

A Better Way to Raise Revenues

Written by Foster Campbell
Friday, 01 February 2013 09:36 -



Dear Gov. Jindal: I commend you for pushing to repeal the state income tax. That was the theme of my campaign for Governor in 2007. Evidently we now agree that the most prosperous states do not tax income.

We also agree that Louisiana's century-old Severance Tax on oil and gas should be repealed as well. There are better ways to fund state government than collecting an extremely high tax of 12 and ½ percent of value on oil produced in Louisiana.

Unfortunately, doing away with income and severance taxes creates a \$4-billion hole in the state budget, and you have promised to make your tax proposal "revenue-neutral."

Where we disagree is on your plan to make up the lost revenue. You would raise sales taxes to as high as 16 percent by some estimates, including local taxes.

I would not put that burden on the people of Louisiana, nor put at risk our retail and tourism industries.

There is a better way. A four-percent tax on all the oil and gas processed in Louisiana, including the vast quantities brought in from offshore wells and foreign countries, would raise \$4 billion a year. A Hydrocarbon Processing Tax would recognize Louisiana's evolution from producer of oil and gas to processor, a change which has made the Severance Tax obsolete.

A Processing Tax would, for the first time ever, obtain income for the state from an offshore oil industry that is responsible for easily half the destruction of our coastal wetlands.

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The best part of this plan is that since the Severance Tax is in the state constitution, replacing it with a Processing Tax on oil and gas would require a vote of the people, which I welcome.

The major oil companies say they will leave Louisiana if we tax oil and gas processing. But we have what they want – oil and gas product and the infrastructure to process it.

Gulf of Mexico production is back to its pre-BP-spill levels and expanding. Oil wells off our coast produce hundreds of thousands of barrels a day. Our shale formations hold vast sums of oil and gas.

Louisiana has 50,000 miles of pipelines, a host of large oil refineries and a skilled workforce. We have the Mississippi River to ship product in and out. Oil companies aren't leaving but people are, as shown by the stagnation of our population and loss of a congressional district. If you weigh down Louisiana with a 16-percent sales tax the outmigration will only get worse.

You are right to propose repeal of income and severance taxes. But higher sales taxes favor the wealthy, hurt the middle class and working people, and threaten retail and tourism businesses.

You can meet your goals and balance the budget without creating new problems of inequality. Confronting major oil companies will take courage but the reward is great: a stable tax base; proper support for education, health care and other public services; and a strengthened economy.

With its assets Louisiana should be the most progressive state in the South. Instead, we compete with Mississippi for last place. The correct tax policy is how we fulfill our potential.

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