A Snapshot of Amendment #2

Rewrite of Article VII of the Louisiana Constitution of 1974

Article VII of the constitution deals with various aspects of state and local revenue and finance. The Legislature has proposed a rewrite of the entire article as a way to update and streamline that portion of the Louisiana constitution. In November lawmakers also passed a series of major income and sales tax changes. The passage or failure of this amendment has no impact on the implementation of those changes. In the big picture this amendment: 1) adds new provisions to the constitution and amends others, 2) removes certain provisions from the constitution and places them in statute, and 3) repeals various provisions from the constitution and law.

15 Highlights of Amendment #2

1. Requires a two-thirds vote of the Legislature to create or increase any tax exemption, exclusion, deduction, credit, or rebate.
2. Prohibits enactment of a property tax on prescription drugs.
3. Mandates that all new sales tax exemptions must be applicable at both the state and local levels.
4. Lowers the maximum individual income tax rate from 4.75% to 3.75%.
5. Doubles the standard deduction for income taxes on retirement income for individuals 65 years or older from $12,500 to $25,000.
6. Creates a new Government Growth Limit that restricts the growth of state spending on recurring items.
7. Increases the cap of the "Rainy Day" fund from 4% of total state revenue receipts to 7.5%.
8. Moves the Revenue Stabilization Trust Fund, a state savings account with $2.8 billion in deposits, from the constitution into statute and transfers $1.8 billion to the "Rainy Day" fund, eventually eliminating the Revenue fund.
9. Makes other revenues from that fund available to local governments in one-time payouts if they elect to repeal or phase out business inventory taxes.
10. Establishes new classes of "funds" or money accounts and removes constitutional protections from several.
11. Dissolves three education trust funds and uses balances to pay off almost $2 billion of debt in the state teacher retirement system.
12. Uses the savings created by reducing the retirement debt to make permanent a year-to-year stipend that teachers and school support workers have been receiving.
13. Removes a long list of property tax exemptions from the constitution and places them in law, but adds a high bar to change them.
14. Allows the Legislature to create new property tax exemptions without a constitutional vote, but requires a three-fourths legislative vote.
15. Removes constitutional caps on how much severance tax revenue can be sent to local governments.

Things That Are Not Changed

1. No state sales tax on food at home, prescription drugs, and residential utilities.
2. Requirement of a balanced budget.
3. How the "Rainy Day" fund is used.
4. Homestead Exemption and special assessment for seniors and some veterans with disabilities.
5. Constitutional protection for "Rainy Day" fund, Coastal fund, and Transportation Trust Fund.
6. Supplemental pay provisions for public safety personnel.