



Louisiana Budget Project

May 1, 2017

Dear Chairman Abramson:

The Louisiana Budget Project is a non-profit, non-partisan research and advocacy organization that monitors and reports on state fiscal policies and their impact on low and moderate-income Louisianans. We are deeply concerned that Louisiana's current tax structure is inadequate to support the ongoing investments that are needed in education, public health, transportation and social services.

As you are well aware, Louisiana faces a \$440 million shortfall in the upcoming fiscal year. But a much more serious shortfall arises next year, when nearly \$1.4 billion of temporary revenue laws expire and create a "fiscal cliff." If these expiring taxes are not replaced with stable, recurring revenues, it would create unprecedented hardship for Louisiana's universities, health care providers and others who depend on state resources.

In the meantime, the uncertainty created by relying on temporary revenue measures has led to bond rating downgrades and an erosion of Louisiana's business climate.

Restoring stability to the state budget - and creating more certainty for businesses and potential investors - cannot wait another year. Now is the time to fix Louisiana's chronic deficits. To get there, the committee must look at real solutions and not tinker around the edges of tax policy. Major reforms that can raise substantial revenue without raising sales or income tax rates include:

- Elimination of the federal income tax deduction
- Rollback of federal excess itemized deductions

Since elimination of the federal income tax deduction would require a vote of the people, an interim solution would also be needed. One option would be to extend the one penny temporary sales tax and tie its rollback to passage of the constitutional amendment. In essence, you would **let the people of Louisiana decide** whether to exchange an income-tax deduction for elimination of a 1-cent sales tax. This proposal should not be construed as a tax increase, since the additional penny of sales tax is included in current law.

Proposals that could make up a lesser amount of revenue but be part of a broader package include:

- Broadening the sales tax base
- Rolling back or eliminating ineffective personal income and corporate tax exemptions

Finally, any tax reforms undertaken by the committee must, at a minimum, account for the full \$1.38 billion in temporary revenue measures that expire on June 30, 2018. Anything less than that will only continue the cycle of budget cuts that have harmed Louisiana's ability to compete against states and countries that are making necessary investments in their people.

We recognize that these are challenging times for the state, and that none of the choices before you are easy. The staff of the Louisiana Budget Project stands ready to work with you in the coming days and weeks to ensure that this opportunity for long-lasting reforms does not go to waste.

Sincerely,

Jan Moller

Executive Director
Louisiana Budget Project