Tax settlement may be offered

By TIM TALLEY
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CONVENT — A proposed settlement involving nearly $10 million in disputed sales and use taxes may be offered to St. James Parish officials, School Board President Riley F. Bourgeois said Friday.

If the officials agree, the settlement will end a lingering controversy with two of the parish's largest chemical producers, Agrico Chemical Co. and Freeport Chemical Co.

Agrico operates a facility on the west bank of the Mississippi River in the St. James community, and Freeport's plant is located near Convent on the east bank.

A sales and use tax audit of the firms' operations raised questions about the use of sulphur at each of the plants in the manufacture of fertilizer, said Gaston Bourgeois, head of the School Board's sales and use tax department.

The audit revealed that Agrico owes $5.7 million for its use of the chemical between July 1982 and June 1985, Bourgeois said. Freeport's tax bill totals almost $4 million and covers the same period.

The companies disagreed with the audit and appealed the sales and use tax figures when the School Board convened as a Board of Review in March 1986 and reviewed protests of parish tax bills.

The protests of Agrico and Freeport were taken under advisement by the review board and no ruling has been handed down.

"They haven't done anything since the hearing," Bourgeois said.

However, Bourgeois said a compromise settlement of the tax dispute may resolve the issue and avoid the need for protracted and complicated tax appeals and hearings.

"I would think there would be a proposal coming forth that would be acceptable," Bourgeois said. He gave no indication when the proposed settlement will be offered.

The School Board levies a 2 percent sales and use tax in the parish. The board also collects sales taxes for the Parish Council, which levies a 1 percent tax.

The tax dispute revolves around the cost of sulphur, a "raw product in the production of fertilizers, by the chemical plants, according to Bourgeois.

The School Board and Parish Council maintain that Agrico and Freeport are using sulphur to produce sulphuric acid, according to Bourgeois. The acid is then used to produce the finished fertilizer product.

The sulphur is used up in the process and cannot be identified in the final product. As such, it is a taxable commodity and subject to taxation under sales and use tax ordinances in St. James, Bourgeois said.

The companies appealed their tax bills and claimed that the sulphur is used as a fuel at their facilities, he said. The sulphur is used in power plants and is not a taxable item, according to Agrico and Freeport.

Auditors doubt the companies' claim because sulphur is not an economical fuel, Bourgeois said. Sulphur is far more expensive than natural gas, the most commonly used fuel in conventional power plants.