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LA WORKFORCE COMMISSION ANNOUNCES WORKERS' COMPENSATION FRAUD PROGRAM TO TARGET BUSINESSES NOT COVERING EMPLOYEES

The Louisiana Workforce Commission has announced a Workers' Compensation fraud detection program aimed at identifying and bringing into compliance businesses that are not providing workers' compensation coverage for employees they are required to cover.

All employers doing business in Louisiana are required to provide workers' compensation coverage for their employees. Businesses that are not covering their employees are shortchanging those employees and driving up costs for other businesses. This is an important step in creating a level playing field for all businesses to compete fairly."

The Office of Workers' Compensation typically learns about potential employer noncompliance from its fraud hotline or directly from its Finance and Compliance Section. Noncompliance can be the result of misclassifying employees, failing to maintain workers' compensation coverage for employees or operating in the underground economy by working individuals completely off the books.

The LWC also has restructured operations within its Labor Programs division to enable field office employees to check for compliance as part of their normal interaction with businesses. The primary goal of the initiative is compliance.

Employers who fail to come into compliance will initially be fined up to \$250 per employee per incident. Employers who continue to violate or intentionally violate these provisions may face larger fines, an injunction from conducting business in the state or the possibility of jail.

"Entities that intentionally cheat and mislead in order to gain a premium or cost advantage only pass their cost on to other legitimate businesses and the Louisiana taxpayer," David Caldwell, Deputy Director of the Attorney General's Criminal Division, said.

Business owners who are not providing the required workers' compensation coverage, or who have questions about the requirements, are asked to call the Office of Workers' Compensation Finance and Compliance Division at 225-342-5658 or the Fraud Division at 225-342-2226.

SMALL BUSINESS TAX INCREASE POTENTIAL THREAT

The 2009 legislative session begins April 27, 2009 in Baton Rouge. So far there has been little or no talk of tax increases at the state level. However, during the session legislators will be debating proposals to enact one of the largest property tax increases on small business in the history of the state – **by increasing the homestead exemption!**

Homestead Exemption Shifts Property Tax Burden to Business

Increasing the homestead exemption would further remove residential property and improvements from the property tax rolls, thereby decreasing total assessed values in

each parish. Our state constitution requires that, when assessed values decrease, millage rates automatically increase, so that the local taxing bodies will continue to generate the same revenue as collected in the prior year. Increasing the homestead exemption does not result in lower tax collections or lower tax rates – but, rather the tax burden of residential homeowners is passed on to businesses, renters, and middle-class homeowners by imposing higher millage rates necessary to generate the same tax collections as the prior year.

Small Business Already Hurt by Current Homestead Exemption

Today, the homestead exemption shifts more than \$650 million of the residential property tax burden to businesses, renters, and middle-class homeowners. Projections show that as all of the remaining residential property in the state approaches \$75,000 in value, another \$250 million tax increase will be shifted to businesses, even if there is no change in the current homestead exemption. The ultimate cost of fully implementing the current \$75,000 homestead exemption will be over a \$900 million tax increase on the small businesses of our state.

This does not take into account any increases in the homestead exemption that will be considered during the regular session – simple math would suggest that doubling the homestead exemption to \$150,000 would eventually result in a total tax increase to business in excess of \$1.8 billion!

Business Pays at a 50% Higher Tax Rate

Under current law, businesses pay property tax at a 15% tax rate (some businesses even pay 25%), while the homeowner's tax rate is only 10% -- that's a 50% higher tax rate paid by business.

The Solution – Limit Millage Roll-Forwards

Rather than increasing the homestead exemption and special level assessments, the resolution of higher property tax bills needs to be properly focused on its root cause – property tax millage rates. When assessors perform their constitutional function of valuing property at fair market value, the higher property values result in an automatic roll-back of millages. Generally, the combination of higher property values and reduced millage rates has the overall effect of leveling off property tax bills, which benefits all taxpayers, not just a few select classes of homeowners.

However, following the automatic roll-back of millages, local taxing bodies are authorized under the state constitution, and without voter approval, to roll-forward millage rates with only a two-thirds vote of the members of the taxing body. It is this subsequent rolling-forward of the millage rates, and not the reassessment of property to current fair market value, that produces sticker shock property tax bills. Many of these taxing bodies that choose to roll-forward their millages are not even elected officials, but rather appointed members of boards that have the power of taxation.

Limiting the ability of taxing bodies to roll-forward millages without voter approval will help lower both property tax millages rates and the property tax bills of all taxpayers.

Action Needed – Now!

Your legislators need to hear from you TODAY – don't wait until the session starts, and don't assume they will be oppose the increase of the homestead exemption. Also tell them the focus needs to be on the millage rates, and limiting the rolling forward of millages will result in lower overall millage rates for all taxpayers.