



Louisiana income tax cut will fatten paychecks

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Thousands of Louisiana taxpayers will keep more of their earnings in the new year as the largest personal income tax cut in state history kicks in Thursday.

Individual filers could see their annual tax bill drop \$500; joint filers could see a \$1,000 cut.

The tax change is the most noticeable of three dozen new laws that take effect New Year's Day. Many tweak existing laws, affect limited groups or deal with arcane topics unlikely to register with voters.

Not so with the income tax law.

Sponsored by Sen. Buddy Shaw, R-Shreveport, the legislation will boost take-home pay for residents earning more than \$12,500 annually, but it adds pressure to a strained state budget. The state is expected to lose \$359 million in taxes during the next budget year and at least \$250 million and rising each year thereafter.

Lawmakers thought it was a good idea when Louisiana was awash in surpluses from revenue tied to high prices from oil and natural gas. With petroleum prices crashing, the state faces huge shortfalls that should lead to cuts in state spending.

Gov. Bobby Jindal on Tuesday proposed cuts in Louisiana's health and higher education systems to close a \$341 million shortfall.

But legislators have said they don't regret cutting taxes.

Sen. Mike Michot, R-Lafayette, chairman of the Senate Finance Committee, said no one could have predicted the oil-driven drop in state revenue, but he said letting people keep more of their tax dollars could help them weather the recession.

"I don't think it's ever a bad time to cut taxes," Michot said.

There's one caveat: The tax cut begins with the 2009 calendar year, but the state revenue department won't modify withholding tables for individual income tax to reflect the change until July 1.

That means many workers won't notice the tax cut in their paycheck until the middle of the year, unless they ask their employers to adjust withholding before then.

Jindal initially opposed Shaw's bill as too costly, but the governor relented and has championed the bill's passage.

The bill rolls back income tax brackets to before 2002 enactment of the Stelly Plan, a sweeping package named for its legislative sponsor that eliminated sales taxes on groceries and residential utilities in exchange for increased taxes on income over \$12,500.

The nonpartisan Public Affairs Research Council opposed the tax break, saying the loss of personal income tax dollars would make the state more reliant on oil and gas revenue, which fluctuates with market conditions. During debate on the bill, PAR said the tax change "sets the state up for another boom-and-bust cycle."