

LOUISIANA

ECONOMIC RECOVERY

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The State of the Oil & Gas Industry

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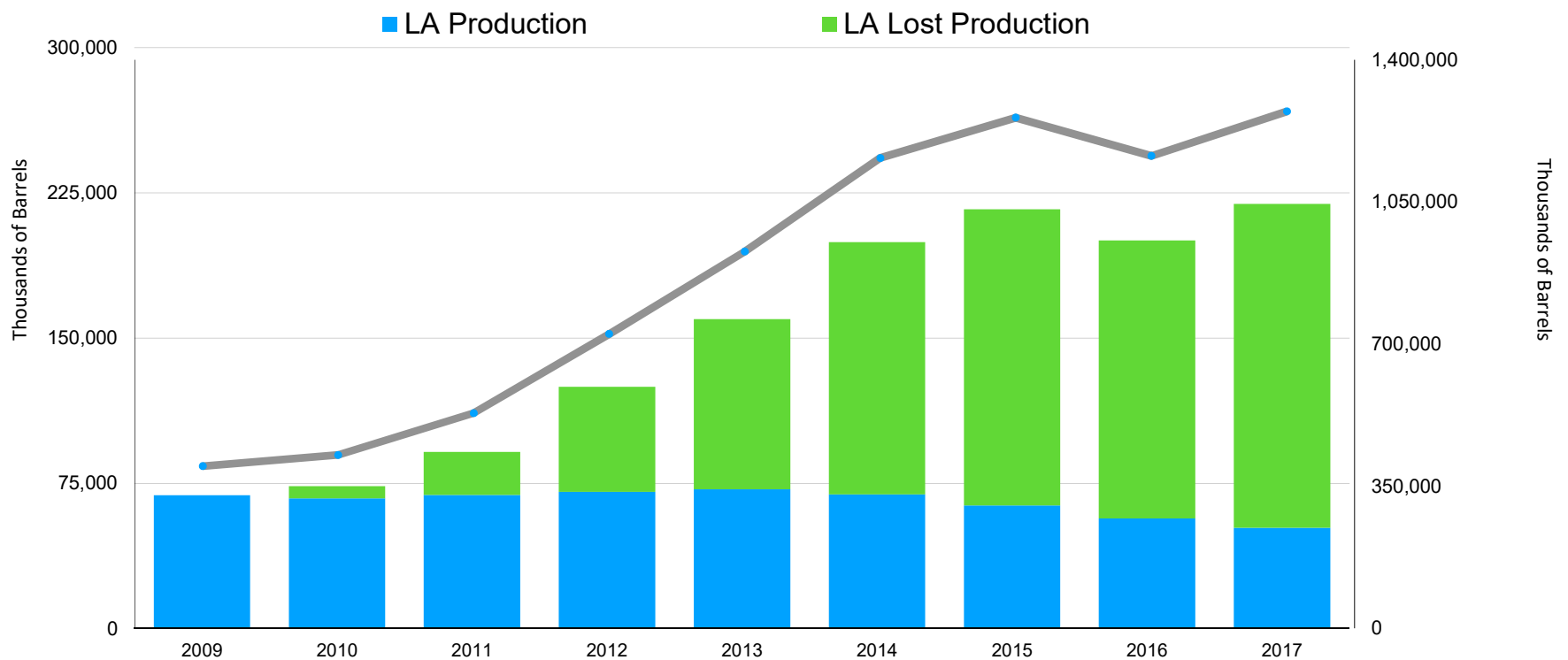
Louisiana's Lawsuit Culture and Tax Climate is Driving Investment Out of our State

Highest severance tax rate on oil in US
(outside of Alaska)

500+ Legacy Lawsuits filed since 2003

42 government sponsored coastal lawsuits filed against 218
companies since 2014

Louisiana has lost over \$6 BILLION in Severance Taxes



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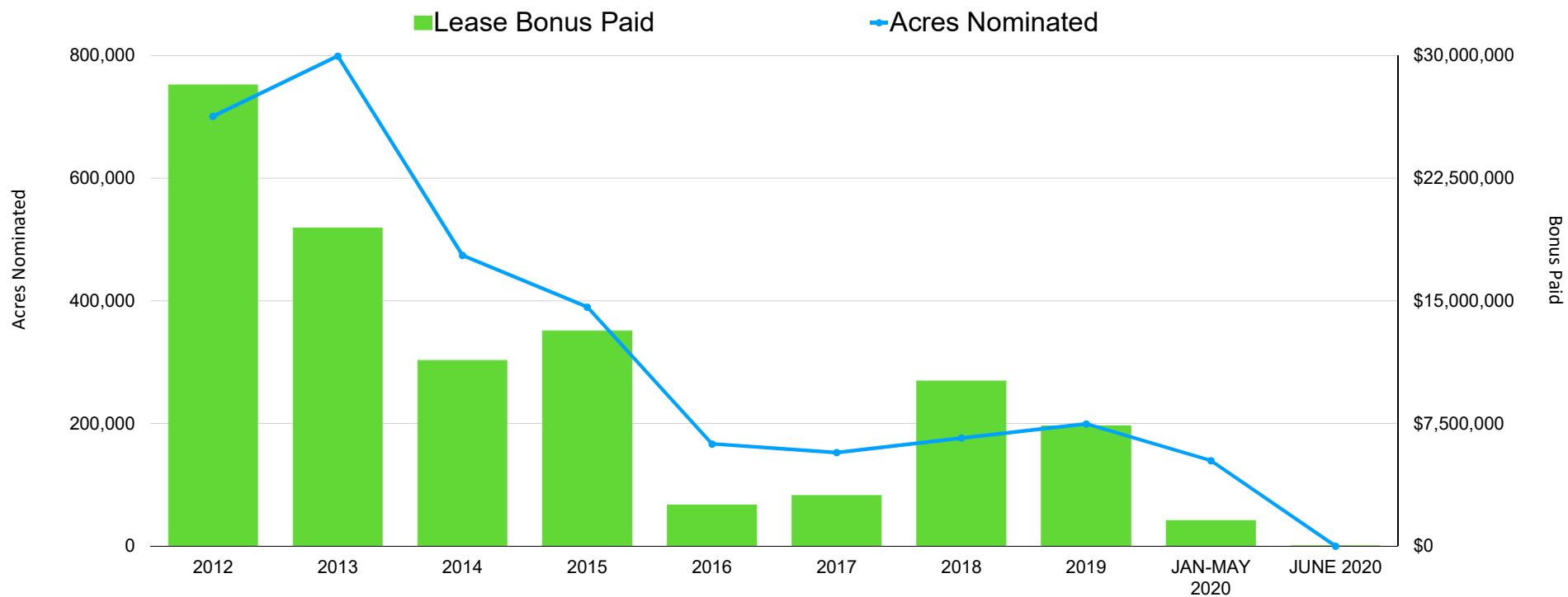
 **LOGA**
LOUISIANA OIL & GAS ASSOCIATION

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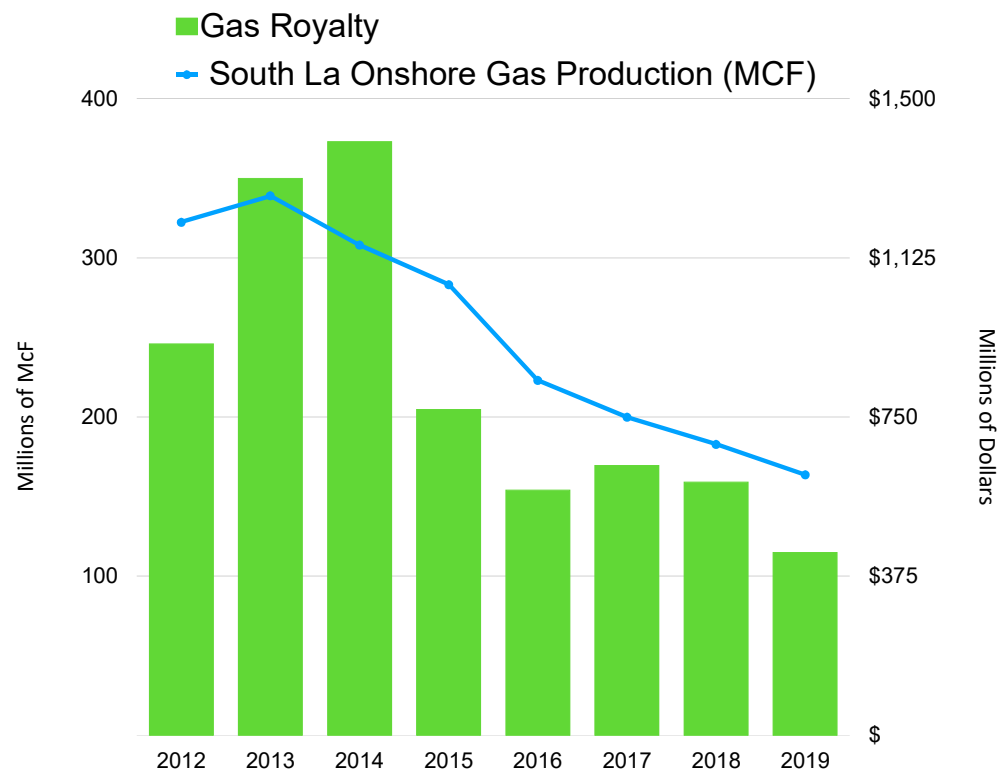
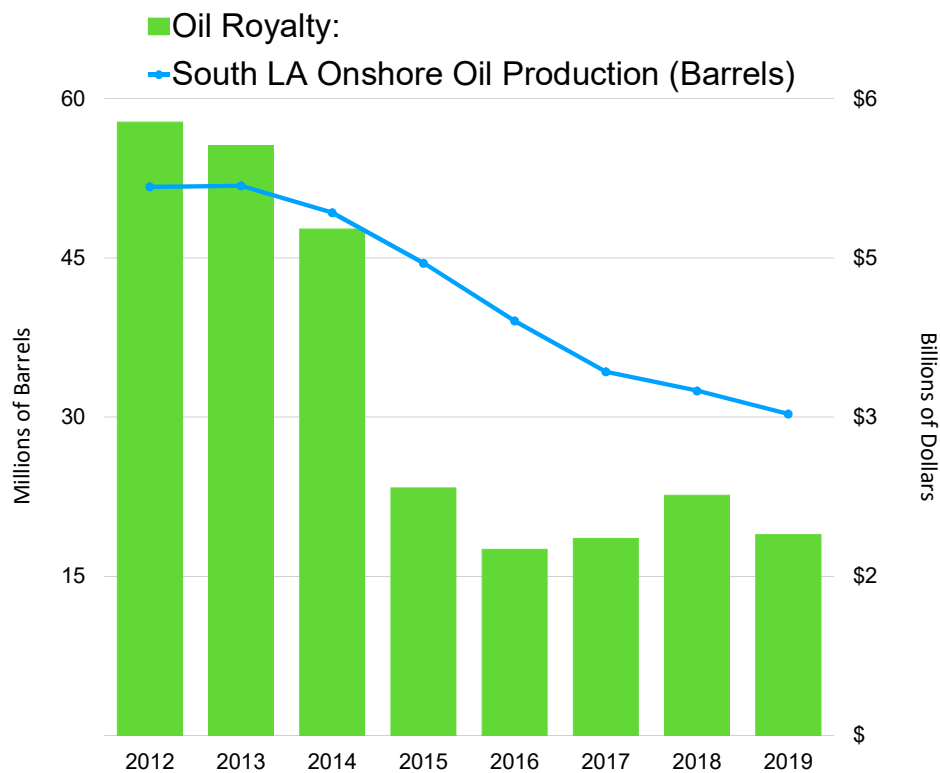
	LA	TX	DELTA
Capital Investment	\$3,250,000	\$3,250,000	\$ -
Economic oil production	238,080	249,650	11,570
Gross Revenue	\$8,332,800	\$8,737,750	\$404,950
Operating Expenses	\$1,041,320	\$1,136,500	\$95,180
Severance Tax	\$1,041,600	\$401,937	-\$639,664
Advalorem Tax	\$259,810	\$148,020	-\$111,790
Net Profit	\$917,210	\$1,569,280	\$652,070
IRR	19.52%	29.25%	9.73%
Net Payments to Landowner	\$1,822,800	\$2,083,953	\$261,153

**Texas Oil Wells
DRASTICALLY
Outperform
Louisiana
Oil Wells**

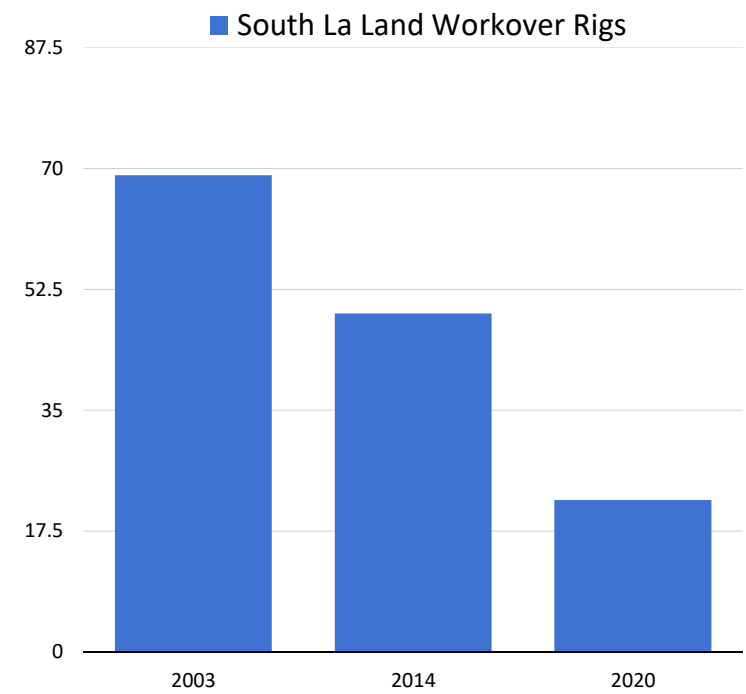
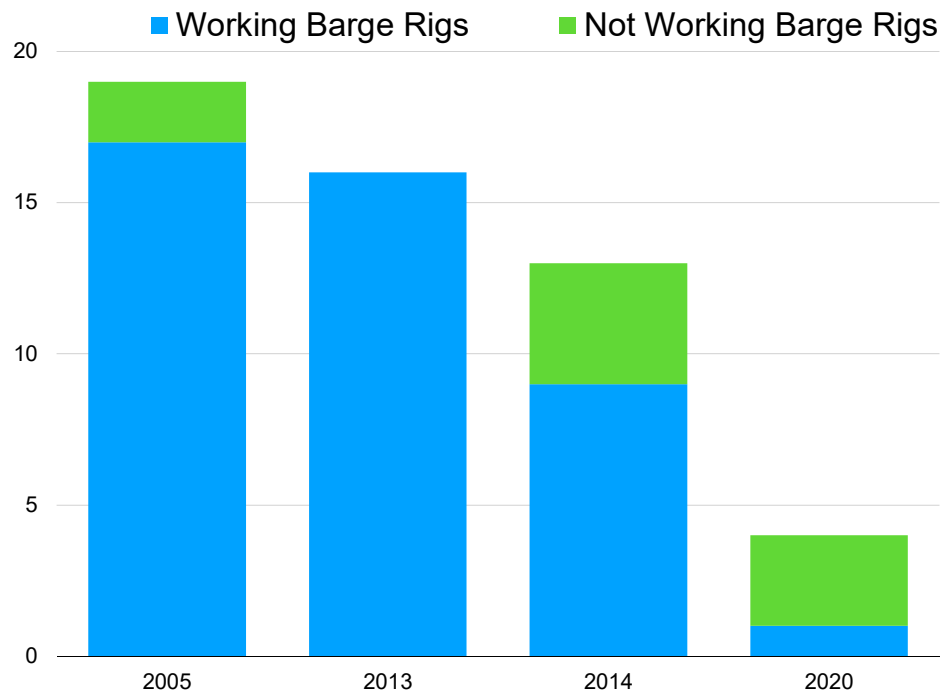
Very Little Interest in State Leases



South Louisiana Losing BILLIONS in Royalties



We are Losing the Necessary Rigs Permanently



Louisiana: A Path Forward

June 19, 2020

Janelle Cammenga
Policy Analyst
Center for State Tax Policy
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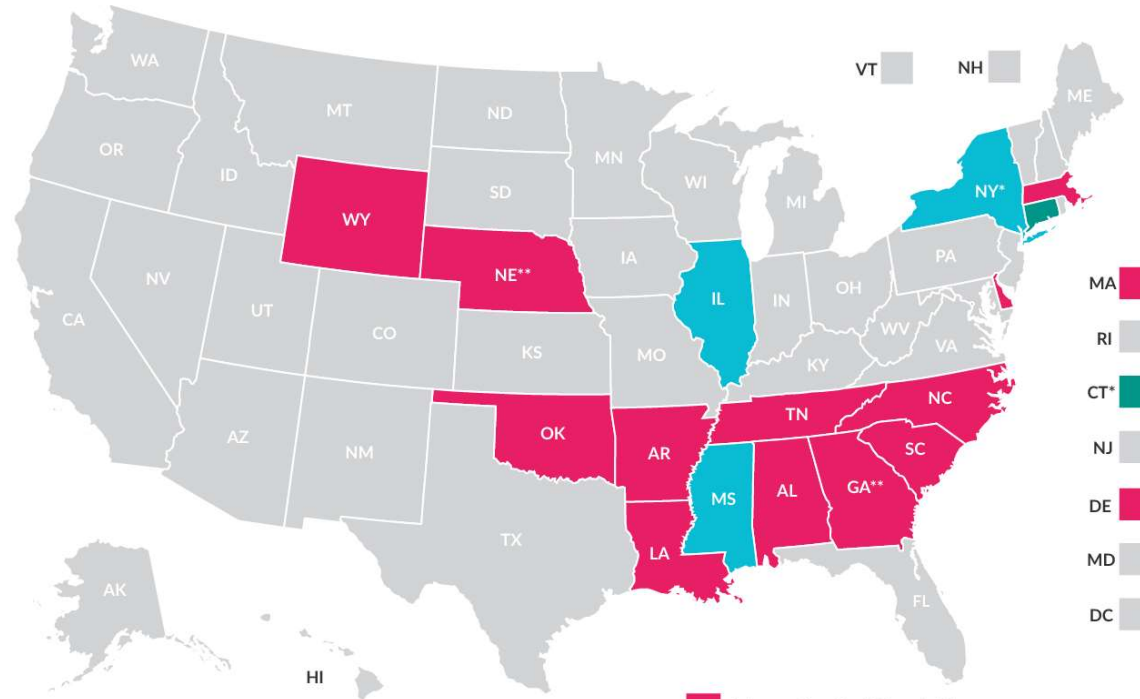
TODAY'S ROADMAP

- The Corporation Franchise Tax
- Sales tax complexity
- Federal deductibility

CORPORATION FRANCHISE TAX

Does Your State Have A Capital Stock Tax?

State Capital Stock Taxes as of January 1, 2020



Note: (*) Taxpayer pays the greater of corporate income tax or capital stock tax liability. (**) Based on a fixed dollar payment schedule. Effective tax rates decrease as taxable capital increases. Capital stock taxes are levied on net assets of a company or its market capitalization.

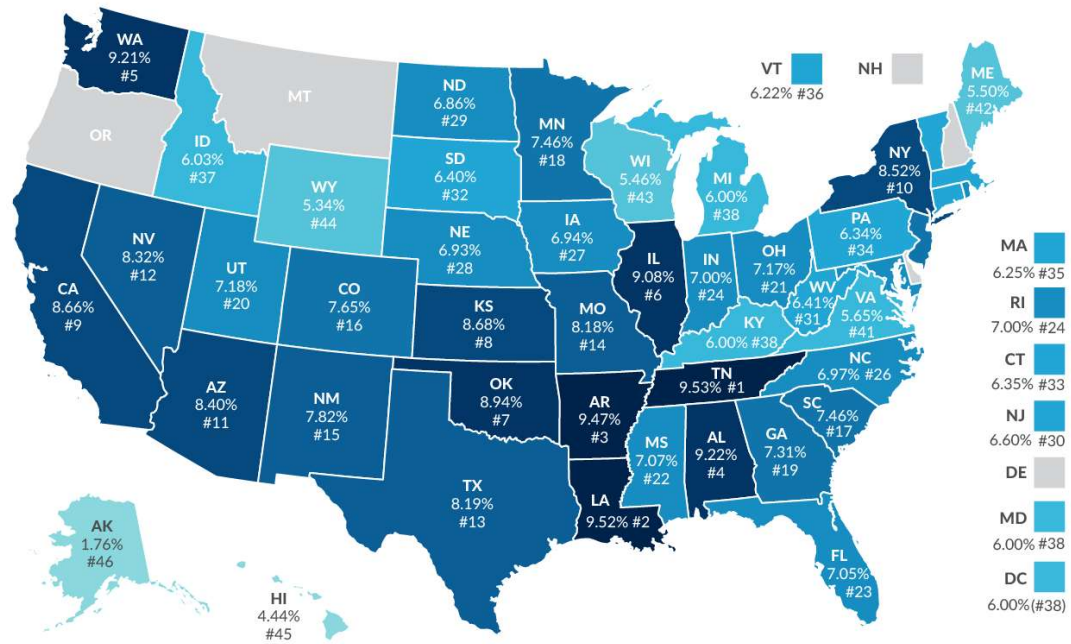
Source: Bloomberg Tax; state statutes

- Has a Capital Stock Tax
- Capital Stock Tax Being Phased Out
- Planned Phaseout of Capital Stock Tax
- No Capital Stock Tax

SALES TAX COMPLEXITY

How High are Sales Taxes in Your State?

Combined State & Average Local Sales Tax Rates, January 1 2020



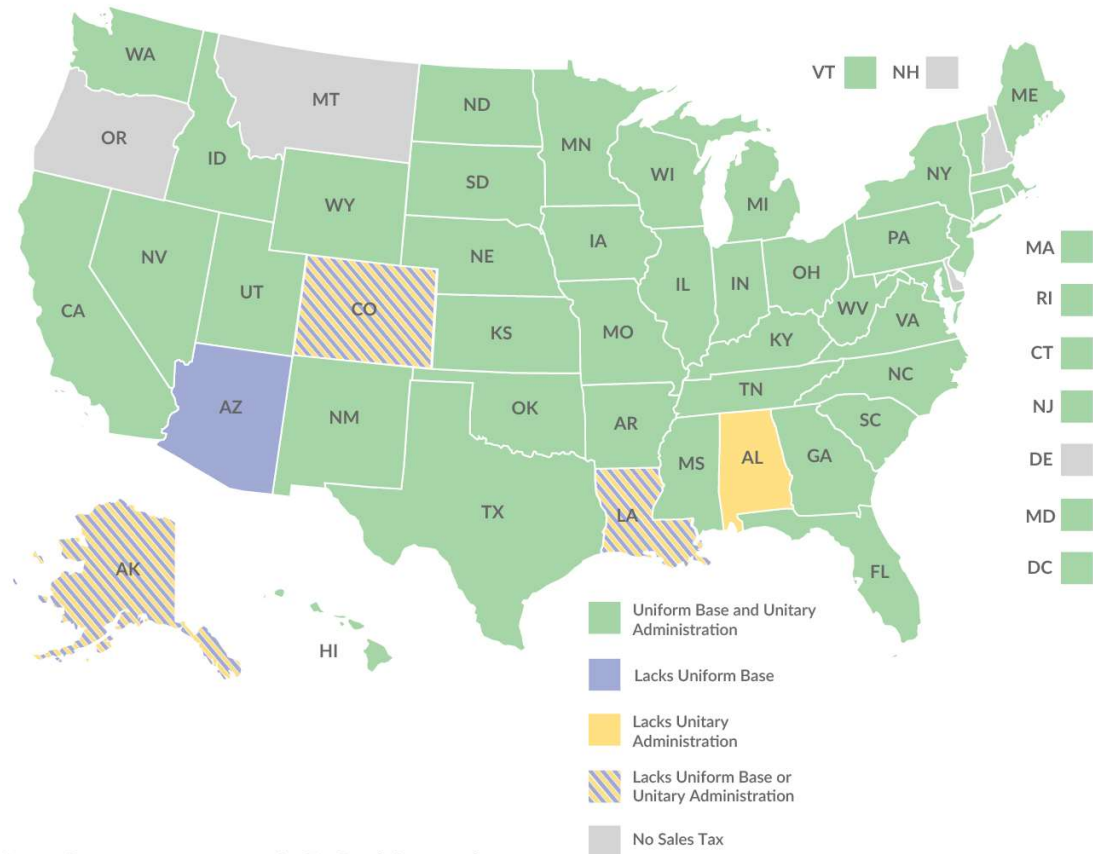
City, county and municipal rates vary. These rates are weighted by population to compute an average local tax rate. The sales taxes in Hawaii, New Mexico, North Dakota, and South Dakota have broad bases that include many business-to-business services. D.C.'s rank does not affect states' ranks, but the figure in parentheses indicates where it would rank if included.

Sources: Sales Tax Clearinghouse; Tax Foundation calculations; State Revenue Department websites

Combined State & Average Local Sales Tax Rates



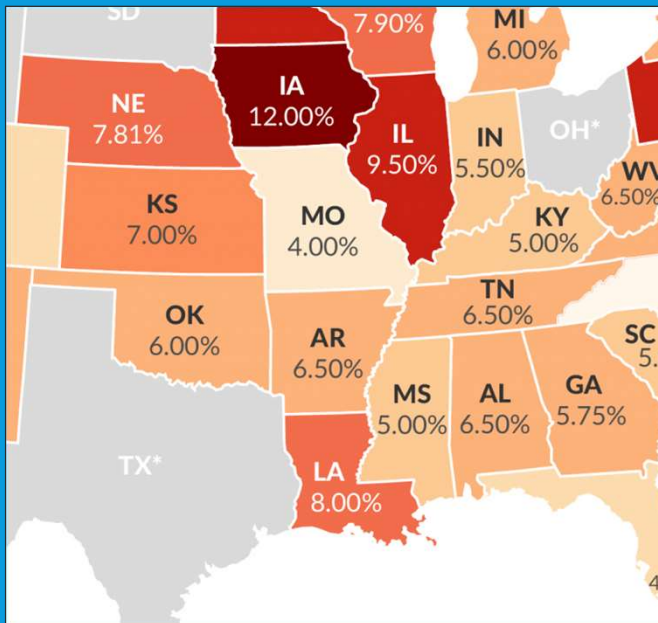
Sales Tax Unity and Uniformity



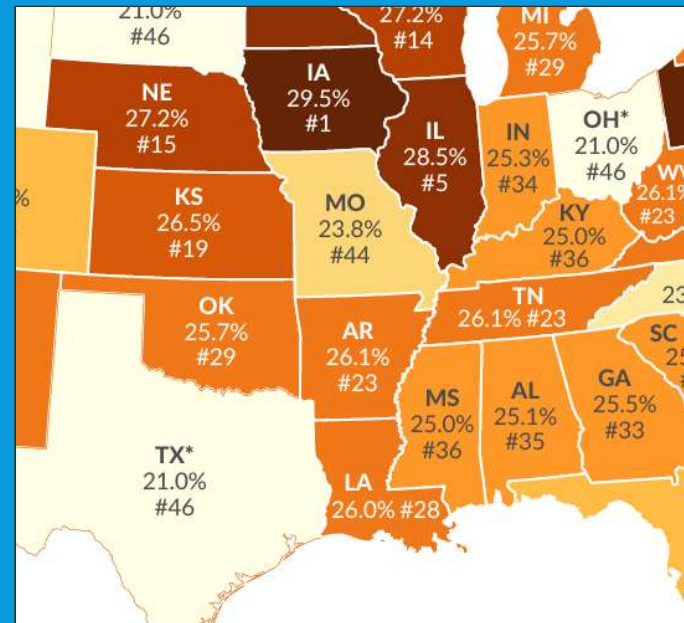
FEDERAL DEDUCTIBILITY

CORPORATE INCOME TAX RATES

State Top Marginal Rates



Top Combined State and Federal Rates



SUGGESTIONS FOR REFORM

- Permanently repeal the Corporation Franchise Tax
- Simplify the sales tax landscape by unifying state and local sales tax bases, or at least provide lookup assistance for remote sellers
- Eliminate federal deductibility to pay down rate reductions

Questions?

June 19, 2020

Janelle Cammenga
Policy Analyst
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5. Encouraging Long-Term Economic Growth

Phase III Recommendations

Chair: Maura Donahue

Membership: Stephanie Calhoun, Art Favre, Kelisha Garrett, Tyler Gray, Steven Grissom, Michael Hecht, Todd Murphy, Art Price, Dr. Loren C. Scott, Craig Spohn, Dennis Stine

Special Advisor: Camille Conaway

Tax and Fiscal Reforms

- Centralized sales tax collection and auditing
- Simplified sales tax system with lower rates, an expanded base, and a unified structure
- Simplified income tax system with lower rates and fewer deductions
- Reduction or elimination of the franchise tax
- Reform of the inventory tax and credit
- Streamlined process for the Industrial Tax Exemption Program

Legal and Regulatory Improvements

- Comprehensive legal reform, including an end to local government's litigation against the oil and gas industry
- Streamlined deployment process for broadband to expand capacity and connectivity
- Elimination of occupational licensing mandates not required in most states
- Permanent relief from regulations waived during COVID-19 that do not jeopardize public health or safety, transparency or inclusion

Governmental Reforms

- Steps toward a Constitutional Convention, drawing upon the multi-year work of the Public Affairs Research Council for a framework of recommendations that include addressing state/local fiscal balance
- Modernization of legacy pension systems and civil service structures
- Re-creation of the Commission on Streamlining Government
- State and local budget transparency

A Modern Economy

- Transformation of Louisiana’s educational systems to build a workforce ready for the knowledge-based economy
 - K12 schools: Rigorous digital instruction, literacy interventions, expansions of school choice, and innovative funding models whereby “dollars follow the child”
 - Higher education: Creative financial support including economic development partnerships, new models of instruction in the physical and digital space, more support for students to improve outcomes, modernization in credentialing, and better alignment with K-12 schools and careers

A Modern Economy (cont.)

- Policies and incentives that move Louisiana toward a knowledge-based economy
- Deliberate actions to build a more inclusive economy such as the adoption and expansion of small business purchasing policies, local first incentives, the participation of DBE/Hudson/veteran businesses on state-funded public infrastructure projects, mechanisms to improve access to capital for small businesses, and quick-pay policies for small and minority businesses
- Investments in infrastructure, particularly large-scale projects and public-private partnerships
- Positioning Louisiana to re-shore critical industries from overseas



4. Removing Obstacles to Incentivize Job Creation and Economic Growth

Phase III Recommendations

Chair: Scott Poole

Membership: Greg Bowser, Gifford Briggs, Jeff Copeskey, David Cresson, Bryan Hanks, Ray Lasseigne, Chris Leopold, Jude Melville, Chris Schouest, Dawn Starns

Special Advisor: Barker Dirmann

Civil Justice Reform

- Comprehensive civil justice reform that would include, but not be limited to:
 - Loser pay provisions
 - Limiting local government action in coastal lawsuits
 - Address legacy lawsuits
 - Judicial campaign contribution restrictions
- Create an organization similar to Texas' Texans for Lawsuit Reform (TLR), that is solely dedicated to improving Louisiana's litigation environment

Increase Access to Capital for Small Businesses

- Assist small businesses in accessing capital by working with LED and OFI to:
 - Develop an evolving resource guide that maps the relevant landscape of private funding sources and institutionalized investment vehicles locally available to existing and start-up small businesses including active “angel” funds.
 - Assess the current status of and recommend future proposals for state-chartered small business investment funds that receive funding, debt guarantees and/or preferential tax treatment.

Correct Policies and Regulations Inhibiting Recovery

- Simplify Louisiana's complicated tax structure through full tax reform focusing on:
 - Reforming Inventory Tax
 - Centralized Sales Tax Collections
 - Adjustments to Severance Tax on Oil and Gas
 - Eliminate Tax on Manufacturing Inputs
 - Improving ITEP approval process
- Develop a statewide plan of action that will allow Louisiana's economy to remain open in the wake of a future public health emergency

Strengthen Louisiana's Workforce



- Implement a post-secondary education training program designed to redistribute our workforce to fill gaps created by the COVID-19 economic crisis.
- Require licensing boards to grant occupational and professional licenses when certain requirements related to education, certification and experience are met.



3. Supporting Diverse Industries Across the Louisiana Economy to Grow and Prosper

Phase III Recommendations

Chair: Stephen Waguespack

Membership: Jim Bernhard, Chett Chaisson, Blake Chatelain, Hank Danos, Lavelle Edmonson, Meryl Kennedy Farr, Adam Knapp, Scott Martinez, Matt McKay, Richard Neal, Dave Roberts, Ruffin Rodrigue

Special Advisor: Ileana Ledet

Top Priorities for Phase III

- Legal reform
- Systemic Tax Structure Simplification
- Pension Reform
- Programs Incentivizing Investment

Top Priorities for Phase III: Legal Reform

What:

Enact legal reform measures that discourage frivolous lawsuits and lead to lower costs

Why:

- Louisiana auto insurance rates among highest in nation, hurting Louisiana families
- Businesses suffering from high costs & frivolous lawsuits

How:

- Align Louisiana's legal system with that of other states (e.g. lower jury trial threshold, reform direct action)

Top Priorities for Phase III: Systemic Tax Structure Simplification



What:

Simplify tax system to make it fair and competitive

Why:

- Enhances ease of doing business
- Results in more revenue

Top Priorities for Phase III: Systemic Tax Structure Simplification

How:

- Uniform system of tax administration, collection and audit
- Restructure, phase out, or eliminate corporate franchise tax
- Lower sales tax rate by expanding tax base
- Eliminate deduction for federal income taxes paid on individual/corporate income taxes, along with appropriate state tax rate reductions
- Ensure Louisiana is collecting taxes on all LA source income from out-of-state residents/entities
- Encourage non-filers to file and pay outstanding taxes (Amnesty Program)
- Take all steps to ensure state is collecting taxes on internet sales

Top Priorities for Phase III: Pension Reform

What:

Enact reforms to state retirement system

Why:

Reduce costs to the state that are passed along to taxpayers; high costs hamper ability to adequately invest in critical areas (e.g. education, workforce)

How:

- Move to hybrid plan with defined benefits and contributions
- Revise assumptions about investment returns

Top Priorities for Phase III: Incentivize Investment

What:

Implement tools to jumpstart investment

Why:

Make Louisiana more attractive than competitors

How:

- Payment in Lieu of Taxes agreements (PILOTs) that give locals a mechanism to secure funding up front in return for exemptions down the road
- Programs such as the Historic Tax Credit that have proven effective in incentivizing investment



2. Promoting Jobs and Opportunity for Louisiana

Phase III Recommendations

Chair: Nathalie Simon

Membership: Dr. Stephen Barnes, Tommy Faucheux, Cody Gielen, Vic Lafont, Nanette Noland, Deborah Randolph, Erich Schouest, George Swift

Special Advisor: Jim Bourgeois

Scope and Goals

Scope:

Resolve barriers to restarting the Louisiana economy and positioning Louisiana for long-term prosperity by investing in workforce and future economic growth, removing barriers, and increasing consumer confidence

Policy Goals:

- Healthy and prosperous workforce
- Safe and efficient return to work for employers and employees
- Flexibility to facilitate, cultivate, and unleash innovative solutions and job growth
- Targeted, strategic alignment of workforce training needs with new covid-related market realities while capitalizing on potential growth opportunities
- Clear, predictable, and transparent laws and regulations to retain, grow, and attract talent and business in a changing economic environment

Workforce and Education

- ***Support RESET's Workforce Recommendations*** – Support of the RESET platform on Higher Education / Workforce
- ***Remove barriers / obstacles to ensure more efficient use of state funds*** – More deliberate effort by state agencies to share data within state government across departments
- ***Continue recent efforts in COVID-19 response in occupational forecasting and workforce training*** – Recent legislation in the regular and special sessions has been positive on this front but need to ensure proactive analysis is a priority and produces actionable results

Workforce and Education

Additional funding for higher education and workforce training – Need to identify additional funding to invest quickly to take advantage of emerging economic opportunities for Louisiana with changing supply lines and domestic production priorities

Support efforts to expedite re-employment – To support re-employment, recovery, long-term growth, and economic diversification, we must expand education and training while recognizing state budget environment

Prioritize education / training to technical colleges and existing tech infrastructure

Tourism

- Louisiana tourism will need to be more innovative in adapting to new realities in response to COVID-19
- Louisiana tourism needs to encourage safe air travel to all our cities to bring outside visitors to the state

Economic Diversification

- ***Leverage our historical strengths to support long-term growth*** – This will include further development and modernizing of existing industries (e.g. energy and transportation) and investing in research and new industries that can commercialize and scale that work (e.g. technology and pharmaceuticals)
- ***Enable & Grow Entrepreneurship***
- ***Establish Louisiana-based equity options*** – Capital Investment in the state cannot be limited to debt
- ***Make Louisiana a state of life-long learners*** – the increasing pace of technological change has created a modern economy where workers must invest in developing new skills throughout a career across most career pathways
- ***Need for incentive flexibility***



1. Ensuring Public Health and Safety at Work

Phase III Recommendations

Chair: Dr. Craig Greene

Membership: Scott Ballard, Jeff Drozda,
David Ellis, Friday Ellis, John Finan,
Stan Harris, Quentin Messer, Pete November,
Dr. Catherine O'Neal, Allyson Pharr, Doug Shipley

Special Advisor: Beverly Haydel

1. Invest in and support policies that expand access to care

- Enhance access to telehealth services
- Allow healthcare professionals at all levels to practice to the full extent of their training and scope of practice
- Reduce barriers and red tape for individuals seeking to enter the healthcare workforce

2. Support efforts to ensure Louisiana's elderly population has access to high-quality care and supports in all appropriate settings

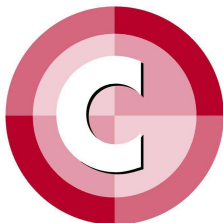
- Analyze the impact of COVID-19 on how at-risk populations such as older Louisianians want to access long-term care and supports
- Conduct a financial impact study and/or pilot program for managed long-term care

3. Analyze the medium and longer-term impacts of COVID-19 on educational attainment, mental health and overall well-being of Louisiana citizens

- Particular focus on K-12 students
- Develop and fund targeted programs to address impacts

Thank you to our Sponsors

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Upcoming Dates

- Work Group Meetings – TBD
- Phase III Report – TBD