

LOUISIANA

# ECONOMIC RECOVERY

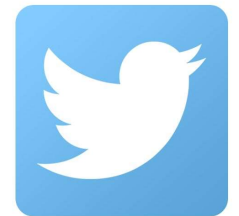
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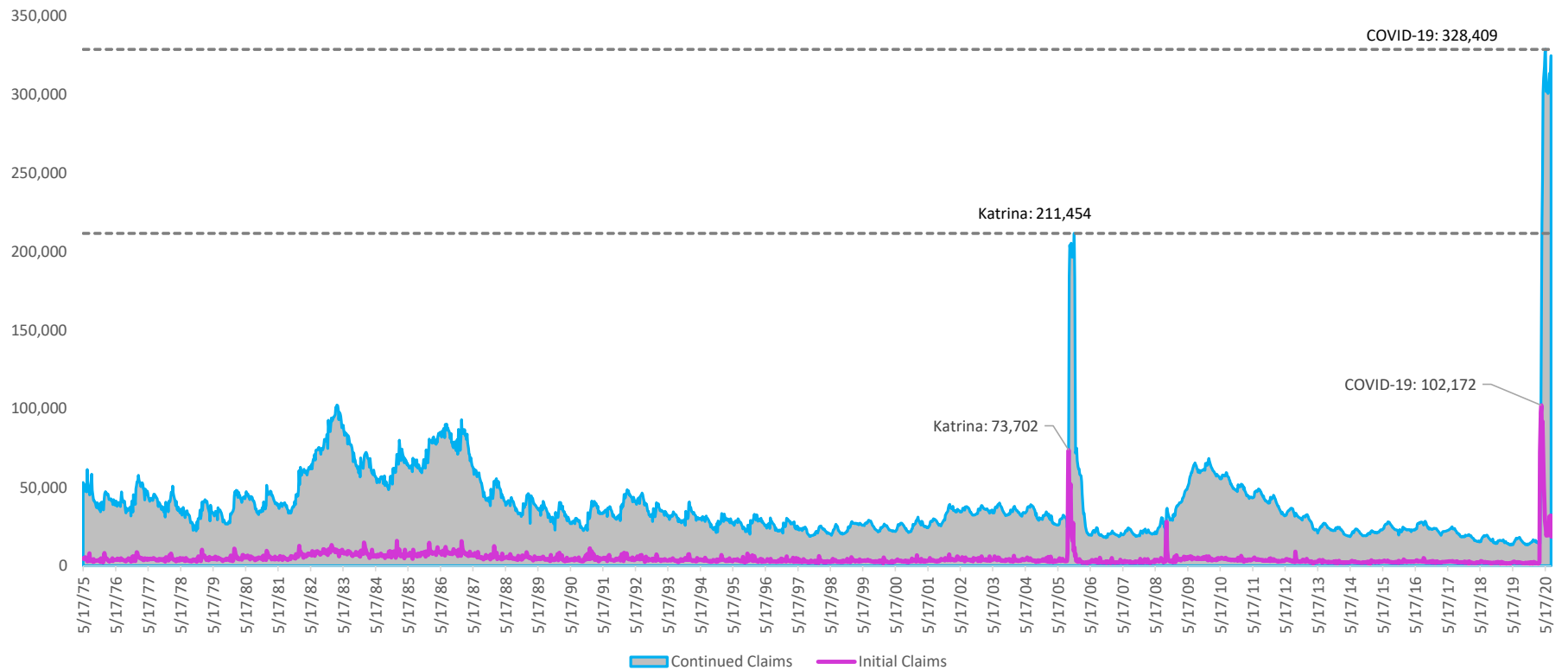


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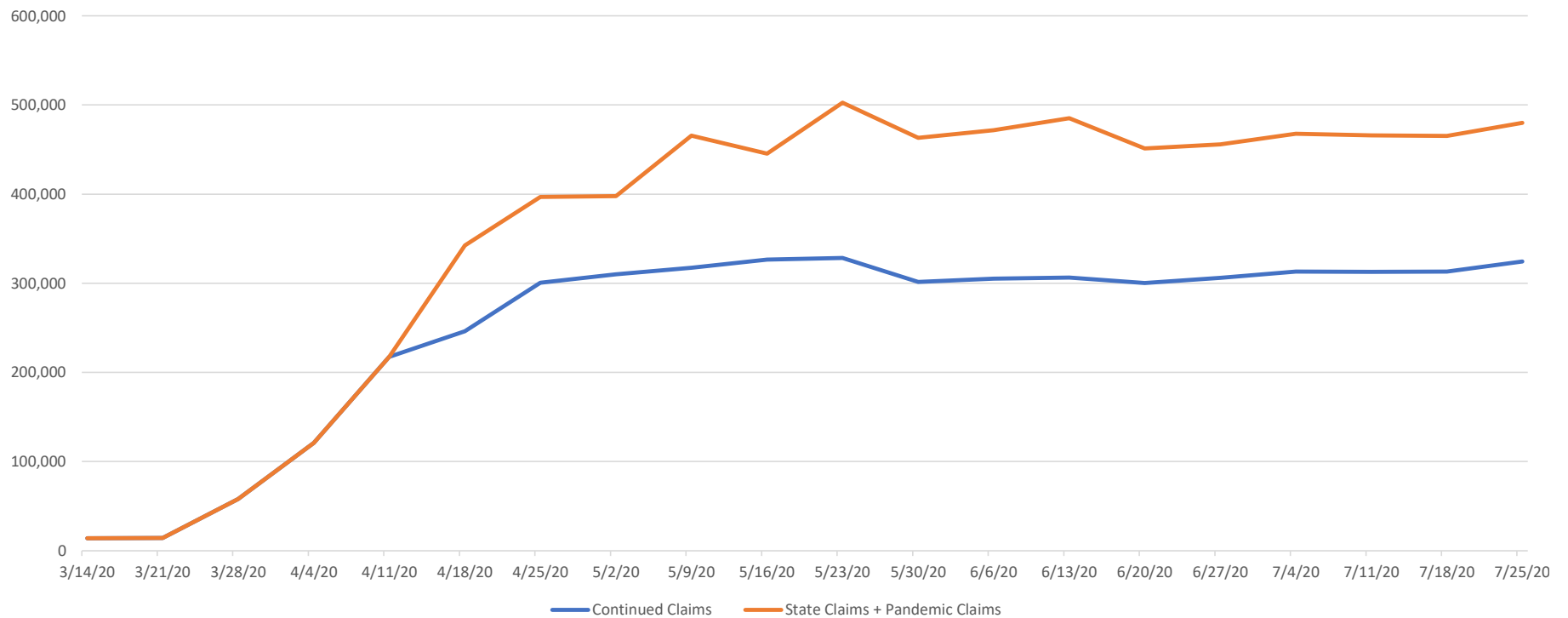


# Louisiana Economic Outlook Update

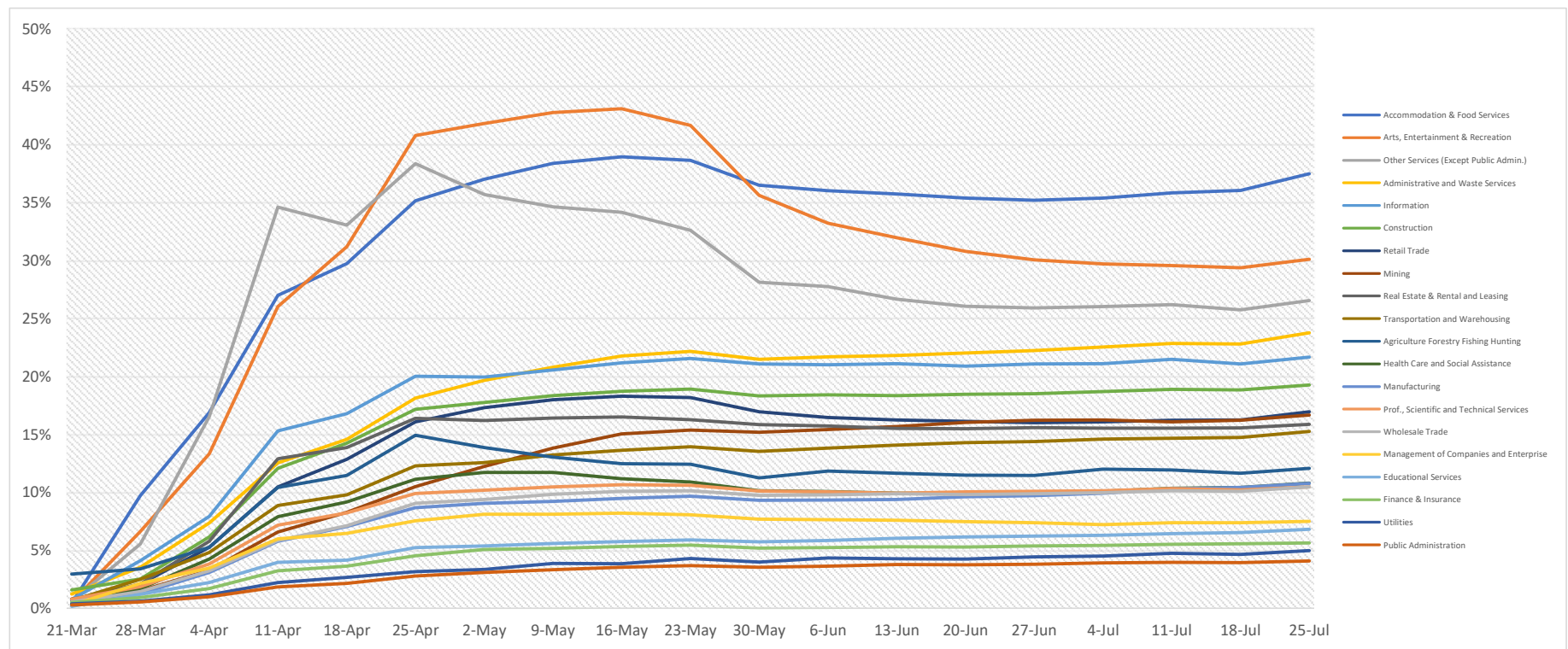
# Figure 1: Louisiana Initial and Continued Unemployment Claims



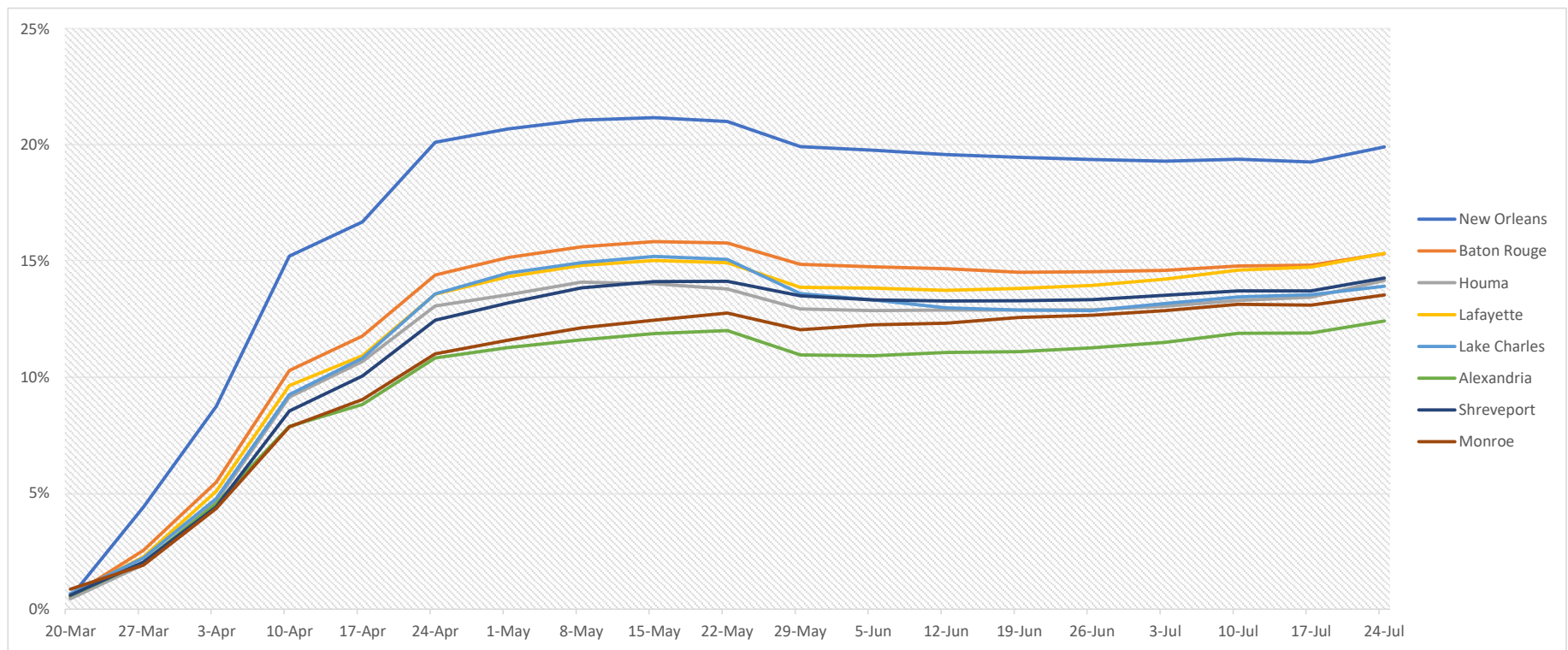
# Figure 2: Louisiana Continued State and Pandemic Unemployment Claims



# Figure 3: Continued Unemployment Claims by Industry as Percent of Pre-COVID Employment



# Figure 4: Continued Unemployment Claims by Region as Percent of Pre-COVID Employment





# **LA Unemployment Compensation (UC) Fund Information**



# How the System Works

- Employers pay state and federal taxes to fund UC benefits and the cost of administering state and federal unemployment systems. Employer state taxes are experience rated.
- State law provides that how much state tax employers pay in Louisiana each calendar year and what UC benefit amount claimants receive will depend, in part, on Louisiana's UC trust fund level. Taxes increase and benefits decrease when the fund declines.
- Whenever the fund reaches a critically low level (below \$100 million), solvency taxes (up to 30% of an employer's tax rate) are "triggered" to protect or restore its solvency.
- The unprecedented rate of the fund's decline due to COVID-19-related benefit claiming the last five months rendered the fund's triggers essentially ineffective.



# COVID-19 Impact on the System

- The state's trust fund was approximately \$1.05 billion at the start of the COVID-19 pandemic in March 2020.
- \$873,721,595 in benefits were paid out of the state's UC fund from March 22 - July 31, 2020. Enactment of SB 461 (Act 243) in the regular session prevents Louisiana employers having to pay this entire amount next year via the "social charge" tax.
- The fund's current level is just below \$300 million, and weekly claims are running close to \$50 million. At this rate, the Louisiana Workforce Commission (LWC) estimates the trust fund has about 7 weeks of capacity remaining and will run out of money to pay benefits by around mid-September.

# Where the System Goes from Here

- Under federal law, Louisiana is obligated to pay weekly unemployment benefits regardless of its trust fund balance. So, when the fund becomes insolvent, the LWC must take out federal loans to cover these benefits.
- By the end of this week, LWC must make application with US Department of Labor for loans to cover 3 months of its projected UC benefit obligations arising after state trust fund insolvency in September.
- These loans will be interest free only through the end of 2020, unless Congress grants an extension of interest waiver. If waiver is not granted, employers will pay a surtax in July each year to cover any interest accrued on loans through June 30.
- If Louisiana has federal loans outstanding within two years of receiving the first installment, a mandatory federal UC tax increase is triggered to help hasten the payback.

# UI Trust Triggers

## Comparison of Employer UI Tax Liability

	High UI Tax Rate	Medium UI Tax Rate	Low UI Tax Rate
Base Rate	3.08%	1.78%	0.09%
Discounted Rate	2.77%	1.60%	0.08%
Social Charge	0.49%	0.28%	0.01%
Total Rate	3.26%	1.88%	0.09%
<b>\$750M to \$1.15B Wage Base \$7,700</b>			
Rate	3.26%	1.88%	0.09%
# of Employees	1	1	1
Taxable Wages	\$7,700	\$7,700	\$7,700
Tax	\$251	\$145	\$7
<b>\$400M to \$750M Wage Base \$8,500</b>			
Rate	3.26%	1.88%	0.09%
# of Employees	1	1	1
Taxable Wages	\$8,500	\$8,500	\$8,500
Tax	\$277	\$160	\$8
Increase	10%	10%	14%
<b>\$100M to \$400M Wage Base \$8,500</b>			
Rate + 10% Increase	3.59%	2.07%	0.10%
# of Employees	1	1	1
Taxable Wages	\$8,500	\$8,500	\$8,500
Tax	\$305	\$176	\$9
Increase	21%	21%	29%
<b>\$0 to \$100 Million Wage Base \$8,500</b>			
Rate + Solvency Tax (Up to 30% on Qtr. UI Tax)	4.67%	2.69%	0.13%
# of Employees	1	1	1
Total Taxable Wages	\$8,500	\$8,500	\$8,500
Tax	\$397	\$229	\$11
Increase	58%	58%	57%

# HR 31 Centralized Sales & Use Tax Administration Study Group



- Speaker, designee – Jason DeCuir \* Chairman
- President, designee – Sen. Cameron Henry
- Speaker appointment – Meryl Kennedy Farr
- President appointment – Joel Robideaux
- Chair W&M, designee – Rep. Beau Beaulieu
- Chair R&F – Sen. Brett Allain / Sen. Stewart Cathey
- Economist, REC – Dr. Stephen Barnes
- President PAR – Robert Travis Scott
- President CABL – Barry Erwin
- LA Retailers – Jessica Elliott
- LABI – Stephen Waguespack
- Police Jury– Guy Cormier
- Municipal Association– John Gallagher / Karen White
- Sheriff’s Association– Mike Ranatza / Greg Ruppert
- Uniform Local Sales Tax Board– Andrew Kolb
- Local Tax Division BTA– Judge Cade Cole
- Assn of Local Sales Tax Administrators – Drew Talbot
- Department of Revenue– Luke Morris
- School Board Association– Janet Pope



# **Phase I Recommendations Enacted into Law**

# Phase I

## 2020 Regular Session

Work Group	Bill/Resolution	Author	Description
Supporting Diverse Industries	<a href="#">HCR 66</a>	Rep. Bishop	Suspension or elimination of the Franchise Tax
Public Health & Safety	<a href="#">HCR 70</a>	Speaker Schexnayder	Expresses support for the State and Municipal Aid for Recovery and Transition (SMART) Fund, proposed for the purpose of helping states and local governments respond to the current public health and economic crisis
Public Health & Safety	<a href="#">HCR 71</a>	Speaker Schexnayder	Authorizes and directs suspension of licensing fees imposed on businesses by state agencies and licensing boards
Public Health & Safety	<a href="#">HCR 73</a>	Speaker Schexnayder	Requests an update from the Louisiana Department of Health and the division of administration on efforts to establish an application or system to track the incidence and spread of COVID-19



# Phase I

## 2020 Regular Session

Work Group	Bill/Resolution	Author	Description
Supporting Diverse Industries	<a href="#">HCR 74</a>	Speaker Schexnayder	Requests that CARES Act funding be made available to the state for testing and be distributed to healthcare systems
Promoting Jobs & Opportunities	<a href="#">HCR 75</a>	Speaker Schexnayder	Request Workforce Investment Council to work with private sector businesses to create job opportunities resulting from COVID-19 furloughs.
Supporting Diverse Industries	<a href="#">HCR 76</a>	Rep. Wright	Urges and requests that any proclamation convening an extraordinary session of the legislature in 2020 include changes to the carryback provisions of the corporate income tax deduction for net operating losses
Promoting Jobs & Opportunities	<a href="#">HCR 77</a>	Speaker Schexnayder	Urges and requests removal of public and private sector barriers to accelerate the expansion of broadband in the state



# Phase I

## 2020 Regular Session

Work Group	Bill/Resolution	Author	Description
Promoting Jobs & Opportunities	<a href="#">HCR 78</a>	Speaker Schexnayder	Provides relative to Louisiana broadband maps to identify access and activation gaps
Supporting Diverse Industries	<a href="#">HCR 79</a>	Rep. Bishop	Urges and requests that any proclamation convening an extraordinary session of the legislature in 2020 include changes to eligibility requirements to participate in the Enterprise Zone incentive
Supporting Diverse Industries	<a href="#">HCR 80</a>	Speaker Schexnayder	Requests the Louisiana Workforce Commission to provide clear and consistent explanations of unemployment benefits.

# Phase I

## *2020 Regular Session*



Work Group	Bill/Resolution	Author	Description
Removing Obstacles to Incentivize Job Creations and Economic Growth	<a href="#">Act 336</a>	Rep. Pressly	Limits the liability on businesses related to COVID-19 lawsuits.
Supporting Diverse Industries	<a href="#">HB 846</a>	Rep. Wright	Establishes a Payroll Incentive Program rebate for COVID-19-impacted businesses



# **Phase II Recommendations Enacted into Law**

# Phase II

## 2020 First Extraordinary Session



### Item No. 15 – Workforce Development

*To legislate with regard to the Louisiana Workforce Investment Council and Workforce Training.*

<a href="#">SCR 11</a>	Sen. Mike Reese	Requests certain state agencies and private businesses in Louisiana to recognize the value that justice-involved persons can bring to the workforce and society and to act with intention to empower, train, and employ such individuals.
<a href="#">HCR 12</a>	Rep. Ray Garofalo	Directs the Louisiana Workforce Commission and the Board of Regents to study and submit a report to the legislature relative to funding and programs for workforce development
<a href="#">HCR 17</a>	Rep. Barbara Carpenter	Requests certain state agencies and private businesses to recognize the value that justice-involved persons bring to the workforce and society, and to act with the intention to empower, train, and employ such individuals

# Phase II

*2020 First Extraordinary Session*



## Item No. 16 – Corporate Franchise Tax

*To legislate with regard to the suspension of the corporation franchise tax.*

[Act 15](#)

Sen. Brett Allain

Provides for the suspension of the corporation franchise tax and initial corporation franchise tax for small business corporations.

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# Phase II

## 2020 First Extraordinary Session



### Item No. 18 – Incentivizing Job Growth

*To legislate with regard to eligibility requirements for Enterprise Zone Incentives, Quality Jobs Program and the Competitive Projects Payroll Incentive Program.*

<a href="#">Act 28</a>	Rep. Mark Wright	Authorizes certain retail businesses to participate in the Enterprise Zone incentive.
<a href="#">Act 29</a>	Rep. Thomas Pressly	Extends eligibility requirements for certain industries to participate in the Quality Jobs Program.
<a href="#">Act 23</a>	Sen. Sharon Hewitt	Provides for an extension of the application deadline for the Quality Jobs Program.

# Phase II

## 2020 First Extraordinary Session



### Item No. 19 – Economic Development

*To legislate with regard to eligibility for Rehabilitation for Historic Structures Tax Credit, Louisiana New Markets Jobs Tax Credit, Angel Investor Tax Credit Program, Cane River Heritage Tax Credit, Research and Development Tax Credit and the Digital Interactive Media and Software Tax Credit.*

[Act 22](#)

Sen. Jimmy Harris

Provides for eligibility for the Angel Investor Tax Credit for investments made in federal opportunity zones.

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# Phase II

*2020 First Extraordinary Session*



## Item No. 27 – Centralized Sales Tax

*To legislate with regard to the administration and collection of sales taxes.*

[HR 31](#)

Speaker Clay  
Schexnayder

Requests study of centralized sales and use tax collection system in the state

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# Phase II

## 2020 First Extraordinary Session



### Item No. 29 – Tax Filing Relief

*To legislate with regard to the extension of filing all state and local tax returns and penalties and interest thereto for persons and businesses due to a gubernatorially declared public health emergency.*

[Act 31](#)

Rep. Lance Harris

Requires the Department of Revenue to waive penalties and interest for certain taxpayers for tax years 2019 and 2020

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# Phase II

## 2020 First Extraordinary Session



### Item No. 30 – Vendors Compensation

*To legislate with regard to the collection of sales tax by dealers and vendor's compensation.*

[Act 27](#)

Rep. John  
Stefanski

Provides for the amount of compensation persons required to collect state sales and use tax may deduct for remitting taxes.

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# Phase II

## 2020 First Extraordinary Session



### Item No. 32 – Unemployment Compensation

*To legislate with regard to the collection of withholding taxes from unemployment benefits.*

[Act 33](#)

Rep. Jerome  
Zeringue

Provides for state income tax withholdings on unemployment compensation benefits.

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# Phase II

*2020 First Extraordinary Session*



## Item No. 33 – Streamlining Government

*To legislate with regard to the creation of a Streamlining Government Commission and to provide for its authority, duties, and powers.*

[Act 24](#)

Sen. Bodi White

Provides relative to the Commission on Streamlining Government

# Phase II

## 2020 First Extraordinary Session



### Item No. 40 – Tort Reform

*To legislate with regard to civil liability and motor vehicle liability coverage, general prescriptive periods for delictual actions, collateral source, prescription, jury trials, jury trial thresholds, direct actions against insurers, evidence regarding seat belts, annual rate filings by the commissioner of insurance and mandatory rate reductions.*

[Act 37](#)

Speaker Clay  
Schexnayder

Enacts the Civil Justice Reform Act of 2020

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# Phase II

## *2020 First Extraordinary Session – Fiscal Note*



Total House Bill Fiscal Cost = \$4.90

Total Senate Bill Fiscal Cost = \$10.7

**Total LAER Package Total = \$15.6**

*This does not take into account the offset for Rep. Jerome Zeringue's Act 33  
which should increase revenues to the state.*

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# **Special Session Fiscal Notes**

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Instrument	Author	Title	FY20-21 Fiscal Note
Act 27	Rep. John Stefanski	Provides for the amount of compensation persons required to collect state sales and use tax may deduct for remitting taxes.	\$2.1M
Act 28	Rep. Mark Wright	Authorizes certain retail businesses to participate in the Enterprise Zone incentive.	\$0
Act 29	Rep. Thomas Pressly	Extends eligibility requirements for certain industries to participate in the Quality Jobs Program.	\$400,000
Act 15	Sen. Brett Allain	Provides for the suspension of the corporation franchise tax and initial corporation franchise tax for small business corporations.	\$7.1M
Act 22	Sen. Jimmy Harris	Provides for eligibility for the Angel Investor Tax Credit for investments made in federal opportunity zones.	\$533,000

Total House Bill Fiscal Cost = \$2.5M  
Total Senate Bill Fiscal Cost = \$7.6M  
**Total LAER Package Total = \$10.1M**

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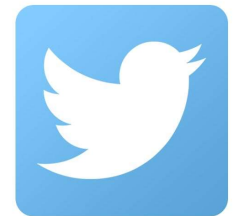
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# Upcoming Task Force Meeting Dates

- Friday, August 14, 2020 1:00pm  
Louisiana State Capitol

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