

Pipeline tax could yield billions for state, allow some taxes to be reduced, consultant says

By [Ed Anderson](#)

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The state could derive billions of dollars in needed revenues by taxing oil and gas pipelines based on the volume of product they carry, and generate enough money to reduce or eliminate income, property and sales taxes, a Pearl River business consultant said today.

J. Ronald Eldridge, president of an income tax and accounting consulting firm, told the Senate Select Committee on Consumer Affairs and Technology at the State Capitol that his plan would be legal because it would tax the pipelines based on the amount of oil or gas they carry through the state, not the product itself.

He said past attempts -- dating back to the administration of ex-Gov. Edwin Edwards -- exempted or reduced the tax Louisiana residents would pay on oil and gas while charging out-of-state customers more.

Several attempts to enact similar measures in the past three decades have been ruled unconstitutional in court or failed to pass the Legislature.

"This would be an excise tax on all pipelines, the primary reason for coastal erosion, based on the volume carried through them," Eldridge said as he unveiled his plan publicly for the first time. "Louisiana has the power to tax the property in the state."

Larry Wall, director of public affairs for Mid Continent Oil and Gas Association, an industry trade association, said the oil and gas lobby would oppose the plan if it became a bill because "it will put the entire tax on the oil and gas industry."

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Wall said that the plan sounds illegal because the proposal amounts to a property tax being imposed by the state, and Louisiana does not have a property tax in place now. Property taxes are imposed and collected by local governments.

Under a scenario which Eldridge called the "Louisiana Self-Help Plan," an excise tax could be imposed on the volume of oil or gas flowing through "major pipelines" -- defined as those longer than 3,000 feet with an inside diameter of 20 inches. If the state imposed an excise tax of three cents per cubic foot of gas or 50 cents per gallon on the volume of the pipelines, but exempted those carrying potable water, sewage, electricity or data, it would generate about \$198 billion a year.

The plan calls for \$99 billion of the revenues to be dedicated for work on barrier islands and coastal restoration, hurricane protection and levee construction; about \$9 billion would be dedicated to a fund for the "generation of alternative energy sources" which could help develop businesses and stimulate university research; and another \$57 billion would be plowed into the state general fund for health care, education, highways and other critical needs.

The selling point of the plan, Eldridge said, is the proposal would eliminate, but not repeal, the state's 4 percent sales tax, and local sales taxes would also go away. The state would rebate to the parishes and cities money to match or exceed sales taxes that are no longer collected. The state and local sales tax elimination would cost about \$8 billion.

All local property taxes would be eliminated with the state reimbursing local governments for the money lost, costing another \$6 billion. Individuals and corporations that now pay income taxes would get money back from the state based on what they now pay -- a proposal that would cost another \$15 billion.

"This is a viable alternative," Eldridge said. "Louisiana can tax it (pipelines) as much or as little as it wants ... but all of it has to be treated equally. ... We want to do something to make Louisiana improve."

Sen. A.G. Crowe, R-Slidell, chairman of the panel, told Eldridge that critics of the plan will point out that "you are putting all of your eggs in one basket. Who knows what we will have in three years? We may have electric cars," and the need for gasoline and oil will decline.

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Crowe said there are "a lot of unanswered questions" but the plan should be discussed as the state faces a budget shortfall of more than \$3 billion over the next two years,. "I am not against oil companies," he said. "I am not endorsing it; I am not saying it is good or bad. We should look at it."

Sen. Butch Gautreaux, D-Morgan City, said that Eldridge's plan may cause the state to lose support in Washington for offshore oil payments and other financial help.

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