

Report Highlights

Louisiana's Tax Revenues and Exemptions

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Why We Conducted This Review

The purpose of this report is to summarize the revenue collected from Louisiana's major taxes compared to the amounts of tax exemptions, and to evaluate and provide recommendations on Louisiana's processes for reviewing tax exemptions.

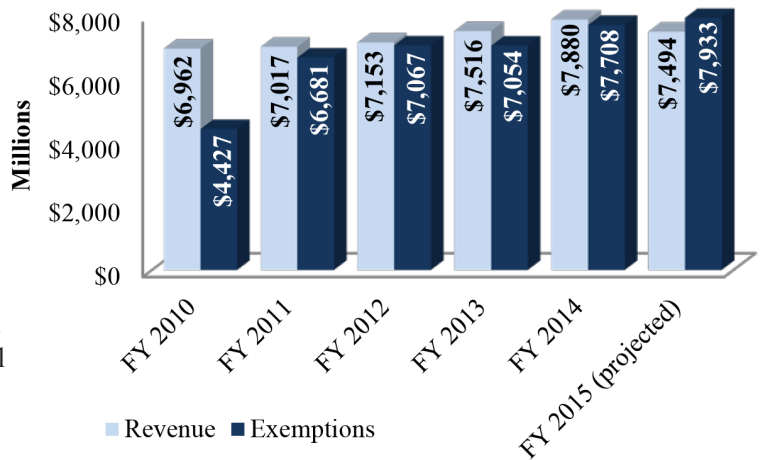
What We Found

Tax revenues contributed to about one-third of the state budget in fiscal year 2014. According to the Louisiana Department of Revenue's 2014-2015 Tax Exemption Budget, Louisiana was expected to collect approximately \$7.5 billion in tax revenue in fiscal year 2015 from the 40 different taxes it assesses. Louisiana also has 464 tax exemptions projected to total \$7.9 billion in fiscal year 2015. The exhibit summarizes the amount collected in tax revenues compared to the amount of exemptions since fiscal year 2010. As the exhibit shows, tax exemptions have grown since 2010 and were projected to exceed tax revenue in fiscal year 2015 by more than \$400 million.

We also found:

- Most of Louisiana's tax revenue comes from five categories of taxes: individual income, sales, severance, petroleum products, and corporate income and corporate franchise taxes. Of the five taxes, corporate income and franchise taxes had the largest difference between revenues received and exemptions. In fiscal year 2014, the amount of revenue from these taxes was approximately \$624 million compared to \$1.7 billion in exemptions.
- While Louisiana law does include some provisions that require reporting of certain exemptions and that require specific legislative committees review certain tax exemptions, these provisions do not include all tax exemptions or specific criteria for how to review exemptions, and are not always followed.
- Of Louisiana's 464 tax exemptions, only 52 have sunset provisions. Sunset provisions set a specific time for legislation to expire unless lawmakers take action beforehand. That means the vast majority of Louisiana's exemptions continue without evaluating their impact or benefit.

Tax Revenues and Exemptions Since Fiscal Year 2010



Source: Prepared by LLA using data from LDR Annual Reports and Tax Exemption Budgets.

To improve the current process for reviewing tax exemptions, the Legislature should consider:

- Requiring that all new or modified tax exemptions contain clear performance statements that include their public purpose(s) and their expected outcomes.
- Developing a schedule for how often reviews should be conducted or include sunset dates on all exemptions that dictate when they should be reviewed.
- Designating who specifically will conduct reviews of tax exemptions and what criteria will be used for reviews.