



To: Helena N. Moreno, New Orleans City Council President
Olin G. Parker, Orleans Parish School Board President
Marlin N. Gusman, Orleans Parish Sheriff
Susan Hutson, Orleans Parish Sheriff-elect
Lawrence Chehardy, Louisiana Tax Commission
Errol Williams, Orleans Parish Assessor
TNO Citywide Leadership Council

From: Erin Hansen

Date: March 21, 2022

Subject: Folger's unpaid property taxes

Brief: The New Orleans Assessor has taken several important steps toward remedying the omission of property owned by Folger Coffee Company from taxation. In a letter dated March 16, 2022, the Assessor recognized:

- 1) that the denials of requests for Folger's Industrial Tax Exemptions were definitive and Folger's property should be added to the tax rolls,
2) that Folger owed taxes on previously unassessed property back to 2019 and
3) that change orders should be issued immediately so that taxes may be collected both for current and prior-year taxes.

These are positive developments, and TNO thanks the Assessor for acting on the concerns we expressed in our March 14th memo. There are still problems that need to be addressed, however.

In a spreadsheet attached to the Assessor's letter, the Assessor substantially undercounts the amount of taxes owed by Folger. The source of the undercount is a mistaken understanding of how business property should be assessed for which the Assessor has been corrected in the past.

If uncorrected this time, the error would unlawfully deny Orleans Parish taxing bodies approximately \$1.6 million for the current fiscal year.

Table 1: Assessor Omitted Property1

Table with 7 columns: #, TAX BILL#, Total Investment Amount, Property Assessor is Including, Property Assessor is Omitting, Value from Building + Materials, Labor + Engineering Investment (LED), and Additional taxes due on value assessor is omitting. It lists 5 individual property entries and a total row.

1 See schedule attached for more detail.



Background: When a company applies for an industrial tax exemption, Louisiana Economic Development requests that the company list the total value of the capital investment for which it is seeking an exemption and a breakdown of that total into the categories of (1) building and materials, (2) machinery and equipment and (3) labor and engineering.

The value of the capital investment is the total amount, not any one or two of those categories, and since this is business personal property assessed on a “cost basis,” it is that total which forms the value basis on which the property should be assessed.

In the past Assessor Williams has articulated a different, somewhat idiosyncratic view of this matter, which puts him at odds with the Louisiana Tax Commission, Louisiana Economic Development, State law, all the other assessors in the State and even, at times, members of his own staff. Before City Council in 2019, the Assessor said:

“The issue right now is we have a difference from what the chairman and the other assessors say. When you have a contract and you’ve got labor costs on a building, we include it in the valuation of the building. But when it’s equipment, the installation of equipment is not necessarily included in the equipment cost.”²

When *The Lens* followed up to determine the implications of Assessor Williams employing this potentially unlawful method of assessment, Lawrence Chehardy, Chair of the Louisiana Tax Commission which oversees assessors offices statewide, made clear that Assessor Williams’ view was incorrect:

“That’s all part of the value of the property and ought to be in there. What it costs to acquire an asset and what it costs to put that asset into service is a cost of the asset.”³

Soon after, the Assessor’s office walked backed the Assessor’s comments, clarifying that equipment and labor costs of a capital investment are included in assessments of business personal property and apologizing “for any confusion resulting from comments indicating otherwise.”⁴

In the current circumstance, with the years-delayed Folger’s assessments, the Assessor again appears to be contending that the value of Folger’s capital asset should reduced by omitting the portion of that asset deriving from the cost of labor and materials.

² Quoted in [The Lens, October 3, 2019](#).

³ Quoted in [The Lens, October 3, 2019](#).

⁴ Quoted in [The Lens, October 3, 2019](#).



In his March 18th [spreadsheet](#), the assessor is including only the portion of the capital investments from machinery and equipment costs, omitting the other two components. The properties on which property value is omitted are detailed below.

The incorrect omission of equipment and labor costs decreases the total assessed value by \$20.6 million. According to my calculations, the tax bill for the six properties with rejected ITEPs should be \$8.1 million; instead, it's only \$6.5 million once an extraneous line item for Westbank tax collections is excluded.

Table 2: Assessor & TNO Tax Calculation⁵

	ASSESSOR TAX CALCULATION				
Millage rate	140.71	143.95	145.38	151.08	
	2022 Taxes	2021 Taxes	2020 Taxes	2019 Taxes	TOTAL
City of NO Receiving Bodies	691,746	314,554	319,149	292,903	
School Board - Millage	908,293	392,110	397,839	347,434	
Law Enforcement - Millage	56,142	24,236	24,590	21,475	
Remainder - Eastbank	1,165,543	515,023	535,106	499,140	
Subtotal without Westbank	2,821,724	1,245,923	1,276,684	1,160,952	6,505,283
Remainder - Westbank	1,187,197	524,371	544,591	498,986	
	TAX CALCULATION WITHOUT VALUE OMISSIONS				
	2022 Taxes	2021 Taxes	2020 Taxes	2019 Taxes	
TOTAL	3,227,527	1,662,940	1,704,173	1,492,213	8,086,854
ASSESSOR UNDERCOUNTING⁶					1,581,571

⁵See schedule attached for more detail.

⁶ Differs from table 1 taxes due total by \$17,414 because there is a difference between the total assessed values by year as claimed on the Assessor's schedule and the assessed values implied by his tax totals. As a result, we cannot independently recreate his tax totals.



There are two other items where additional scrutiny is needed to determine the accuracy of the Assessor’s assessments.

Investments without Industrial Tax Exemption Applications: In his March 16 letter, the Assessor asserts that the four other properties in question either don’t exist or are being assessed properly.

Folger submitted, then withdrew, Industrial Tax Exemption applications on \$63 million of capital investments made from 2019-2021 (#4 and #5 on attached schedule). The assessor is claiming that not only were the ITEPs withdrawn, but the investments themselves were never made.

His office issued assessments on commercial improvements and land for both properties in 2021 and 2022, valuing them at zero (as he does for all property he believes is exempt) and describing them as “Pending Approval”.

ORLEANS - 3RD MUNICIPAL DIST. PARISH					STATUS:	
TAX	TAX ACCOUNT	ASSESSMENT	TAX AUTHORITY	WARD		
2022	0	39W956115	ORLEANS - 3RD MUNICIPAL DIST.	9W		
TAXPAYER INFORMATION			PROPERTY LOCATION			
THE FOLGER COFFEECO ATTN TAX DIVISION 1 STRAWBERRY LANE ORRVILLE OH 44667			14601 OLD GENTILLY HW VIAVANT COM 32 LOT NO NA			
ASSESSED VALUES						
HOMESTEAD: NONE				HISTORICAL TAX ABATEMENT:		
DESCRIPTION	UNIT	TOTAL	HOMESTEAD	TAXABLE		
COMMERCIAL SUBDIVISION LOT	0.00.L	0	0	0		
UNIDENTIFIED COMMERCIAL IMPROV	0.00.I	0	0	0		
TOTALS		0	0	0		
PROPERTY DESCRIPTION						
PRAIRIE LANDS PARCEL F42.839 ACRESOLD GENT HWY TO L & NRRPLAN 9-14A-82ITE #20190280; AMT \$51,500,000; PENDING APPROVAL;						

An explanation of why assessments were generated on investments that did not occur, with documentation, would resolve this matter.

In another idiosyncrasy, Folger submitted Advance Notices but never ITE applications for another \$11.8 million of capital investments made from 2016-2017 (#9 and #10 on attached schedule). The Assessor claims that those properties are being properly taxed. If they were, the company’s total assessed value should have increased by \$1.8 million in 2018, the first year those properties



were eligible for taxation. Instead, the company's total assessed value increased by merely \$159,040 that year.

FOLGER COFFEE COMPANY	2017	2018	2019	2020	2021	2022
Total Assessed Value	\$20,103,190	\$20,262,230	\$21,144,040	\$20,668,800	\$25,218,130	\$23,485,260
YoY Change		\$159,040	\$881,810	-\$475,240	\$4,549,330	-\$1,732,870

Therefore, we believe those investments are not being properly taxed.

Taking these matters into consideration, we believe the Assessor's change request undercounts Folger's taxes due by up to \$4.1 million: \$1.6 million of omitted equipment and labor costs, \$1.3 million on investments that were not clearly withdrawn from 2019-2021, and \$1.2 million on investments certainly made from 2016-2017 that his office does not appear to be valuing.