge, LA 70806
PO Box 66558
Baton Rouge, LA 70896
225-929-5266
225-925-2711 [fax]

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