



## new wave

### 'Teaching moment' in discussion of governor's tax plan

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Although Gov. Bobby Jindal's plan to rewrite Louisiana's tax code was rendered moot by an uncooperative state legislature, that didn't stop three Tulane University economists from taking advantage of the "teaching moment," and breaking down what the plan would have meant for the state.



James Alm, left, professor and chair of the economics department, compares and contrasts the plan to reform state taxes with similar reforms passed in other states during a roundtable discussion on Thursday (Apr. 18). (Photo by Paula Burch-Celentano)

In front of an intimate audience in Rogers Chapel at lunchtime on Thursday (Apr. 18) the panel, which included Steven Sheffrin, director of the [Murphy Institute](#); James Alm, professor and chair of the [economics department](#); and [Nora Lustig](#), the Samuel Z. Stone Professor of Latin American Economics, discussed the impact of Jindal's plan to eliminate personal income tax as well as the corporate income and franchise taxes. In his presentation, Sheffrin broke down the original plan and talked about how the governor proposed to eliminate these taxes and not empty the state coffers. Sheffrin said that would be done "primarily with an increase of the sales tax" but still wouldn't be enough. Sales tax also would have to be extended to certain services like accounting. That still wouldn't find the state breaking even so an additional tax would also be levied on cigarettes. According to Sheffrin, the numbers "still didn't add up" and the state would still be \$500 million short. Alm pointed out that the main argument for the elimination of these taxes was to create jobs by painting the state as more "business friendly." He said that it would have elevated Louisiana from 32 on the Tax Foundations' Business Tax Climate Index to fourth on the list. But Alm pointed out that position on the list did not equate with economic growth, nor was there a correlation to lower state income tax and higher economic growth. Lustig, who specializes in economic inequality, pointed out one of the main arguments against Jindal's reform was the fact that it would hit the poor especially hard and increase inequality in a state that is more comparable to Mexico than it is to the national average in terms of distribution of wealth. Although the arguments were rendered academic by the legislature that effectively killed the governor's plan, Alm recommended that those in attendance keep the arguments in the back of their mind because they were likely to see the issue again.

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