

# NORCBE: September 2024

## State Revenue & Fiscal Update

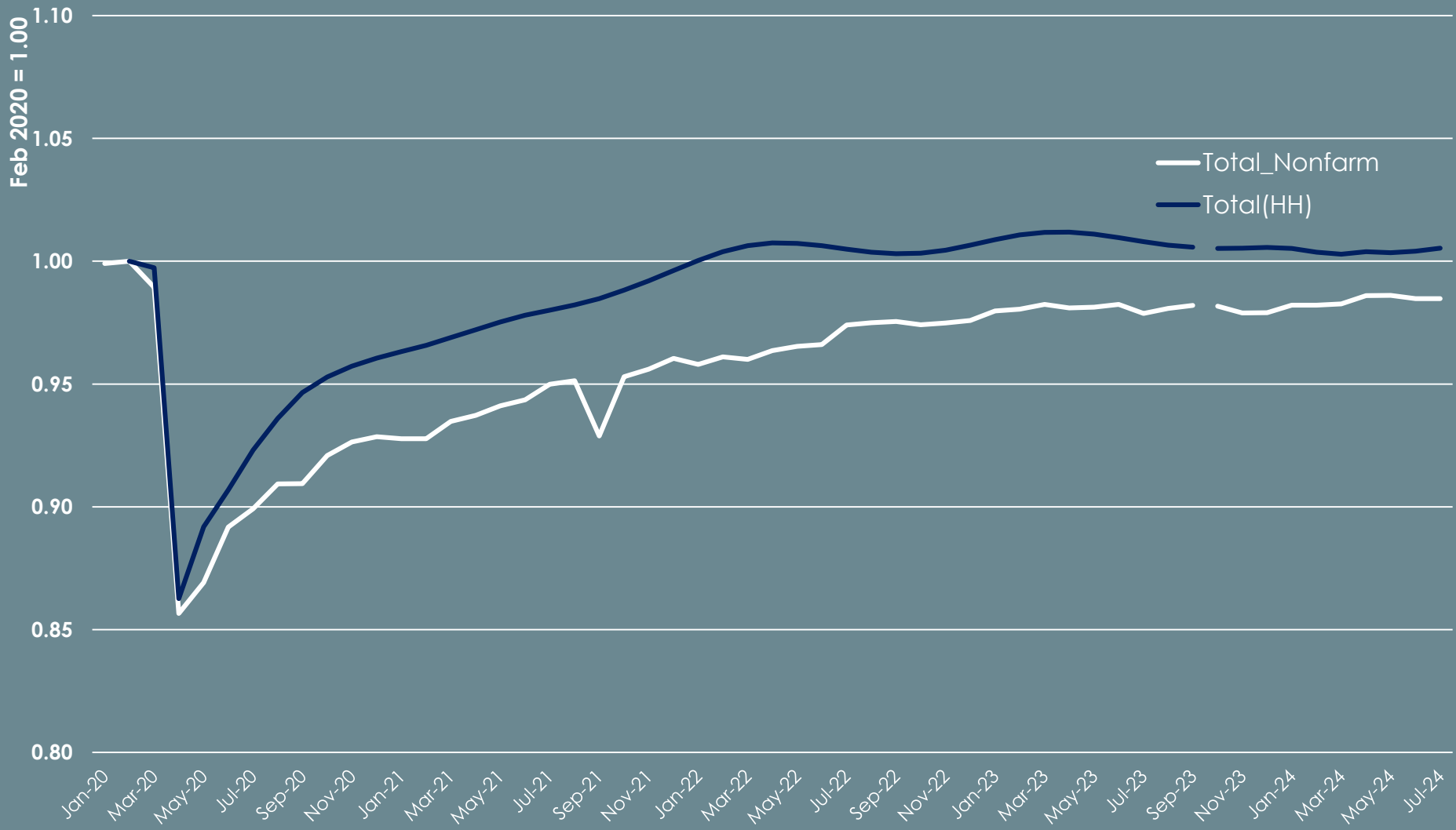
Ben Vincent  
LA Legislative Fiscal Office  
[vincentbe@legis.la.gov](mailto:vincentbe@legis.la.gov)

# Background: Legislative Fiscal Office

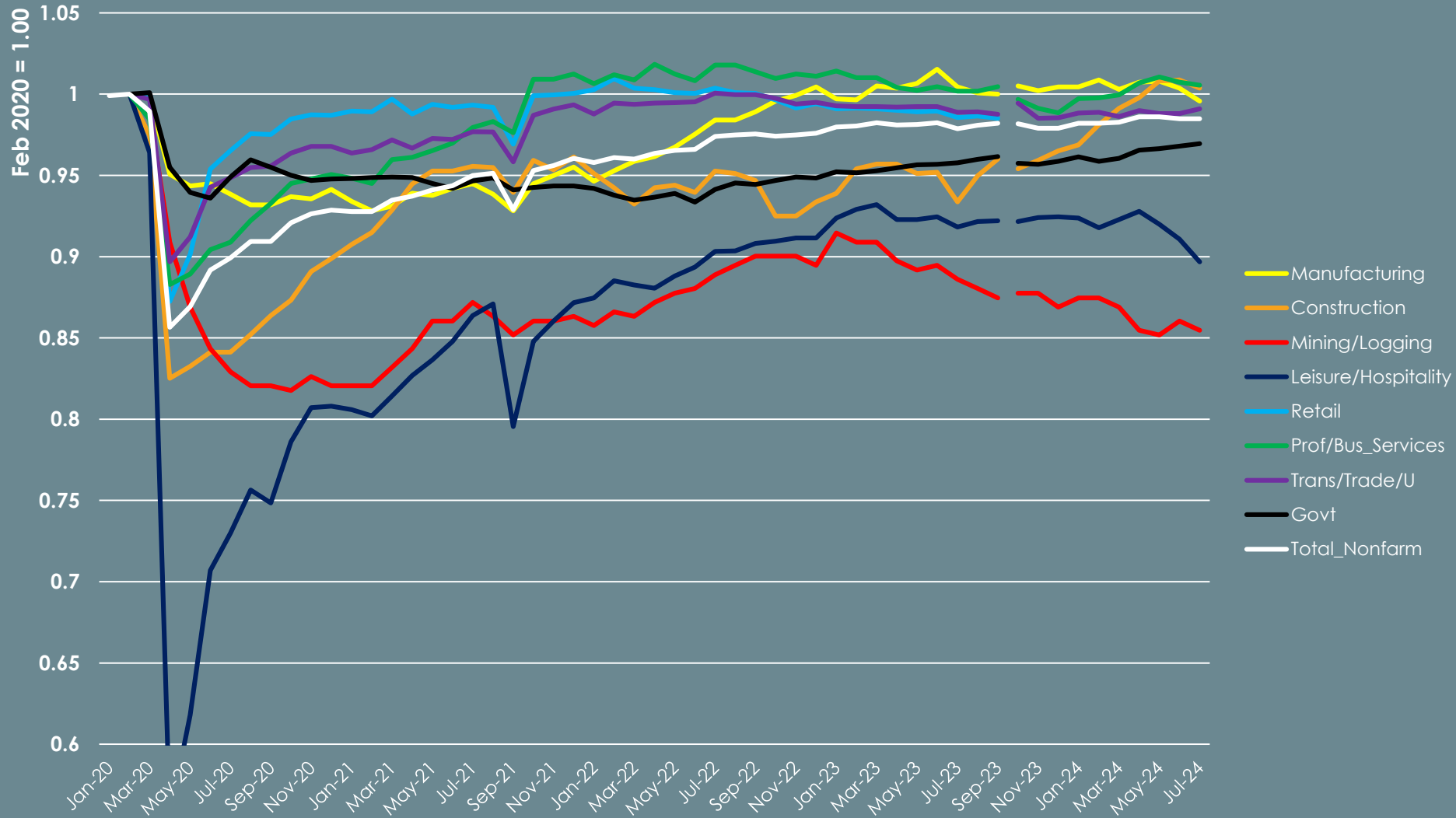
- Independent office; Fiscal Officer is an appointee of the legislature
- Provide nonpartisan analysis:
  - Budget proposals
  - Legislative changes
  - Revenue forecasting → REC
- REC unanimously adopts revenue projection for the budget year
- LA constitution requires spending authorized by the legislature to be bound by REC projections
- Econ section: track & forecast revenues year-round, score tax proposals during legislative session

# Update: Revenue Trends & Status

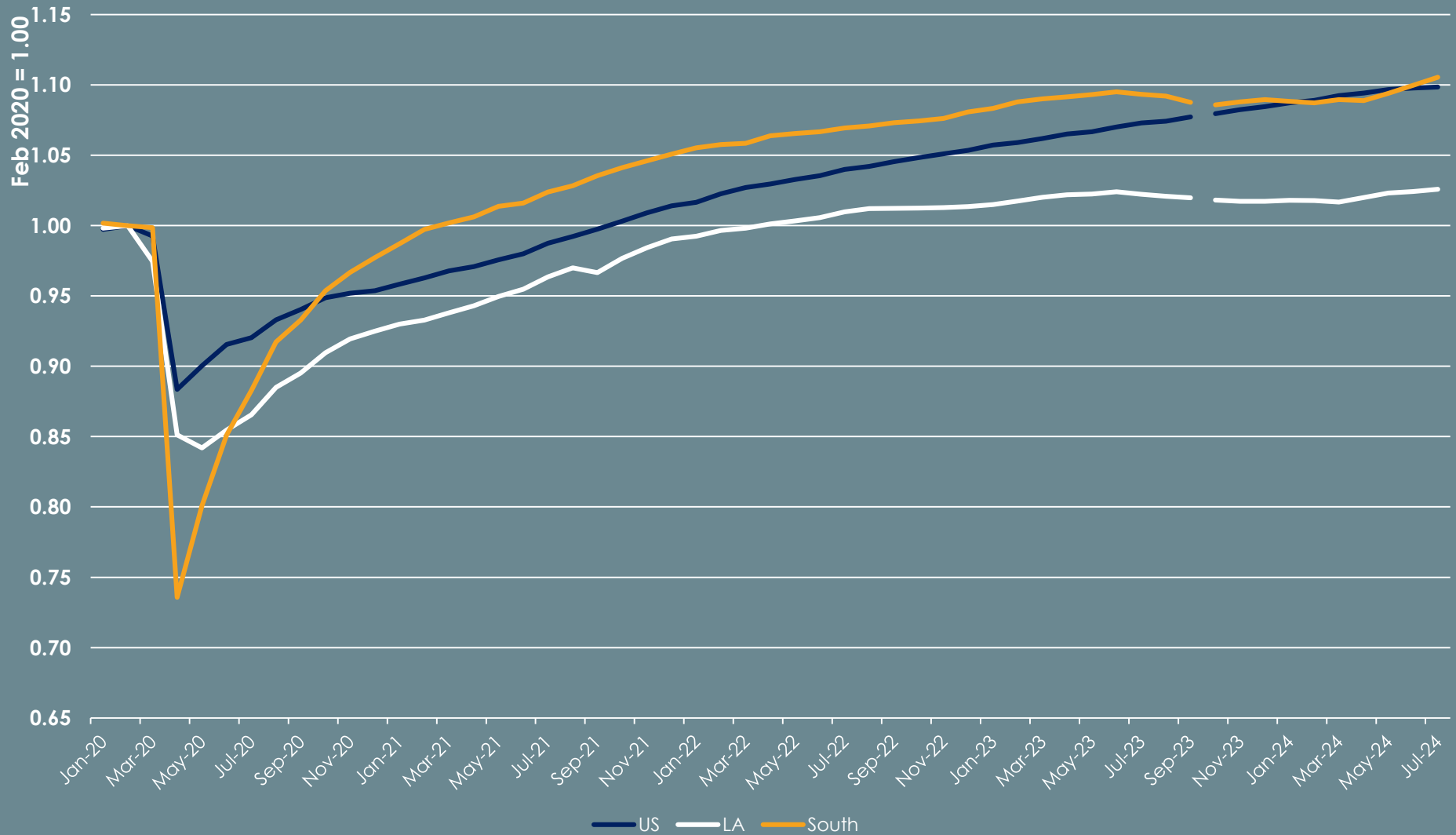
# Post-Covid Recovery: LA Employment (2 measures)



# Recovery: LA Major Industry Employment

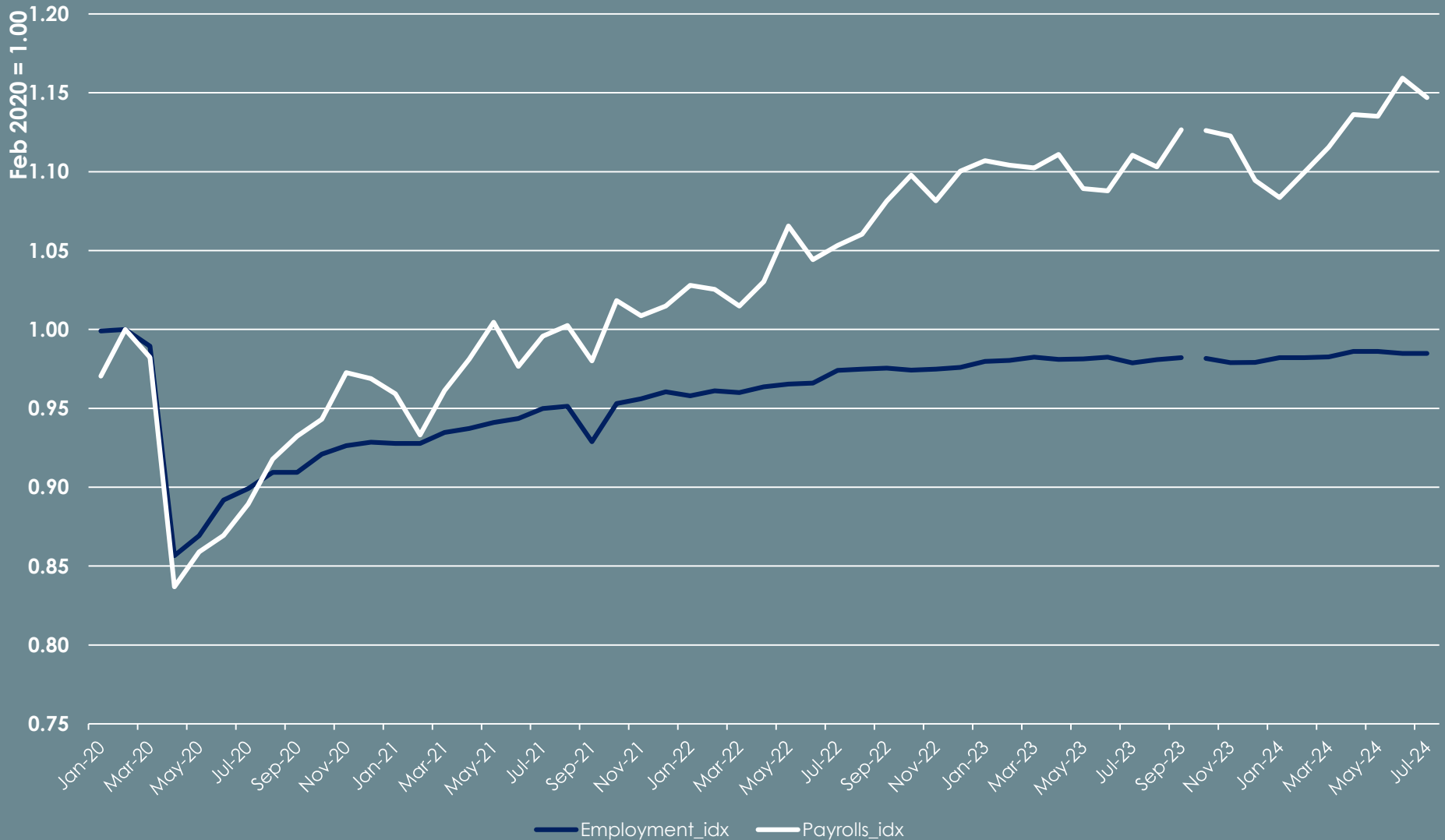


# Recovery: Coincident Economic Activity Index



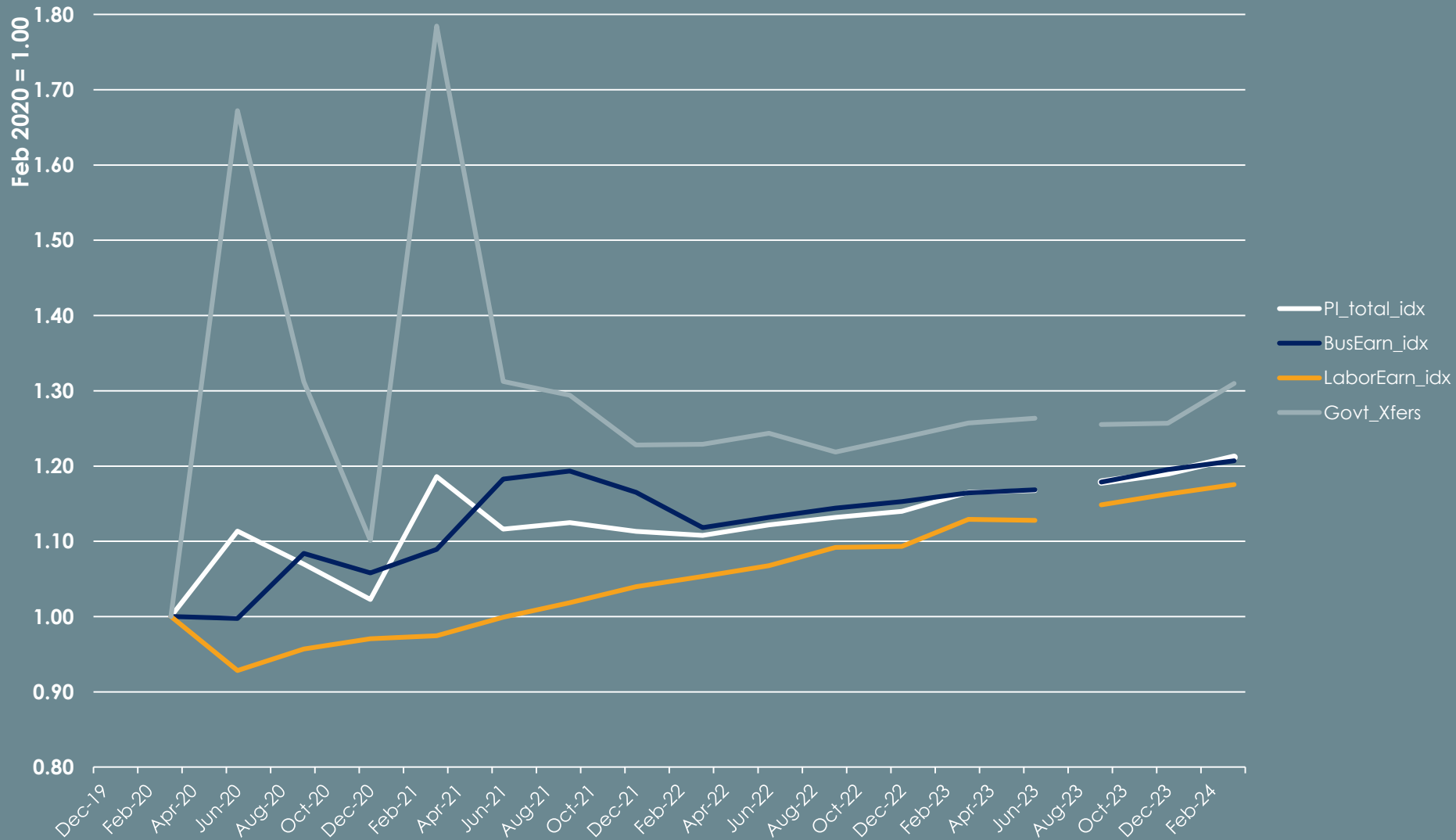


# LA Personal Income: Driving State Revenues

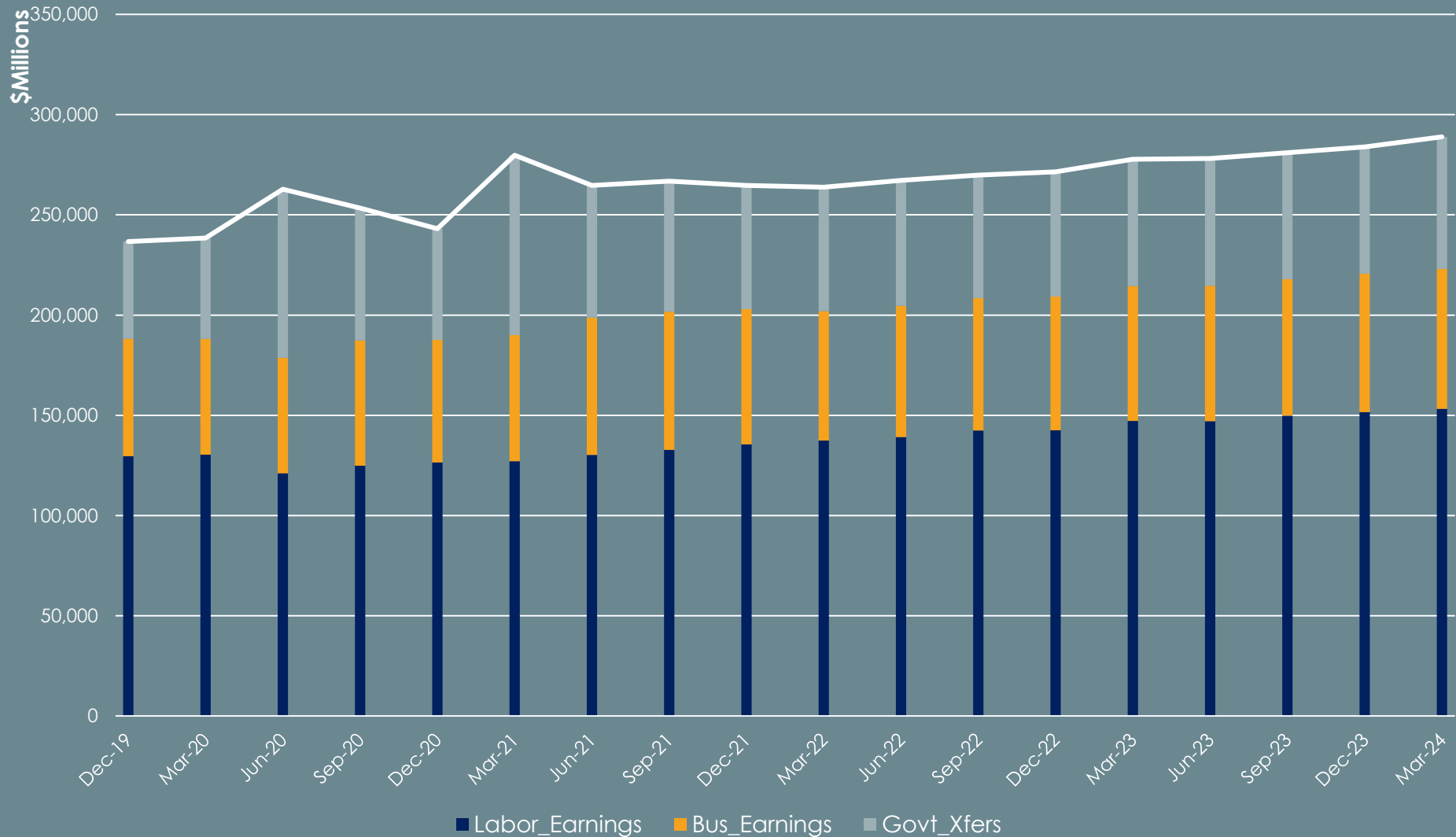




# LA Personal Income: Components



# LA Personal Income: Relative Contributions



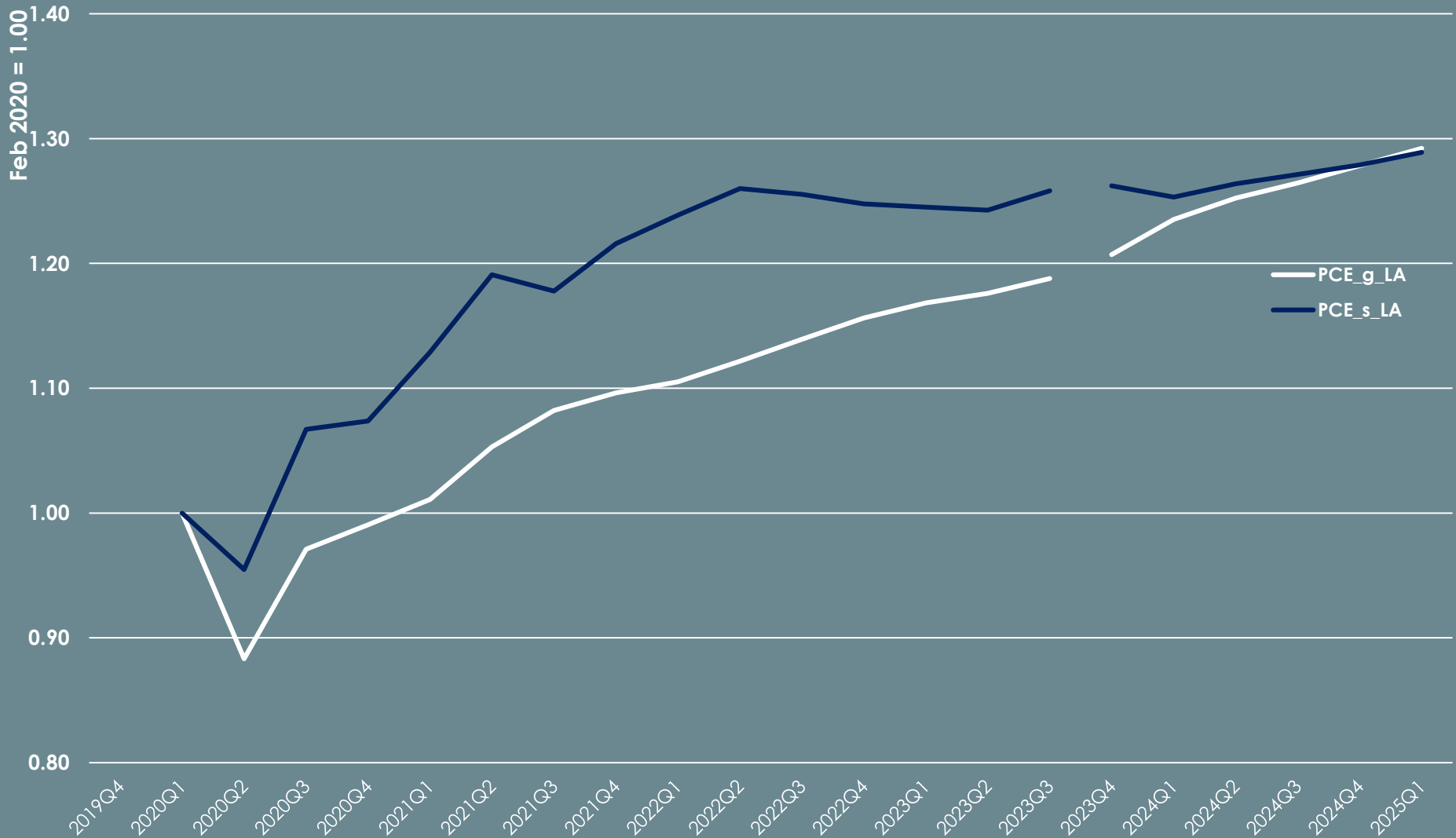
# Individual Income Tax Revenues

Note: all state tax revenues displayed as a 12-month rolling average

## LA Personal Income Tax (\$mil)

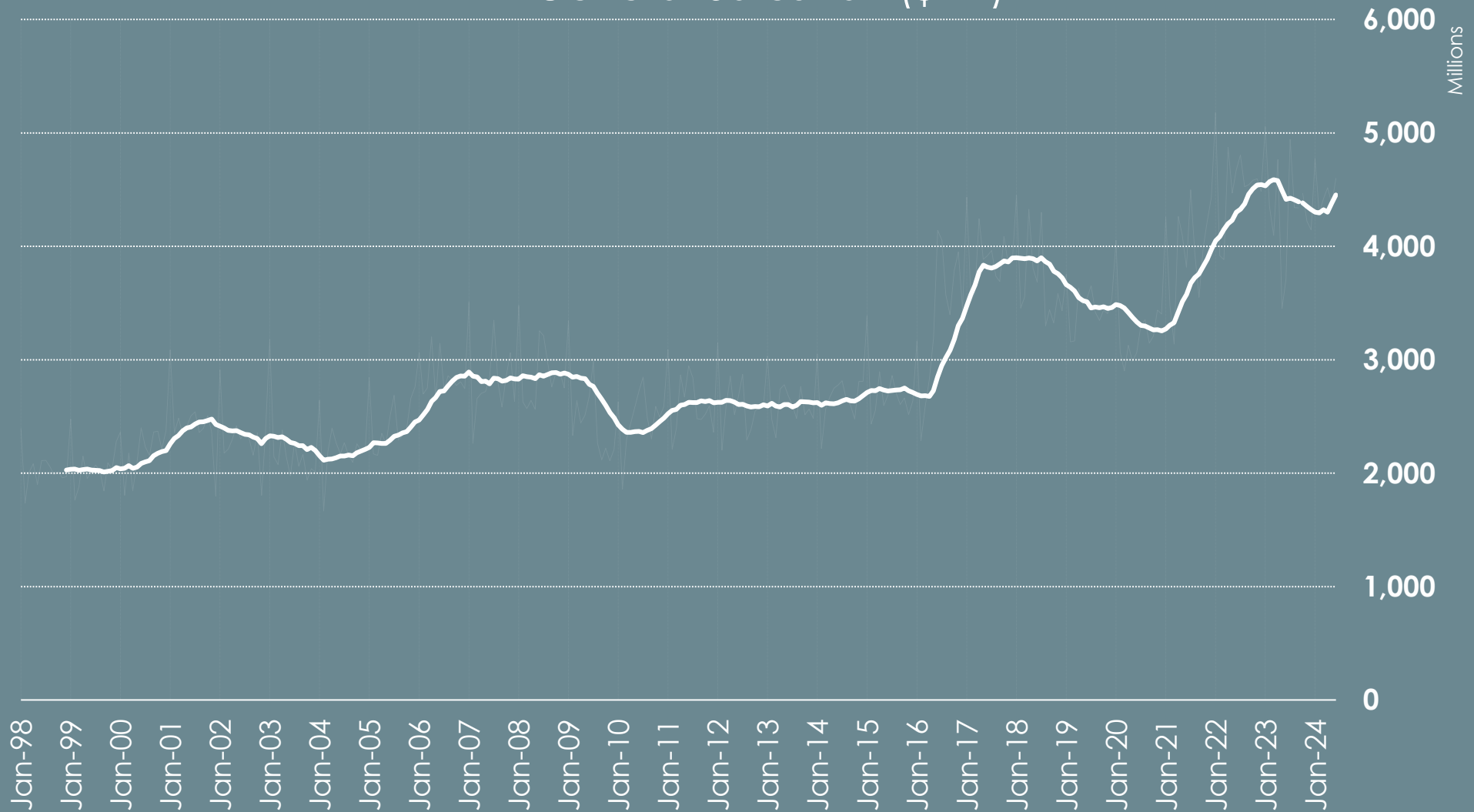


# LA Personal Consumption Expenditures & Sales Tax

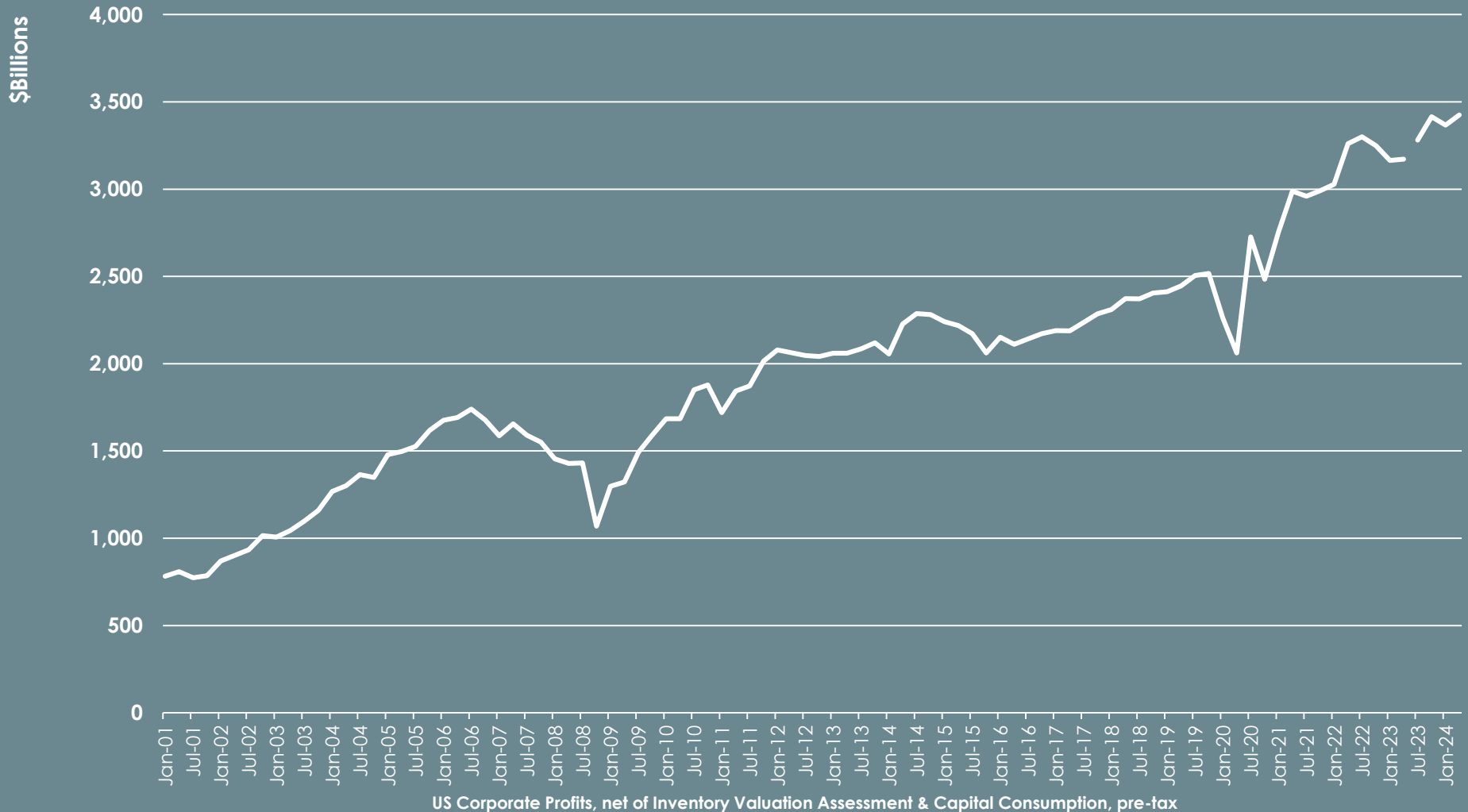


# General Sales Tax Revenues

## LA General Sales Tax (\$mil)

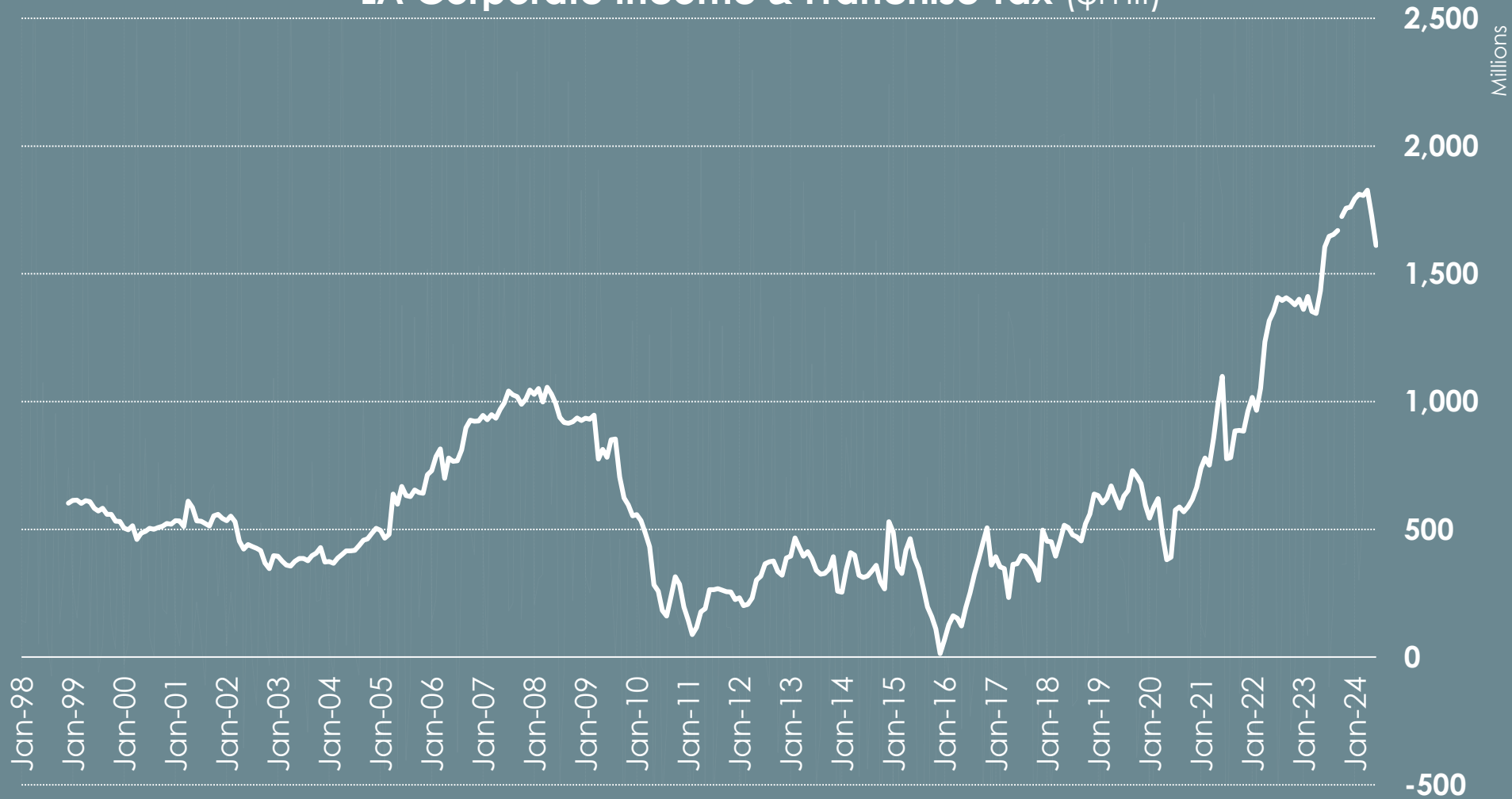


# US Corporate Earnings: LA Corp Income & Franchise Tax

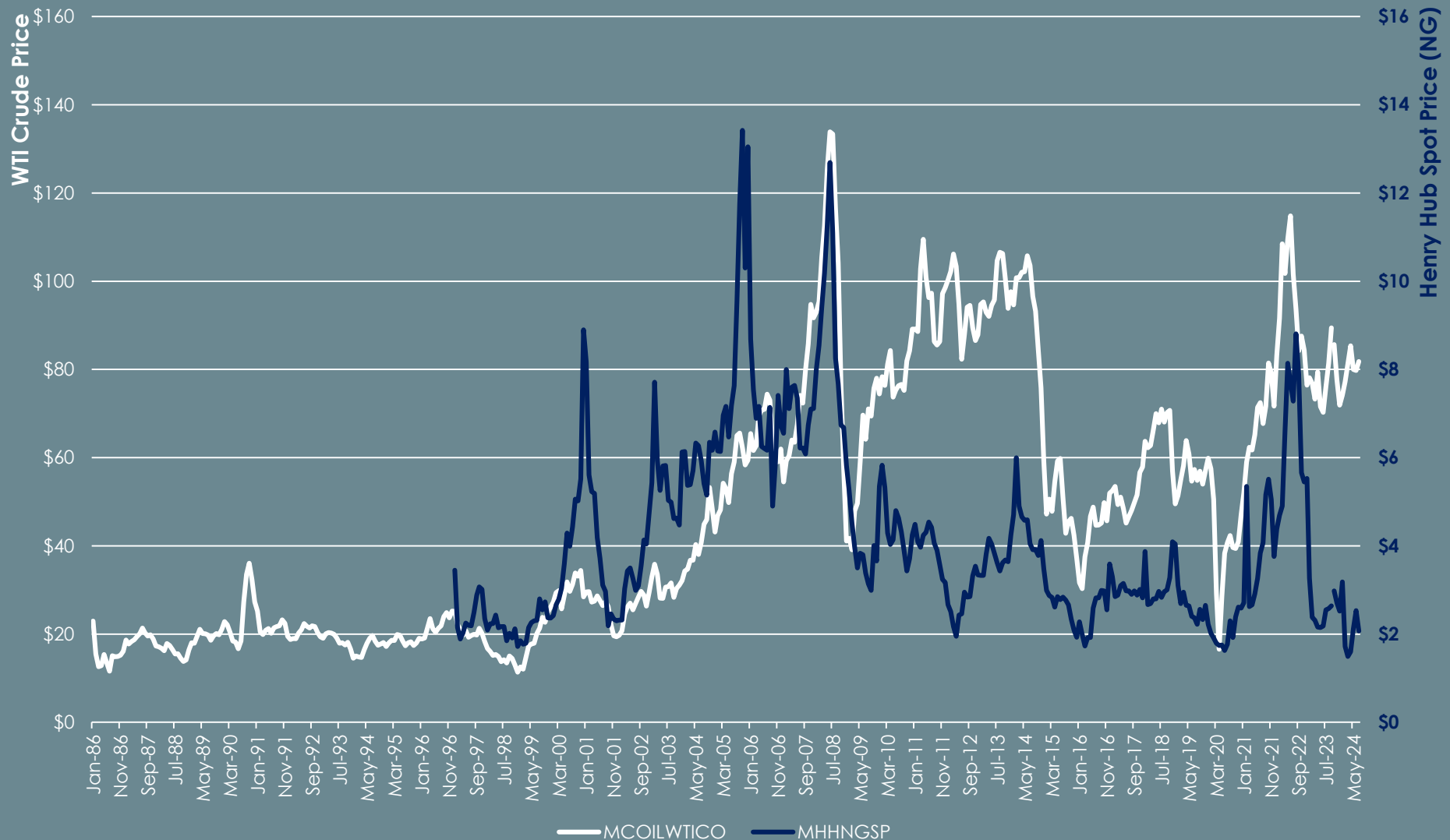


# Elevated Corporate & Severance

LA Corporate Income & Franchise Tax (\$mil)



# Crude Prices & Haynesville: LA Severance Tax





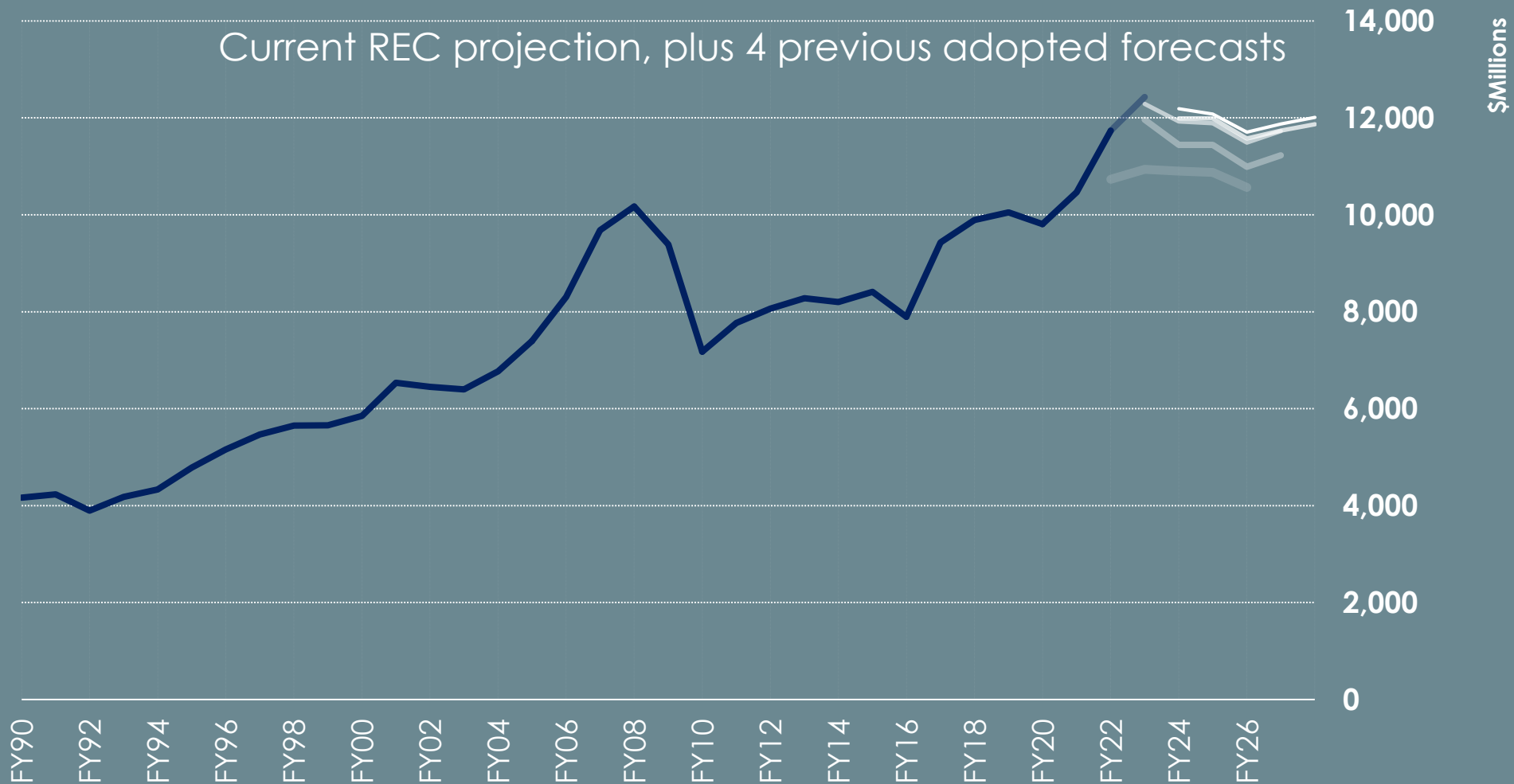
# Elevated Corporate & Severance

LA Severance Tax (\$mil)



# Plus Everything Else: State General Fund totals

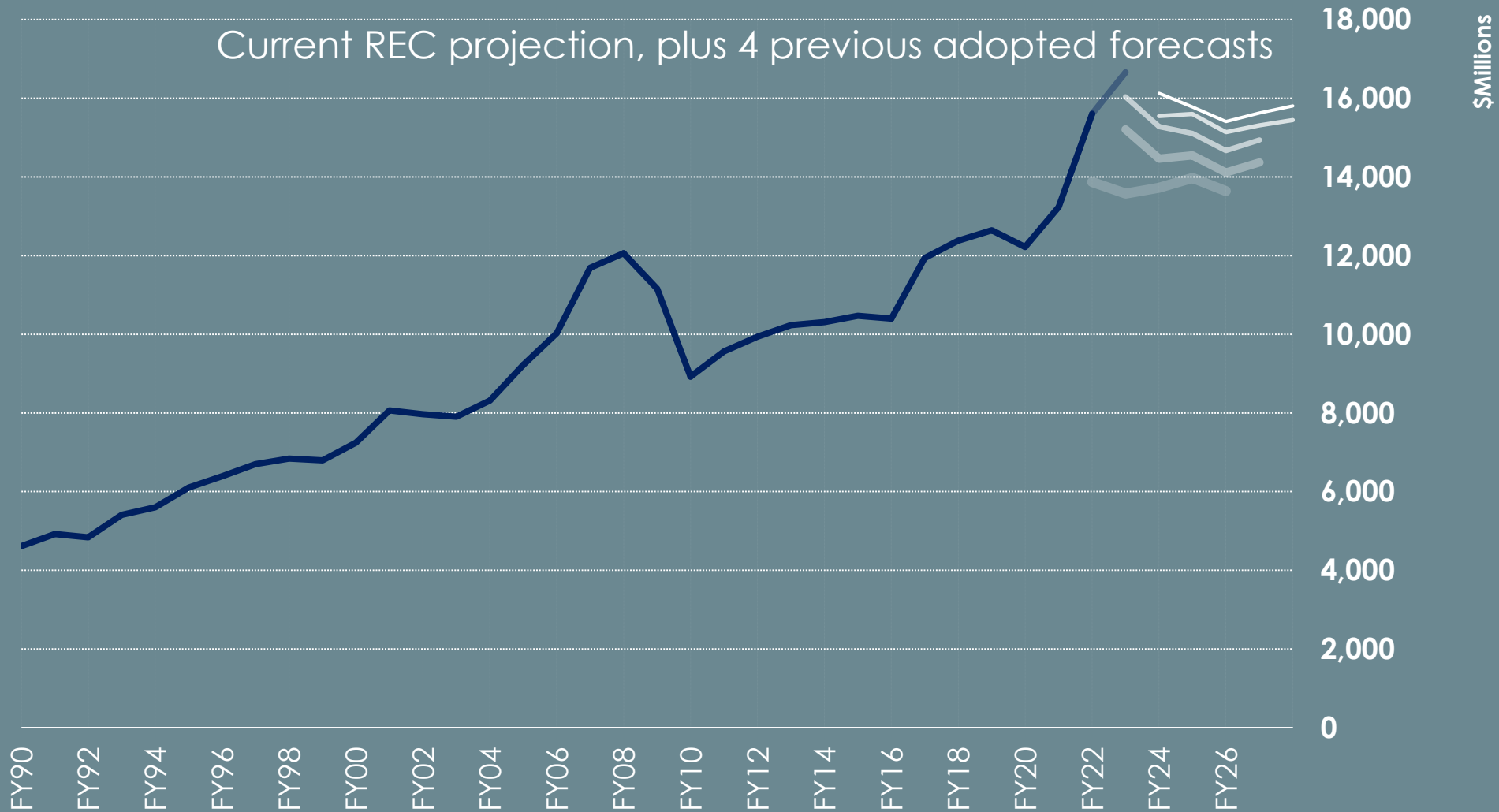
Current REC projection, plus 4 previous adopted forecasts



# Plus EVERYTHING else:

## Total Taxes, Licenses, & Fees

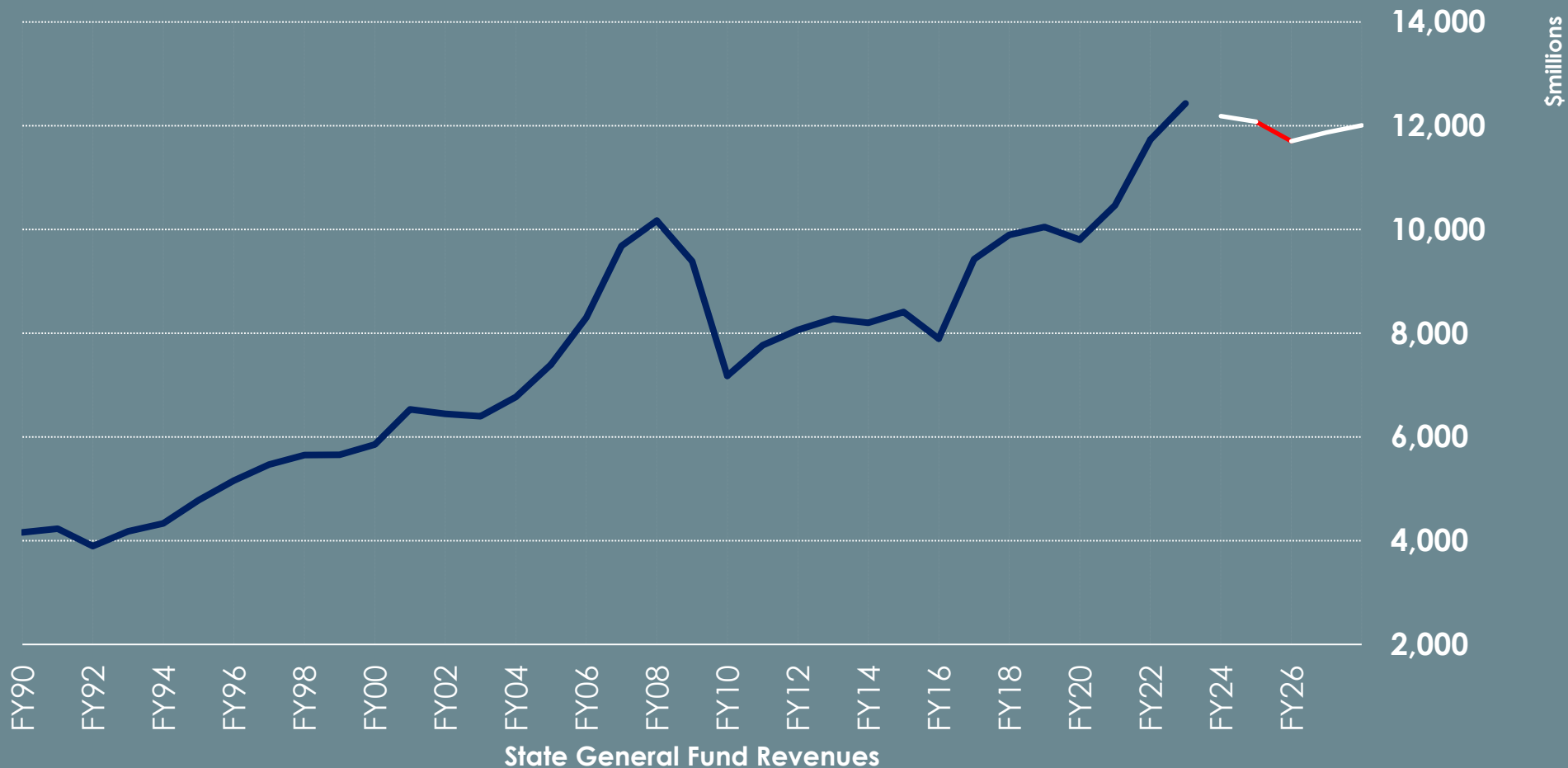
Current REC projection, plus 4 previous adopted forecasts



# Broader Budget Issues

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- SGF Revenue Effects in FY 26 – Loss of ~\$700mil sales tax
  - Expiring 0.45% of 4.45% state sales tax
  - Expiring 2% state sales tax on business utilities
  - PLUS - 60% dedication of motor vehicles sales tax (\$340mil out of SGF)



# Broader Budget Issues

- Revenue Stabilization Fund (RSF):
  - Not the same as the **Budget** Stabilization Fund (BSF)
  - Funded by corporate & mineral revenues, when above-threshold
  - At beginning of FY21, RSF was empty
- Context:
  - FY23 SGF actuals: ~\$12.4bil
  - FY26 SGF projected: ~\$11.7bil
  
  - BSF currently at: ~\$1.1bil
  - RSF currently(\*) at: ~\$2.3bil
- Support higher interest earnings, accruing to the general fund similarly to a tax

# Broader Budget Issues

- Revenue Stabilization Fund (RSF):
  - Supporting higher interest earnings, which accrue to the general fund as if a tax

## LA SGF Interest Earnings



# 2021 Tax Reforms: IIT & CIFT

- IIT policy reform: first relevant pieces of data (tax year 2022 returns)
- Corp returns: longer lags between taxable year and reliable set of returns/extensions
- Both IIT & Corp tax effects are likely washed out by very high collections in both tax types
  - Elevated collections appear driven by household & business earnings
- First takeaway from new data: # of itemizing IIT filers dropped by ~90% from 2019 to 2022



# Future Tax Reforms: ?

- Material effort in progress to gather support for specific reform proposals under new administration
  - Other immediate priorities took precedence prior under new governor (two special sessions)
- General stated aims:
  - Repeal or flattening of individual & corporate income taxes
  - Repeal or reduction of corporate franchise tax
  - Expansion of sales tax, potential extension of temporary measures\*
  - Reform of local property taxes and various state incentive programs

# Future Tax Reforms: ? (cont)

- General stated aims (cont):
  - Reform of local property taxes
  - Reform of various state incentive programs
  - Reform of IIT & CFT tax cut triggers in existing law
- Wait- what tax cut triggers?
  - If total collections above a certain threshold, and
  - If Budget Stabilization fund is above a certain threshold, and
  - If IIT and/or CIFT collections are above a certain threshold:
  - IIT and/or CFT tax rates are automatically reduced, in proportion to the amount they exceed that certain threshold
- Last time, all conditions were met except for the BSF requirement. Will review again in January 2025

**Other Questions,  
Feedback on Future  
Areas of Focus**

**Thank you!**