

*Legislative Issues
Impacting Economic
Development*

STATE ISSUES

Louisiana Association of Business and Industry
www.labi.org

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First, The Good News!

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Business Utility Tax Sales Tax Exemptions Restored

Effective July 1, 2009, the state sales tax exemption for business utilities has been restored!

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Corporate Franchise Tax On Long-Term Debt Continues Phase-Out

<u>Taxable Years Beginning After</u>	<u>Borrowed Capital Percentage Exclusion</u>
December 31, 2008	56%
December 31, 2009	70%
December 31, 2010	100%

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**Manufacturing Machinery And
Equipment State Sales Tax
Exclusion Fully Phase-In
On July 1, 2009**

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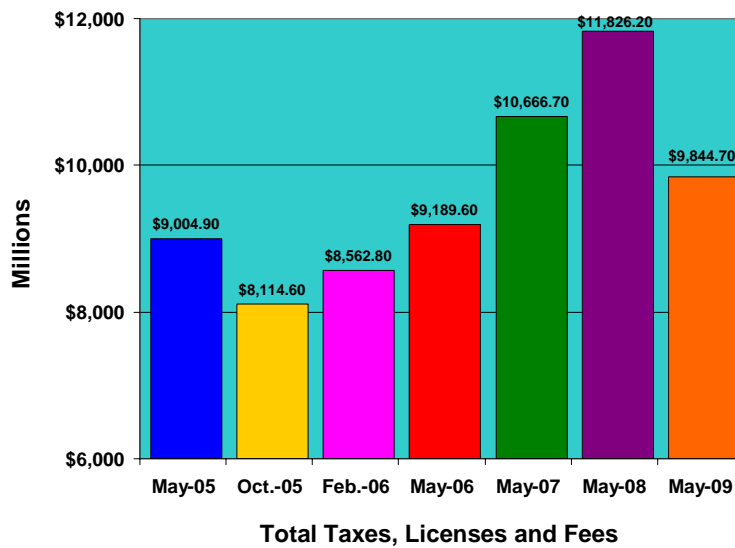
- **Louisiana has leveled the playing field in some key areas regarding business taxation. . .**
- **What remains to be seen is if those gains are allowed to stand.**

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Issues # 1, 2, And 3 For 2010: The State Budget

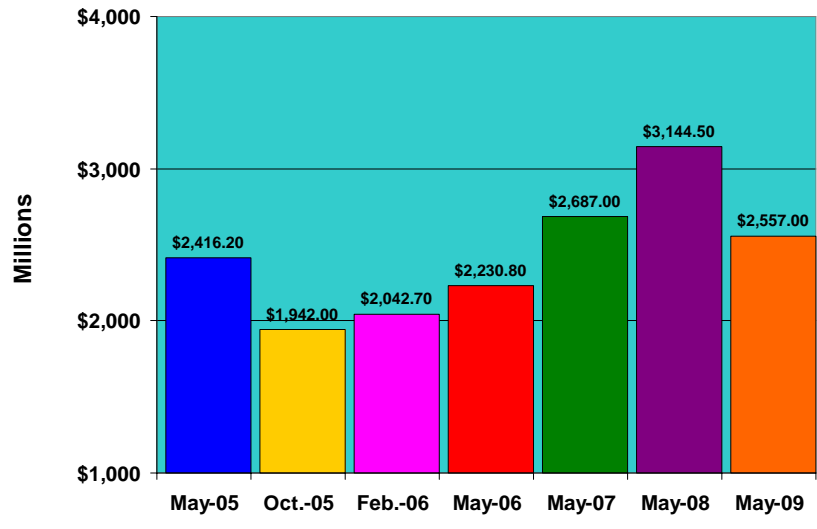
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Revenue Estimating Conference May 2005 to May 2009



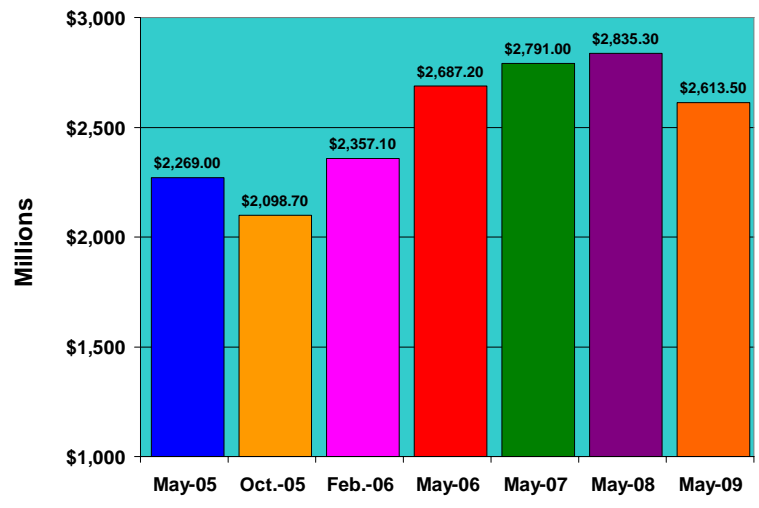
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Individual Income May 2005 to May 2009



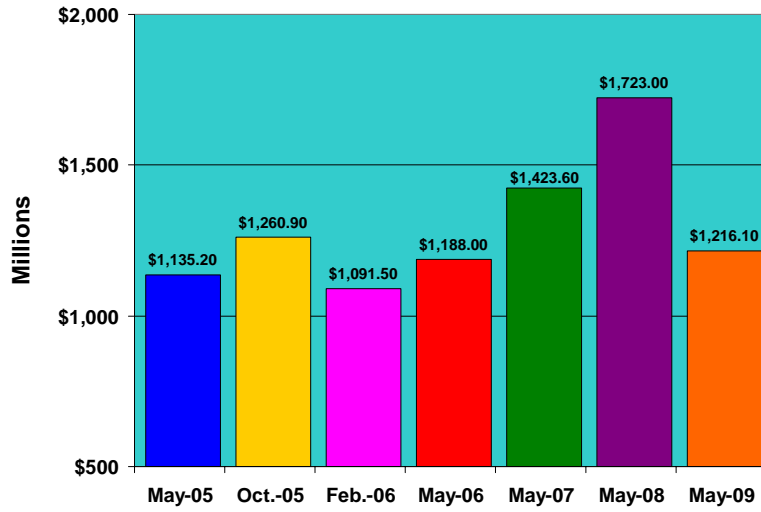
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State Sales Tax May 2005 to May 2009



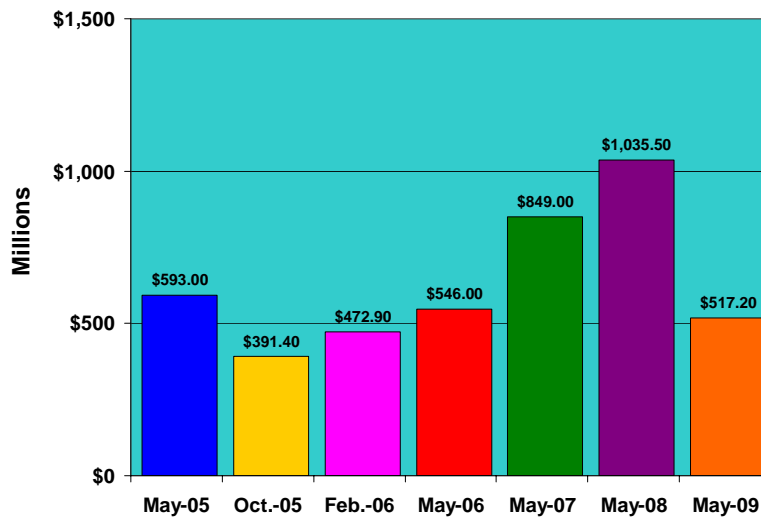
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Oil & Gas May 2005 to May 2009



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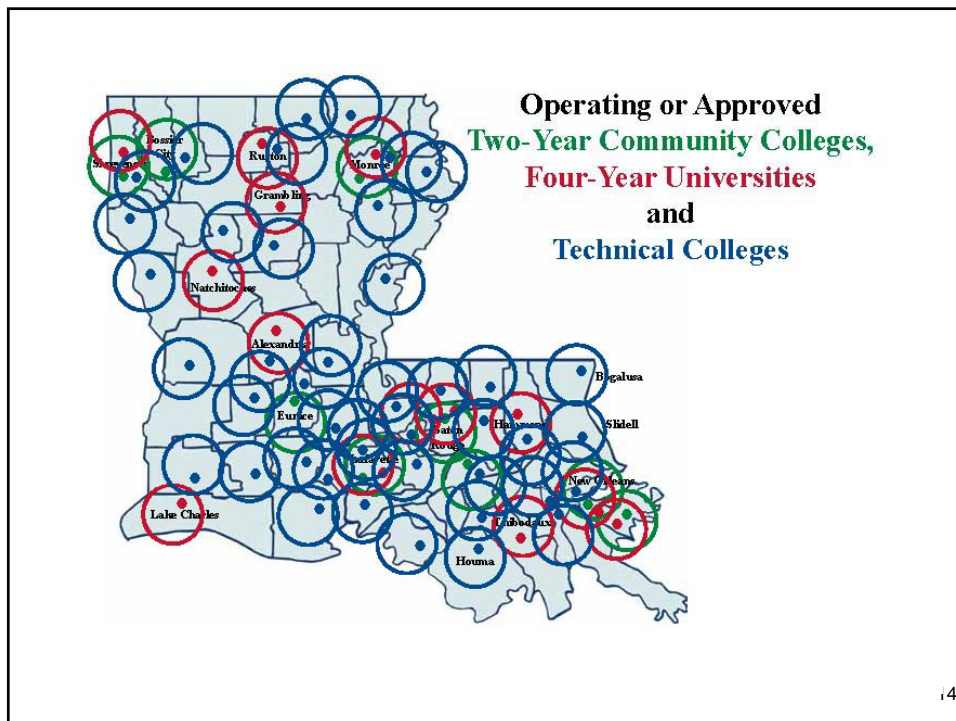
Corporate Tax May 2005 to May 2009



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- **THE PROBLEM:** The spending binge after Katrina and Rita has now come home to roost. . .
- **\$1 Billion Medicaid cut in 2010 and \$1 Billion + Loss of Federal Stimulus Money in 2012** means the problems can't be put off to the future.
- **Common Sense** dictates what needs to be done to address the situation.

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- **Louisiana couldn't afford to fund the current post-secondary education system in good economic times, much less now. . .**
- **But will things change?
I doubt it.**

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- **Louisiana ranks extremely high in the number of state employees per capita. . .**
- **Civil Service Reforms are needed to bring those numbers in line with the reality of current revenues.**
- **Too much state money goes to fund purely local government functions. State Government can't afford to do that at current levels anymore.**

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**State Government doesn't need
Brain Trusts and Commissions
to address the Budget
Problems—IT JUST NEEDS
GUTS.**

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Homestead Exemption

- **\$75,000 is already one of the highest in the country.**
- **While the homestead exemption exempts for the homeowner the first \$75K of home value for property tax purposes, **SOMEONE STILL PAYS THE TAX ON THIS EXEMPT PROPERTY!****
- **...and that “someone” is business, renters, and other homeowners.**
- **The homestead exemption does not waive the homeowners' tax completely, but rather transfers it to these other taxpayers through higher millages (business pays over 80% of all property tax).**

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Homestead Exemption

- Today, over 50% of La. homeowners pay **ZERO** parish property tax (per LTC data), while 100% of businesses pay property tax, and at a 50% higher rate than homeowners (10% vs 15%) (some at 25%).
- Therefore, currently over \$650 million of the homeowners' property tax burden is shifted to businesses, renters, and other homeowners (per LTC data).
- When every home in the state fully utilizes the \$75K exemption, it is projected that another \$250 million in additional property tax will be transferred to these taxpayers -- for a total of \$900 million statewide!

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Top 10 and Bottom 10 States in Median Residential Property Taxes as Percentage of Median Home Value

Rank	State	Median Real Estate Taxes as a Percentage of Median Home Value
1	Texas	1.84%
2	Nebraska	1.74%
3	Wisconsin	1.72%
4	New Hampshire	1.68%
5	New Jersey	1.63%
6	Vermont	1.55%
7	Illinois	1.53%
8	North Dakota	1.40%
9	Connecticut	1.40%
10	Pennsylvania	1.39%
42	Wyoming	0.51%
43	California	0.50%
44	Arkansas	0.49%
45	Mississippi	0.48%
46	West Virginia	0.46%
47	Delaware	0.42%
48	District of Columbia	0.40%
49	Alabama	0.30%
50	Hawaii	0.23%
51	LOUISIANA	0.14%

Source: 2007
American
Community
Survey, Tax
Foundation
calculations

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**Top 10 and Bottom 10 States in
Residential Property Taxes as Percentage of Median Income, 2007**

Rank	State	Property Taxes as % of Income
1	New Jersey	7.08%
2	New Hampshire	5.99%
3	Vermont	5.36%
4	Connecticut	5.22%
5	New York	4.79%
6	Illinois	4.76%
7	Wisconsin	4.66%
8	Rhode Island	4.53%
9	Massachusetts	4.07%
10	Nebraska	3.63%
42	Hawaii	1.55%
43	Delaware	1.51%
44	South Carolina	1.44%
45	Wyoming	1.42%
46	Oklahoma	1.40%
47	Arkansas	1.04%
48	Mississippi	1.03%
49	West Virginia	1.01%
50	Alabama	0.69%
51	LOUISIANA	0.35%

Source: 2007 American
Community Survey

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**Top 10 and Bottom 10 States in
Median Residential Property Taxes Paid, 2007**

Rank	State	Median Real Estate Taxes Paid
1	New Jersey	\$6,082
2	New Hampshire	\$4,390
3	Connecticut	\$4,332
4	New York	\$3,486
5	Rhode Island	\$3,362
6	Massachusetts	\$3,328
7	Illinois	\$3,203
8	Vermont	\$3,188
9	Wisconsin	\$2,896
10	California	\$2,688
42	Wyoming	\$883
43	New Mexico	\$797
44	Kentucky	\$787
45	South Carolina	\$765
46	Oklahoma	\$728
47	Arkansas	\$498
48	Mississippi	\$459
49	West Virginia	\$446
50	Alabama	\$352
51	LOUISIANA	\$183

Source: 2007 American
Community Survey

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Where's The Problem?

- The Legislation that was defeated this year would not have **REDUCED** Property Taxes in Louisiana—it would have **TRANSFERRED THEM. . .**
- Our Property Tax System already sticks out like a sore thumb when an industrial prospect compares Louisiana to other states. We don't need to make it worse!

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Federal Threats To Economic Development

- Cap and Trade Legislation has passed the House and is languishing in the Senate. . .
- Would hit Louisiana's oil and gas, chemical, petrochemical, and forest products industries extremely hard. . .
- Higher utility costs, loss of jobs, and a significant drop in gross state product would be a devastating blow to the state.

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For What?

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- **Even if the hypothesis that carbon emissions are warming the planet were true, the legislation being proposed would do little to solve the problem.**
- **It would drive more of manufacturing out of the U.S. and into Nations that refuse to be a part of any mandatory carbon emissions reductions agreement. . .**

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- **China is putting several coal-fired power plants a month on line and doesn't plan to stop. . .**
- **Converting a majority of electrical generation to nuclear would be the biggest boost to carbon reduction, but even doing a thousand such plants a year worldwide would only have a slight effect on Global Temperature going forward.**

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- **The House Bill is a Fraud. . .**
- **The Leadership gave away emission credits to key constituencies in order to get the votes to pass the bill (It only passed by 7 votes). . .**
- **If they wanted to be serious about the issue they would simply tax carbon emissions at the source—but that would be too obvious a tax, so they are trying to do it by subtrefuge.**

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Make no mistake about it: A Cap and Trade Bill, couple with the Oil and Gas Taxes the Obama Administration are committed to, will have a tremendously negative effect on Louisiana's economy.

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Health Care "Reform"

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- **This Pending Legislation could add at least another Trillion Dollars to the soaring Federal Deficit and National Debt. . .**
- **Last year's deficit was a record \$480 Billion. . .**
- **This year's will be between \$1.5-2.0 Trillion. . .**

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- **The CBO estimates that the proposals being put forth would add another \$9 Trillion to the National Debt in the next decade, bringing it to \$21 Trillion!**
- **High Inflation, A plummeting dollar, and an extremely slow economic recovery are very much a reality with this amount of deficit spending.**

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- **The Health Care Legislation will put mandates and new potential taxes on employers. . .**
- **Employers are struggling now to pay for health care benefits. . .**
- **Higher costs will mean either less investment, lower salaries for workers, or an elimination of or reduction in employer provided health care benefits.**

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Employee Free Choice Act (Card Check)

- **Eliminate Secret Ballot Union Certification Elections in Favor of Card Check Approach**
- **Mandate Binding Interest Arbitration After 120 Days – NLRB Appoints Arbitrator**

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What Would Wilma Want?

“Without a functioning collective bargaining system, fundamental economic issues are placed off the table: distribution of wealth, control, and direction of economic enterprises.”

Wilma Liebman
National Labor Relations Board Chairperson

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What Do Louisiana’s Citizens Think?

Under the current system, for a union to be certified to represent the workers at a company, a secret ballot election must be held to accept or reject representation by the union. Do you support or oppose that manner of establishing union representation?

ALL:	Support	73.6%	Oppose	18.8%
UNION:	Support	90.7%	Oppose	6.2%

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What Do Louisiana's Citizens Think?

Legislation is being proposed in Congress that would do away with workers voting privately by secret ballot in union representation elections. Instead workers would check on a form whether or not they want to be represented by a union. The workers' decisions would then be public. Do you support or oppose that change?

ALL:	Support	27.6%	Oppose	64.9%
UNION:	Support	20.5%	Oppose	72.3%

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- **2010 will be another challenging year for business and industry both in Baton Rouge and Washington, D.C. . .**
- **LIDEA's Strong Voice is needed when Legislation threatening to Economic Development is pushed. . .**

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**Congratulations on the
Good Work You Do!**

**LABI Always Stands Ready
To Assist You.**

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