

LATEC EXECUTIVE DIRECTOR'S MESSAGE: OCTOBER, 2016

Do you know that the state of Louisiana is considering the possibility of **taxing state retiree, teacher, and other government employee pension benefits**? This possible proposal is being considered by the "Task Force on Structural Changes in Budget and Tax Policy", a creation of Representative John M. Schroder, District 77-Covington (HCR 11--1st Extraordinary Session 2016), is being considered by the "Task Force" and various other Legislative committees such as, the House Ways and Means Committee and Senate Revenue and Fiscal Affairs Committee.

Needless to say, Louisiana Trustee Education Council (LATEC), on behalf of its member retirees and their families, is **opposing this possible proposal**. The LATEC board is most concerned about the possibility of a repeal or phasing out of the individual state income tax exemption for retired state employees, teachers and other public servants' retirement benefits, as outlined in Title 11 of the Louisiana Revised Statutes (La. R.S. 11:405).

As your Executive Director, I have already testified against this possible proposal before the Senate Revenue and Fiscal Affairs Committee and submitted written testimony on behalf of the Retired state Employees Association (RSEA) to the "Task Force" and the Louisiana House Ways and Means Committee. I have also spoken to individual legislators and members of the "Task Force" **opposing any change to the current income tax exemption for state retirees and teachers**.

La. R.S. 11:405 specifically states as follows: "*Any annuity, retirement allowance or benefit, or refund of contributions, or any optional benefit or any other benefit paid or paid to any person under the provisions of this Chapter is exempt from any state or municipal tax and is exempt from levy and sale, garnishment, attachment, or any other process whatsoever, except as provided in R.S. 11:292, and is unassignable*". This law has been on the books for over 40 years & is considered sacrosanct to government retirees, as a part of their employment contract with their respective governmental employer.

Furthermore, the Louisiana State Constitution goes a step further in protecting retirement benefits. Article 10, Section 29 (E)(5) states as follows: "*All assets, proceeds, or income of the state and statewide public retirement systems...shall not be encumbered for or diverted to any other purpose. The accrued benefits of members of any state or statewide public retirement system shall not be diminished or impaired*".

It would seem counterintuitive, that the same entity (Louisiana Law), that is constitutionally protecting retirement benefits, would in turn try to diminish or impair those same benefits for retirees through additional taxation. As a practical matter, it would seem to violate the employment contract between employees/retirees with their employer, or at the very least, violate a promise to preserve retiree benefits throughout one's retirement years!

Yet another item to consider is taxation of retiree benefits in Louisiana “border” states. In Texas and Mississippi, for example, retiree benefits are not taxed at the state level. To tax our Louisiana retirees is again counterintuitive to good tax policy and would serve to drive residents out of Louisiana instead of encouraging them to spend their retirement years and retirement dollars in Louisiana.

Additionally, many Louisiana retirees are not participants in the Social Security program and do not receive regular cost of living adjustments (COLAs) through that program. Nor would government retirees enjoy the benefit of an exemption from state income tax on Social Security benefits (La R.S. 47:44.2), currently excluded for social security benefit recipients, (since most of us do not receive Social Security benefits), should any changes be made or exemptions be modified to state retirees, teachers, or other public employees.

On behalf of LATEC and its members, I implore the “Task Force” to continue to let the above tax exemption/exclusion stand on its merits and allow us to protect from any diminishment or impairment the retirement benefits of retired public servants who have devoted their lives and careers in service to the people of Louisiana. Let them enjoy the reward they have worked for and come to rely upon in their retirement years. On a positive note, these are the words of then gubernatorial candidate John Bel Edwards to the RSEA board on October 5, 2015:

Rep. Edwards, do you have any plans to repeal the state income tax exemption for state/federal retirees?

“No, and I will veto it if it were to pass. I was at a Chamber of Commerce meeting in Shreveport. There was an executive board meeting and that was one of the things they wanted me to agree to. I said no, I am not going to agree to that.”

(NOTE: As this is being written, the final “Task Force” report has NOT been issued and we do not know their final recommendations or proposals at this time.)

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