

LOUISIANA AT A GLANCE

Louisiana has a long way to go to create a truly progressive tax structure. It should broaden and modernize its sales tax base, close corporate loopholes and enact a refundable state Earned Income Tax Credit.

Has the state...	YES	NO	More Work Needed
1. Broadened sales tax base?		<input checked="" type="checkbox"/>	🕒
2. Modernized sales taxes?		<input checked="" type="checkbox"/>	🕒
3. Raised cigarette tax to US average?		<input checked="" type="checkbox"/>	🕒
4. Enacted Earned Income Tax Credit?		<input checked="" type="checkbox"/>	🕒
5. Modernized income tax bracket?		<input checked="" type="checkbox"/>	🕒
6. Dealt with hidden income tax increases?		<input checked="" type="checkbox"/>	🕒
7. Rethought senior tax preferences?		<input checked="" type="checkbox"/>	🕒
8. Eliminated corporate loopholes?		<input checked="" type="checkbox"/>	🕒
9. Linked property taxes and ability to pay?		<input checked="" type="checkbox"/>	🕒
10. Strengthened accountability?	✓		
11. Conducted a performance review?		<input checked="" type="checkbox"/>	🕒

A better Louisiana...

Idea 1: Broaden the sales tax base. Louisiana should abolish sales tax holidays and review sales tax exemptions to eliminate those that don't meet contemporary economic needs. Louisiana had a sales tax holiday in December 2005 that cost \$10.1 million. It is unclear whether the Pelican State will make it annual.

Idea 2: Modernize sales taxes for the new economy. Louisiana should modernize its policy on taxing services. In 2004, it taxed 55 out of 168 possible services. It also should approve the Streamlined Sales and Use Tax Agreement.

Idea 3: Raise cigarette taxes to promote public health.

Louisiana should raise its 36-cent-per-pack cigarette taxes to the national average of \$0.92 per pack to reduce smoking and promote public health. Research shows that doing so would likely cause 18,800 current adult smokers to quit. Long-term health savings from both adult and youth smoking declines would be \$716.2 million.

Idea 4: Enact a state Earned Income Tax Credit. Louisiana should enact a refundable earned income tax credit to help to bring working families' incomes above poverty. Some 522,367 Louisiana taxpayers in 2003 claimed the federal earned income tax credit for a total of \$1,099,107,340. A refundable state EITC would cost an estimated \$108 million if set at 10 percent of the federal credit.

Idea 5: Modernize state income brackets. In 2003, Louisiana reformed its income tax brackets by expanding the lowest bracket and lowering the top bracket to \$25,000 for single filers. While other changes to the income tax structure balanced this reform, Louisiana's brackets are now narrower than before.

Idea 6: Account for inflation. Louisiana should enact strategies to adjust taxes for inflation to promote long-term *fairness* and reduce back-door inflationary tax hikes. Louisiana does not index personal exemptions, standard deductions, credits or brackets for inflation.

Idea 7: Rethink senior tax preferences. Louisiana should redesign tax codes to provide fair relief to seniors based on *ability-to-pay* instead of age alone. The state, which will grow to having an estimated senior population of 19.7 percent in 2030, currently provides seniors with a full exemption for Social Security income, a private pension income exemption and an additional deduction/exemption.

Idea 8: Eliminate corporate tax loopholes. Louisiana should review and update its corporate income tax structure to eliminate tax loopholes and promote *fairness*. It should enact combined reporting and a throwback rule.

Idea 9: Connect property taxes and *ability-to-pay*. If Louisiana insists on property tax reform, it should use a property tax circuit breaker to shield residents from excessive taxation and connect property taxes with *ability-to-pay*. Louisiana had the 5th lowest per capita property taxes in the nation and the 7th lowest as a percent of personal income in 2002.

Idea 10: Strengthen accountability. Louisiana currently has an annual tax expenditure report.

Idea 11: Review the performance of government. Louisiana should conduct a comprehensive performance review to boost government efficiency, save money and improve customer service. Louisiana hasn't conducted a statewide performance review in the last five years.