N.O. States-Item Gar 30 Jun 71

'Secret' Mafia Panel Report

MARCELLO FIRM TAX JUGGLE CLAIMED

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BATON ROUGE — A still-secret report made to the Legislative Mafia Investigating Committee claims that a firm linked to rackets figure Carlos Marcello may have inflated losses by nearly $800,000 to avoid tax liabilities.

The report was compiled by Charles Carson, a New Orleans certified public accountant, during a 10-day period he was employed by the legislative committee to investigate organized crime influence in the Louisiana Revenue Department.

His report was barely touched on by the committee in its report to the public and most of his findings have remained secret from the public.

CARSON REPORTED that Southland Inns Inc., former owner of two Holiday Inn motels in New Orleans, overstated its losses by $549,000 based on balance sheets and operating statements furnished with tax returns for the years 1964-68.

He also said the company wrote off part of a loan as a $250,000 bad debt the same year it was purportedly made.

"Other differences in the balance sheets indicate that they do not truly report the financial operation or condition of Southland Inns Inc.," Carson reported to the committee.

"It appears that liabilities and surplus deficit were always increased enough to over-total the rent income from the motels," he said.

SOUTHLAND INNS INC. is one of five firms controlled by Leon S. Poirier, an accountant for Marcello.

Checks denoting payment of a total of $140,000 to Marcello and heirs of his father by Southland Inns Inc. in 1965, perhaps as payment for the motels, were turned up by the committee.

Southland Inns Inc. was late filing franchise and income tax returns for the four-year period ending in May, 1968, and filed no return on income for the last nine months of ownership, when the motels were sold to outside interests in February, 1969.

Further, Carson reported there has been no report of gain or loss on the sale.

Carson said that, based on statements furnished for tax purposes, the total deficit should have been $185,226 but instead was listed at $734,395.

"THIS IS AN overstatement of $549,168 in surplus deficit in the balance sheet of April 30, 1968," Carson advised the legislative committee. He said there was no explanation for hhe increase of the deficit.

For example, in the period 1966-67, Southland Inns Inc. showed a loss of

Turn to Page 4, Column 5

Continued from Front Page

$11,036, combined with a prior year deficit of $109,431. The total new deficit should have been $120,468, according to Carson, but was listedd at $545,614 for that year.

Southland Inns Inc. showed a sudden jump in "other assets" from 1967 to 1968 from $102,000 to $517,000. This was made up of $125,000 in treasury stock not listed in 1967, and an increase of $348,613 noted as advances to Gulf South Canal Complex Corp.

In a list of expenses for 1968, the report said, "There is loss on notes — $250,000. Elsewhere it is indicated that this is a loss on notes which would be part of the advance Gulf Smuth entry in other assets.

"It seems irregular to write off loans the same year those loans are made," Carson commented.

"IT HAS BEEN noted that fixed assets did not change much from 1967 to 1968," the report continued. "So if there were funds available to loan to Gulf South they came from funds earned by operations of the two Holiday Inns and should be taxed as income."

Carson said, "The false inflation of losses by $549,168 and the loss in loans of $250,000 could represent a drain off of funds to prevent tax liability.

"The increase in loans payable to First National Bank and National American Bank from 1967 to 1968 is $845,863. It would seem unusual to borrow this large amount at a time when funds were available to loan Gulf South."

Carson also reported that depreciation of the motels appeared too high. He said if depreciation began when the motels were acquired in 1964, then half their value was depreciated in four years.

POIRIER WAS LISTED as president of the company with 998 shares when it was incorporated in 1964. Others included Roy Gollottee, vice president, one share, and Joseph Miceli, secretary, one share.

Southland Inns Inc. took over the Holiday Inn West on the Airline Highway in Metairie from Jacqueline Inc. and the Holiday Inn East from the Lebaron Corp. The latter motel is on Chef Menteur Highway.

Two operating companies actually operated the motels, which were then rented from Southland. Poirier continued as an official or representative of all five companies, particularly before the Revenue Department.

The Revenue Department, according to the Carson report, had consistent difficulty with Southland Inns and other companies controlled by Poirier.

THE LEGISLATIVE committee turned Carson's report over to the State Revenue Department which has been investigating various findings of the group.

Little of the information has been made public even though it reflected the favorable treatment which Marcello-connected businesses received from the Revenue Department under the direction of former collector Ashton Mouton. This is what the committee was charged with investigating.

One of the audits made by Carson and revealed earlier by The States-Item concerned treatment given state Rep. James Beeson of Jefferson Parish. He once arranged a meeting between Poirier and Mouton over a tax dispute involving Southland Inns Inc.

The Mafia committee, in its report to the legislature, gave only brief mention of Carson's report on Southland Inns Inc.

The committee, which has since gone out of business, said Carson's findings "indicate inconsistencies in the tax returns of this corporation which should have suggested an audit long before one was recently ordered."