

# THURSDAY'S TAKE 5!

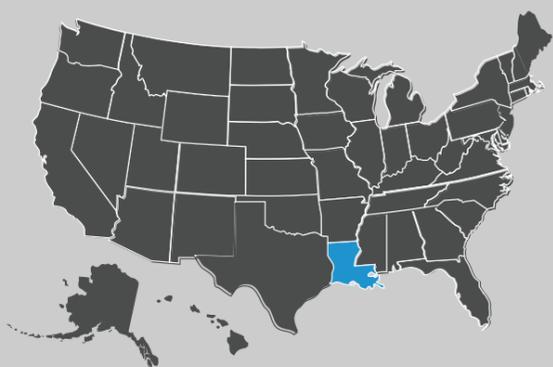
In today's highly competitive world and with today's technology, it is easy for a business to locate almost anywhere. Many factors are considered when a company decides where to be based, hire workers and contribute to the economy. However, believe it or not, like it or not, state tax policy is a proven factor in this decision.

LABI supports a system of taxation that generates sufficient revenue to deliver an appropriate level of services and functions by state and local government, while adhering to the core belief that private-sector dollars are best utilized to grow the economy and promote prosperity for employers and citizens alike. An effective tax system should stimulate business investment, generate wealth, increase wages and expand job opportunities for Louisiana residents.

Comprehensive tax reform is very much needed in Louisiana. Our state's current system has evolved in piecemeal fashion over decades to mask the poor and uncompetitive foundations of the tax code itself. Systemic overhaul in accordance with key principles is necessary. Therefore, LABI advocates for an improved tax system that is:

## **STABLE. Predictability is critical to investment decisions.**

Employers cannot function effectively when the foundations of the business climate are regularly up for debate. Disruption to plans and execution present significant and costly challenges to small and large businesses alike. Instability that is built into a state's tax policy can discourage business development and investment. Temporary measures such as one-year suspensions, retroactive application to business already conducted, or arbitrary and unreliable sunset dates are simply bad tax policy and neither serve the needs of state and local government, nor contribute to economic growth. Companies need a stable and predictable tax system in which to function.



## **TRANSPARENT. The true impact and cost of Louisiana's tax system must be clearly discernable.**

Most taxpayers do not know how much they actually pay to fund their state and local government, nor is it clear how state tax policy changes affect them. For example, income and payroll tax withholdings or the costs of corporate, employer payroll, and other business-level taxes affect all taxpayers when they are built into the costs of goods and services. In a free market, when the cost of doing business goes up, so does the cost to consumers. The sheer complexity of the system makes it difficult to understand and assess the true impact of our tax system.



## **COMPETITIVE. States structure tax systems to compete with one another for business investment and economic growth, particularly in today's market, which is mobile and reacts quickly to tax code changes.**

Many in government do not appreciate what is meant by the "speed of business," and the immediate reaction to the legislative changes to Louisiana's tax code in June 2015 is a case in point. At the time, revenue estimates for the tax proposals were based on the expectation that corporate taxpayers could not react and file under the old laws within the three-week timeframe. Revised estimates have since proved otherwise. Small and large employers have choices about where and how they do business, and government actions will lead to reactions. A foundational principle of tax reform must be to make the state more competitive for jobs and investment, which will ultimately benefit government as well.

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## **SIMPLE. Confusion and complexity in the tax code and its administration lead to higher costs and lost economic potential.**

Needless complications are a primary reason that both individual and corporate taxpayers are frequently disenchanted with the state and federal tax system. In Louisiana, for example, local sales taxes are collected on a different base than for the state, creating confusion regarding what is taxable and potentially leading to costly audits and even penalties. Louisiana is a national outlier in this regard, and this fragmented collection system hurts the state's economic competitiveness. Not only does simplicity reduce aggravation and errors for taxpayers, but it promotes cost effectiveness in government as well. Taxes should entail minimal excess costs as a result of the basic administration of the tax system, including collections and overlapping audits.

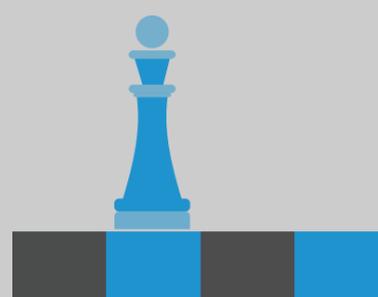
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## **FAIR. Individuals and businesses benefit from governmental services and the tax burden should be shared.**

Louisiana has historically been over-reliant on business to fund state and local government. Studies regularly show that Louisiana employers are responsible for more than 70 percent of sales, property, and income taxes in our state. A tax system should seek to identify the specific parties that benefit from particular services provided by governmental agencies, and to the extent possible, assess the cost against those individuals or businesses. This is commonly accomplished through fees, tolls, and permits but should be a principle throughout the tax system including property. Shared benefits should require shared support.



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