Voters will get a say on state tax policy

Capitol news bureau

Faced with sagging revenues, the Legislature voted to raise $215 million in taxes this year, mostly on consumers.

The new levies include higher charges on utility bills and purchases of grocery food, and higher income taxes for many Louisiana residents.

This fall citizens will do their own voting on a major piece of state tax policy.

A package of two constitutional amendments on the Nov. 7 ballot gives voters a chance to raise income taxes by about $735 million and end all state sales taxes on grocery foods and utilities.

The tax swap would leave a net $39 million of new money every year to pump into education, mostly for pay increases for public school employees and college faculty.

Gov. Mike Foster endorses the package and calls it major tax reform. Foster has been trying to raise teacher salaries and higher education funding as much as possible during his more than four years in office.

Lawmakers can raise many taxes on their own, but the basic rates and other major provisions of the state income tax are locked into the state constitution.

Only voters change the constitution, so the plan will be on the ballot Nov. 7.

The recent state tax increases and other local tax increases bring the general sales-tax rate to 9 percent on most items people buy in East Baton Rouge Parish.

Taxes on grocery food are 7 percent in the parish.

Other jurisdictions have different tax rates because local taxes vary.

If state voters approve the big tax swap this fall, sales taxes on groceries in East Baton Rouge will drop to 3 percent.

But income-tax payments for most people will rise, many paying hundreds of dollars more a year.

The sales tax is by far the largest contributor to state government coffers.

State revenue available for general spending totals about $5.9 billion. Sales taxes account for $2.3
billion of that. Louisiana government formerly relied hugely on revenues from the oil-and-gas industry, but that has declined drastically since the early 1980s. More recently, revenues from business taxes have declined, but less so.

The reliance on stagnant sales tax and a moderate personal income tax keeps state officials always looking for sources of revenue that will grow with the demands on state government spending.

Hence the income-sales tax swap on the Nov. 7 ballot, which would increase taxes overall and rely more on personal income taxes, which tend to grow with the economy.

The Legislature has not come close to passing significant tax hikes on businesses, which mount a strong anti-tax lobby in the Legislature.

Although the state has the constitutional authority to levy a small sales tax, it does not do so. Property taxes have left to local governments and school boards. Homeowners and industries enjoy big breaks from property taxes.

Local governments can't levy an income tax. That is reserved to state government.

In East Baton Rouge Parish, the city-parish government levies a 2 percent sales tax for general government, plus one-half percent for road improvements and one-half percent for sewer improvements.

The parish School Board levies a 1 percent sales tax for general purposes and another 1 percent sales tax for a school improvement plan that is now well underway.

Property taxes are more complicated and are levied by several local government agencies. Some finance general operations and some finance construction programs.

Some are permanent and some must be approved by voters periodically.

Property in Louisiana is not placed on tax rolls at its full value. For instance, land and homes are assessed at 10 percent of their fair market value, as determined by tax assessors in each parish.

Business and utility properties are assessed at higher rates.

Incentive to new industry, the value of new or expanded manufacturing facilities can be exempted from taxation for up to 10 years.

Homeowners enjoy a permanent exemption from parish and special district taxes on the first $5,000 of the value of their home.

Property taxes are levied by the city and city-parish, the library system, Downtown Development District, the parks and recreation system, the sheriff's office, the assessor's office and mosquito control, fire, lighting and levee districts and the School Board.