



Just the Facts: 2016 Second Special Session Update

Louisiana began 2016 with an estimated \$940 million budget shortfall for FY16 and a \$2 billion shortfall for FY17. During the First Special Session, the Legislature largely closed the FY16 shortfall through temporary sales tax increases. Gov. Edwards estimates \$600 million more will be needed for FY17 to prevent cuts to TOPS, higher education, safety-net hospitals, K-12 schools, and other programs. Recently, LSU economist Dr. Jim Richardson projected \$200 million more may be needed for FY16, due to lower than expected corporate tax collections. Others believe substantially less will be required, emphasizing the underestimated impact of previous tax increases, rising oil prices, and additional cost saving measures.

In the first two weeks of the Second Special Session, the Legislature raised approximately \$220 million, primarily through three bills:

- **HB 35 (Anders)** establishes the annual tax rate for all health maintenance organizations at \$550 for every \$10,000 of gross annual premiums collected. It raises approximately **\$187 million** for the FY17 budget.
- **HB 25 (Lyons)** reduces the amount of the La. Citizens Property Insurance Corporation Assessment income tax credit and makes the reduction permanent. This bill raises approximately **\$17 million**.
- **HB 29 (Price)** would raise approximately **\$16.7 million** by allowing the Department of Revenue 90 days before it has to begin paying interest to corporations that make tax overpayments.

On Monday, June 20, the House of Representatives passed two additional bills:

- **SB 10 (Ward)**, as amended, reduces the inventory tax credit for manufacturers and chemical plants in cases where the credit exceeds the business's overall tax liability. It would raise approximately **\$57 million**.
- **SB 6 (Morrell)** reworks the inventory tax credit to eliminate certain rebates for businesses claiming more than \$1 million, while increasing credits for small and mid-sized businesses. It would raise approximately **\$13 million**.

According to revised estimates – as of Monday, June 20 – the total raised in the Second Special Session (including the two measures being considered by the Senate) is estimated at \$284 million. Prior to the conclusion of the Second Special Session on Thursday, June 23, the Legislature must agree to a supplemental budget that includes any additional revenue.

One Acadiana (1A) will continue working with our legislators to advocate for adequately funding regional priorities like health care and higher education while maintaining a competitive tax environment. 1A will also continue monitoring the work of the Task Force on Structural Changes in Budget and Tax Policy, ahead of the 2017 Regular Session, during which comprehensive fiscal reform will likely be addressed.

To read 1A's recap of the 2016 Regular Session, please click [here](#).