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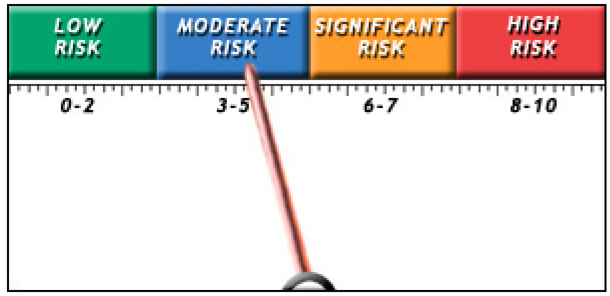
LOUISIANA



Most states have structural weaknesses in their tax systems that put them at risk of experiencing gaps between revenues and necessary expenditures in coming years. The Center evaluated each state's likelihood of facing a structural deficit by determining how many of ten "risk factors" applied to each state. Louisiana is rated as having a moderate risk of a structural deficit based on its score of five on the risk scale for structural deficits.

- In Louisiana, corporate income taxes as a share of total taxes declined by 5.1 percentage points from 1989-2002, surpassing the US average decline of 4.1 percentage points. Moreover, Louisiana has significant loopholes in its corporate income tax.

- Louisiana could lose an estimated $494 to $772 million in revenue a year due to the growth of e-commerce. This loss is greater than the national average as a share of total revenue.

- Louisiana has a constitutional spending limit that restricts expenditures to 1992 appropriations plus annual growth in per capita personal income and a limit on local property tax revenues. It also has a supermajority requirement for all tax increases.

- Louisiana remains linked to the federal phase-out of the estate tax, which eliminates a rapidly growing revenue source and costs the state an estimated $22.3 million per year.

- Three other national studies (Hovey 1998, Boyd 2002, and Besendorf & Kottlikoff 2002) found that Louisiana has a structural gap.

- Lastly, although this paper did not categorize Louisiana as having unusually high spending needs, it does face some spending pressures from: the number of non-elderly disabled people and a growing elderly population.