



Subchapter V Bankruptcy Voting Rules Clarified in *In re Hisaw*

On June 5, 2026, Judge John W. Kolwe of the U.S. Bankruptcy Court for the Western District of Louisiana issued a significant decision, *In re: Hisaw*, Case No. 25-50479 (Bankr. W.D. La. 6/5/26), 2026 WL 1640815, resolving several questions under Subchapter V of Chapter 11. The decision confirmed the debtor's "Third Amended Plan of Reorganization" over the objection of the United States Trustee regarding voting mechanics, third-party injunctions, a proposed debtor "savings fund" and the

timing of discharge.

The debtor's plan contained eleven classes, seven of which were impaired. Five impaired classes voted to accept, but two impaired classes did not cast ballots at all. The debtor argued the plan should still be confirmed as consensual under 11 U.S.C. § 1191(a), relying on two Southern District of Texas decisions, *In re: Franco's Paving LLC*, 654 B.R. 107 (Bankr. S.D. Tex. 2023), and *In re: Hot'z Power Wash*, 655 B.R. 107 (Bankr. S.D. Tex. 2023), which had excluded non-voting classes from the § 1129(a)(8) acceptance calculation.

Judge Kolwe declined to follow *Franco's Paving* and *Hot'z Power Wash*, instead joining reported decisions from Wisconsin, Georgia, Florida, Texas and South Carolina bankruptcy courts. The court concluded that § 1129(a)(8) presents only two possibilities for each class — either acceptance or non-impairment — and when no creditor in a class votes, the class simply has not accepted the plan, regardless of any arithmetic dif-

ficulty in applying § 1126(c). Because two impaired classes did not vote, the court sustained the U.S. Trustee's objection to consensual confirmation under § 1191(a).

The court then turned to the alternative possibility of nonconsensual confirmation under § 1191(b), which permits confirmation notwithstanding §§ 1129(a)(8), (10) and (15) if the plan does not discriminate unfairly and is fair and equitable as to each non-accepting impaired class. The court found the plan fair and equitable to secured and unsecured creditors alike, as the debtor dedicated all projected disposable income to a five-year payment stream, and found the plan's default remedies and feasibility showing adequate. The court accordingly held the plan confirmable under § 1191(b), subject to two required amendments discussed below.

The plan also sought a temporary injunction barring creditor actions against guarantors, insiders and affiliates of the debtor unless and until a plan default oc-



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curred. The U.S. Trustee objected on the grounds that the provision was effectively a nonconsensual third-party release, which is not permitted. The court found the reasoning of *In re: Miracle Restaurant Group, LLC*, No. 24-11158, 2025 WL 1400915 (Bankr. E.D. La. May 13, 2025), persuasive, concluding that the 5th Circuit's decision in *Feld v. Zale Corp.*, 62 F.3d 746 (5 Cir. 1995), permitting temporary injunctions of non-debtor actions in "unusual circumstances" remains valid even after the Supreme Court's decision in *Harrington v. Purdue Pharma L.P.*, 144 S.Ct. 2071 (2024), and the 5th Circuit's decision in *Highland Capital Management Fund Advisors, L.P. v. Highland Capital Management, L.P.*, 132 F.4th 353 (5 Cir. 2025), both of which concerned permanent third-party releases rather than temporary ones. Because the injunction was limited to closely related non-bankrupt parties, was important to the debtor's reorganization and affected creditors who had voted to confirm the plan, the court overruled the U.S. Trustee's objection on this point.

The court sustained two further objections. First, it rejected the debtor's proposed "Savings Fund," which would have let the debtor accumulate over \$50,000 during the plan rather than dedicating those funds to creditors, and found that the debtor had not shown the funds were "necessary for the continuation, preservation, or operation" of the business as required to exclude them from disposable income under § 1192(d). Second, the court rejected discharge after three years despite a five-year payment obligation, holding that under § 1192 discharge must await completion of all payments due within the court-fixed period, here five years.

Hisaw aligns the Western District of Louisiana with the majority approach on a recurring and previously unresolved Subchapter V question: whether a non-voting impaired class defeats consensual confirmation. Louisiana practitioners now have guidance within the district that silence from an impaired class is not the equivalent of acceptance, foreclosing reliance on the Texas-based minority approach. On temporary

third-party injunctions, *Hisaw* expressly adopted the reasoning of *In re Miracle Rest. Grp., LLC*, a 2025 Eastern District of Louisiana decision concluding that *Zale Corp.*'s allowance of temporary, plan-contingent injunctions survived both *Purdue Pharma* and *Highland Capital Management*. This creates a clear majority of districts in Louisiana that permit the use of temporary injunctions in such a manner.

The *Hisaw* decision is instructive for Louisiana bankruptcy practitioners. First, debtors' counsel should not assume passive or unresponsive creditor classes can be treated as accepting; solicitation and ballot follow-up with every impaired class is essential to preserve the possibility of consensual confirmation under § 1191(a). Second, practitioners seeking or attacking temporary injunctions protecting guarantors or affiliates should build a record showing the existence or absence of close relatedness and necessity to plan feasi-

bility, tracking the *Zale Corp./Miracle* framework. Third, any plan provision allowing a debtor to retain funds outside of plan payments — such as a reserve or savings or emergency fund — should be supported by a specific showing that the funds are necessary for business continuation, preservation or operation under § 1192(d), or it risks being stripped from the plan. Finally, discharge timing should be aligned with the actual length of the payment period fixed by the court, since a discharge date inconsistent with a longer payment term is unlikely to survive objection under § 1192.

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Standing in Federal Environmental Suits

In the recent matter of *Center for Biological Diversity v. U.S. Department of Transportation*, 180 F.4th 796 (5th Cir. 2026) (CBD), the 5th Circuit Court of Appeals presented a concise review of what it takes to have standing in challenges to permitting for alleged environmental harms. In *CBD*, several environmental groups sued the United States seeking to upend a permit for a floating liquified natural gas facility planned for siting off the coast of Vermilion Parish. In this case, each of the environmental groups identified members of their organizations as individuals who had suffered harm as a result of the U.S.'s permitting. As the court noted, as long as a single member of an organization can demonstrate an injury in fact that is traceable to the challenged federal action, the organization has standing to represent its remaining members.

In *CBD*, the court held that none of the representative members of the organizations could demonstrate injury in fact and, even if they had identified injuries, those injuries were not reasonably traceable to the permitting decision in this matter. This reality, discussed more below, prohibited the court from examining the merits of the case.

Among the alleged harms from the representative organization members were impaired health, enjoyment of property, impacts to recreational and commercial fishing, harms to whales, additional greenhouse gas emissions and detrimental impacts on scientific research. However, the court found that, while legitimate concerns, none of these allegations rose to the level of an injury in fact for standing purposes in this case. The court characterized these allegations as "broad concerns" that lack particularized harm to any of the organizations' members. Moreover, the court noted that, in addition to the litigants lacking injury in fact, none of them could convincingly trace the concerns to the challenged action. In other words, but for the challenged action, the court observed that the same harms and concerns would likely continue to exist. Importantly, the court observed that "[g]eneralized concerns for wildlife, greenhouse-gas emissions, and environmental quality cannot itself establish standing." *Id.* at 805. Additional allegations from at least two more representative plaintiffs fared no better in the court's analysis. Ultimately, this case was dismissed on standing grounds, although the court definitely acknowledged that organizational standing could be met. However, it simply was not in this case.

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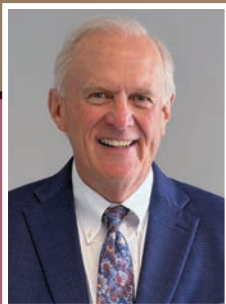
Custody – Non-Parents

Whitman v. Director, 26-0169 (La. App. 5 Cir. 07/17/26), 2026 WL 2075593 (unpublished).

Jeffrey Director sought supervisory review of multiple orders issued by the trial court in an action for emergency temporary custody and sole custody of his five children brought by their maternal grandparents, Wayne Whitman and Diane Whitman. Among other assignments of error, Director challenged the trial court's refusal to vacate the emergency temporary custody order under La. C.C.P. art. 3945 and its award of joint custody to a non-parent under La. C.C. art. 133.

The 5th Circuit granted the writ application in part and denied it in part, reversed and rendered judgment. The court first held that the trial court abused its discretion in denying Director's motion to vacate the emergency temporary custody order. The court explained that La. C.C.P. art. 3945 requires the trial court to commence the custody hearing within 30 days after issuing the emergency temporary custody order and to complete the hearing and render judgment within 45 days. Under no circumstances is the emergency temporary custody order valid and legally enforceable after 45 days. The Dec. 15, 2025, emergency temporary custody order expired by operation of law on Jan. 30, 2026, and therefore became null and void.

The 5th Circuit also held that the trial court committed legal error in awarding joint custody to Director and Wayne Whitman under La. C.C. art. 133. The court explained that the trial court's ruling failed to address the threshold determination that the Whitmans proved by clear and convincing evidence that an award of custody to Director would result in substantial harm to the children.



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Conducting a de novo review, the 5th Circuit concluded that the Whitmans failed to satisfy that burden and found that awarding joint custody to Wayne Whitman constituted “a gross infringement of Mr. Director’s parental rights over his children.”

Custody – Joint Custody Implementation Plans

Reine v. Clement, 25-0819, (La. App. 1 Cir. 07/09/26), ___ So.3d ___, 2026 WL 2028842.

Garrett Reine appealed a judgment designating Megan Clement as the domiciliary parent of the parties’ children, challenging the scope of the trial court’s domiciliary parent designation as beyond the pleadings. Ms. Clement answered the appeal, challenging both the restrictions placed on her authority as domiciliary parent and the award of equal physical custody.

The 1st Circuit amended the judgment and affirmed it as amended. The court first rejected Reine’s argument that the trial court lacked authority to designate a domiciliary parent, explaining that La. R.S. 9:335 requires the designation of a domiciliary parent whenever joint custody is decreed unless there is an implementation order to the contrary or other good cause shown. The court further concluded that Reine placed the issue of legal custody before the trial court by seeking relief concerning the children’s school enrollment, thereby placing the domiciliary parent’s educational decision-making authority before the court.

The 1st Circuit next held that the trial court’s judgment violated La. R.S. 9:335(B)(3) by placing unwarranted restrictions on Clement’s authority as the domiciliary parent. The judgment improperly required the children to undergo an educational evaluation and required the parties to confer regarding future school enrollment, despite making

no specific finding that Clement’s decision to enroll the children in the Silliman Institute was not in their best interest or that Reine’s preferred schools were a better choice. Relying on *Thibodeaux v. Thibodeaux*, 25-0972 (La. 8/6/25), 415 So.3d 932, the court further concluded that the challenged provisions could not constitute a valid implementation order because they failed to allocate any legal authority or responsibility to Reine.

Contempt

Duplantis v. Duplantis, No. 25-0654, 2026 WL 2035813 (La. App. 3 Cir. 07/15/26).

Kortney Duplantis appealed a judgment modifying custody, changing the parties’ domiciliary parent designation, holding her in contempt and sanctioning her counsel with an award of attorney fees. Among other things, she argued that the trial court erred in treating the hearing officer’s recommendation as an enforceable interim order before the

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judge signed an order adopting it.

The 3rd Circuit vacated the judgment and remanded. The court held that, pursuant to La. Dist. Ct. Rule 35.8, when a party objects to a hearing officer's recommendation, the recommendation does not have the effect of a court order unless and until the judge signs an order adopting it as a temporary order. No valid temporary order had been signed when the motion for contempt was filed, leaving no legal basis for the contempt judgment or the sanctions imposed against Ms. Duplantis and her counsel.

Post-Separation Family Violence Relief Act

Cedotal v. Smith, No. 26-0482, (La. 06/25/26), ___So.3d___, 2026 WL 1831533.

Brandon Cedotal sought supervisory review of the 1st Circuit's judgment reversing a trial court custody judgment after concluding that the trial court

committed legal error in finding that he had successfully rebutted the presumption against custody under La. R.S. 9:364(B). The appellate court found that the record did not establish that the domestic-abuse-intervention program Cedotal completed satisfied the requirements of La. R.S. 9:362(3) and conducted a de novo review of custody.

The Louisiana Supreme Court granted the writ application, vacated the 1st Circuit's judgment and remanded the matter to the trial court for an expedited evidentiary hearing. The court held that the existing record was insufficient to determine whether the domestic-abuse-intervention program Cedotal completed complied with the requirements of La. R.S. 9:362(3). The determination of whether Cedotal's domestic-abuse-intervention program complied with La. R.S. 9:362(3) was critical to whether he successfully rebutted the presumption against custody under La. R.S. 9:364(B) (1). The court directed the trial court to make a factual finding on the program's

compliance, supplement the record and return the matter to the court of appeal for reconsideration.

Justice Hughes dissented, reasoning that testimony and evidence introduced without objection, including Cedotal's testimony and certificate of completion for a domestic-violence-offender-treatment program following the Duluth Model, supported the trial court's finding that he complied with the applicable law. He further concluded that the mother's challenge to the sufficiency of that compliance was raised for the first time on appeal and that the trial court's factual finding should have been reviewed under the manifest error standard rather than remanding for further evidentiary development.

Druilhet v. Copeland, 25-0707 (La. App. 3 Cir. 07/02/26), ___So.3d___, 2026 WL 1905522.

Bilytha Druilhet sought and obtained a permanent protective order against Mace Copeland under the Post-



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Separation Family Violence Relief Act (PSFVRA) after alleging multiple incidents of domestic abuse during the parties' marriage. The trial court awarded Druilhet sole custody of the parties' child, denied Copeland visitation until he satisfied the requirements of La. R.S. 9:364 and permanently enjoined him from abusing, harassing or contacting Druilhet and the child. Proceeding pro se, Copeland appealed, arguing, among other things, that the trial court improperly adjudicated custody and visitation in a protection-from-abuse proceeding and failed to conduct a best-interest analysis before awarding custody and denying visitation.

The 3rd Circuit affirmed. Addressing Copeland's argument that custody and visitation were improperly decided in a protection-from-abuse proceeding, the court noted that the LPOR forms expressly place custody at issue in such proceedings. The court further observed that Copeland received the pleadings, participated in the proceedings and fully litigated the custody issues before the trial court. Accordingly, the record did not support his claim that custody and visitation were adjudicated without notice or due process.

The court also rejected Copeland's contention that the trial court failed to conduct a best-interest analysis. In doing so, the 3rd Circuit emphasized that, although courts must still determine a child's best interests in cases involving family violence, the analysis differs from the traditional best-interest inquiry under La. C.C. art. 134(A). Rather, La. C.C. art. 134(B) requires courts to determine custody and visitation in accordance with the PSFVRA. Applying that framework, the court found no abuse of discretion in the trial court's award of sole custody to Druilhet or its denial of visitation until Copeland satisfied the statutory requirements for future visitation.

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No Duty to Mitigate Emotional Distress Damages in Title VII Cases

A plaintiff alleging that an employer “engaged in unlawful intentional discrimination” in violation of Title VII of the Civil Rights Act of 1964 (Title VII) is entitled to compensatory damages, including for emotional distress. 42 U.S.C. § 1981a(a)(1), (b)(2)-(3). Whether Title VII plaintiffs have a duty to mitigate their emotional distress was an unresolved issue in the federal 5th Circuit. In *EEOC v. SkyWest Airlines, Inc.*, 181 F.4th 536 (5 Cir. 2026), the 5th Circuit determined that no such duty exists.

Procedural Background

Sarah Budd, a former parts clerk for SkyWest Airlines at the Dallas-Fort Worth International Airport, was subjected to pervasive and persistent sexual harassment, including rape “jokes,” overtly sexual comments and suggestions about selling her into prostitution. The harassment escalated after Budd complained to her supervisor, causing “extreme emotional distress” so severe that she needed to take medical leave. The harassment resumed immediately after Budd returned

to work. She complained to corporate HR, which placed her on paid administrative leave and then investigated her allegations. Budd ultimately accepted an offer of early retirement from SkyWest because “she feared the environment would be the same.”

The EEOC sued SkyWest on Budd's behalf under Title VII, and a federal jury awarded Budd \$2 million in punitive damages and \$170,000 for compensatory damages, including emotional distress (reduced to \$130,000 in accordance with Title VII's statutory cap). SkyWest moved for a new trial based in part on the jury's “award[ing] compensatory damages without considering Budd's failure to mitigate her emotional harm” because the district court “rejected its requested instruction on mitigation of damages.” *EEOC v. SkyWest Airlines, Inc.*, No. 3:22-CV-1807-D (N.D. Tex. Mar. 4, 2025) (SkyWest I), at **6-7, 2025 WL 697660. The district court denied SkyWest's motion for a new trial on this basis because its “reading of Title VII does not support the inference that Title VII claimants have a duty to mitigate their *emotional harm*” and thus the court's “refusal to give the requested instruction was not error.” *SkyWest I* at *8.

The 5th Circuit's Holding Regarding Emotional Damages

SkyWest appealed *SkyWest I* on several grounds, including its “entitle[ment] to a new trial on damages because the district court failed to instruct the jury to limit compensatory damages for noneconomic loss, like emotional distress, based



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on Budd's failure to mitigate those damages." *EEOC v. SkyWest Airlines, Inc.*, 181 F.4th at 543. SkyWest claimed that Budd "could have taken steps to mitigate her mental and emotional damages by seeking therapy or taking medication." *Id.*

The court rejected the 5th Circuit's argument on two grounds. First, the court concluded that Title VII's statutory scheme precludes mitigation of emotional distress damages because "the statute includes a mitigation requirement for backpay, but not for compensatory damages, [which] signals Congressional intent to exclude a duty to mitigate for compensatory damages." *Id.* at 544. Second, the court rejected SkyWest's claim that mitigation of emotional damages is "a well-established common law principle" that applies even absent express Congressional intent. *Id.* at 545. The court explained that SkyWest framed the duty to mitigate damages "far too broadly" because "[t]he question is not whether well-established common law principles created a duty to mitigate damages, but whether that duty extended to emotional distress. It did not." *Id.* As such, the circuit joined the "majority of federal courts answering this question [that] have held that Title VII plaintiffs have no duty to mitigate damages for emotional distress." *Id.*

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Contingent Fees And Attorney Misconduct

In re MMA Law Firm, PLLC, 26-0161 (La. 6/29/26), ___ So.3d ___, 2026 WL 1862008.

The Louisiana Supreme Court answered a set of certified questions from the U.S. District Court for the Southern District of Texas addressing whether, and how, an attorney may recover contingent fees and costs when the representation ends prematurely amid allegations of misconduct. The decision supplies a framework of statewide importance for fee disputes between predecessor and successor counsel.

The dispute arises from the collapse of McClenny Moseley & Associates, PLLC (MMA), a Houston-based firm that entered contingent-fee contracts with thousands of Louisiana residents pursuing hurricane- and storm-related property-damage claims after Hurricane Ida. In response to concerns about the firm's handling of those claims, multiple courts stayed MMA's cases or sanctioned its attorneys, and the Louisiana Supreme Court suspended the license of MMA's lead Louisiana attorney and stayed the firm's Louisiana state-court cases. *See id.* at *2. MMA subsequently filed for bankruptcy and, as the certifying court explained, either withdrew from or

was discharged from virtually all remaining cases, with successor firms assuming the representations and resolving many of the claims. MMA then asserted claims for fees and costs against successor firms out of the settlement proceeds. The claim giving rise to the certified questions was filed against Morris Bart, LLC. *See In re: MMA Law Firm, PLLC*, Civil Action NO. 4:24-CV-4446 (S.D. Tex. 2/4/26), 2026 WL 770618.

The Louisiana Supreme Court emphasized the limited nature of its role. The certified questions were framed hypothetically; no court has made any factual finding that MMA, its lawyers or its agents actually committed misconduct, and the parties dispute the allegations. Consistent with its authority on certified questions, the court made no factual findings and confined itself to deciding the questions of Louisiana law presented, leaving all fact finding to the federal district court.

Who may assert absolute nullity. The court first held that a successor firm sued by a predecessor for fees and costs may raise the defense that the predecessor's earlier misconduct renders its contingent fee contract an absolute nullity. Louisiana Civil Code article 2030 provides that an absolute nullity "may be invoked by any person or may be declared by the court on its own initiative," and a "person" includes a juridical entity. Because absolute nullities operate with respect to all members of society and are not confined to the parties to the transaction, a successor firm is entitled to raise the defense.

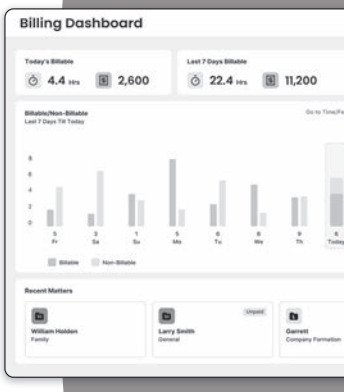
Effect of misconduct on the contract. The court distinguished between misconduct in the formation of the contract and misconduct during its performance. A contingent-fee contract entered as the result of unethical or illegal conduct – specifically impermissible paid solicitation, prohibited fee sharing or the unauthorized practice of law – is absolutely null. Such an agreement derogates from laws enacted to protect the public interest, violates rules of public order and results in conduct prohibited by law and against public policy. The court refused to "place its stamp of approval on such contracts." By contrast, where the parties formed a valid contract and the attorney engaged in misconduct only afterward, the misconduct may con-



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stitute a failure to perform that gives rise to dissolution of the contract but does not render it absolutely null.

Recovery of fees and costs. Consequences follow from that distinction. An attorney whose contract is absolutely null because it was procured through unethical or illegal means is not entitled to recover fees or costs on any basis, including a quasi-contractual or quantum meruit theory. Civil Code article 2033 deems an absolutely null contract never to have existed and bars recovery of a performance rendered under it by a party who knew or should have known of the defect. Rule 7.4(a) of the Rules of Professional Conduct independently prohibits collecting a fee for employment obtained through prohibited solicitation. Where, however, a valid contract was formed and later marred by misconduct, recovery is governed by the framework of *O'Rourke v. Cairns*, 95-3054 (La. 11/25/96), 683 So.2d 697, 702, and *Saucier v. Hayes Dairy Products, Inc.*, 373 So.2d 102, 118. Under that framework, the client owes

only a single contingency fee – the highest ethical percentage to which the client agreed – which is allocated among the attorneys, and the culpable attorney's share is subject to reduction or, in appropriate cases, complete denial based on the nature and gravity of the misconduct.

Against whom recovery lies. Subject to certain requirements, a discharged attorney has a right of action to recover fees and costs against both the former client and the successor firm, grounded in the special privilege afforded by La. R.S. 37:218. As to a claim against the successor firm, recordation of the contingent fee contract is not necessary, but the discharged attorney must provide some form of timely notice before the contingent fee is paid – that is, before the funds lose their identity by being commingled with the successor's own funds and the privilege is extinguished.

Withdrawal versus discharge. The court held that the *Saucier/O'Rourke* fee-allocation framework applies to any termination of the representation, whether by discharge or withdrawal. A withdrawal

may occur through no fault of the attorney or may involve unethical or illegal conduct; where the attorney bears some culpability, an *O'Rourke* reduction or denial is appropriate, particularly where the withdrawal materially and adversely affected the client's interests.

Judge or jury. Finally, the court declined to answer whether a judge or jury should make the *O'Rourke* adjustment. That question is not determined by Louisiana law; in a federal proceeding, the allocation of issues between judge and jury is governed by federal law.

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ASSIGNED VIN NUMBER / CHASSIS NO'S
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Meaning of Hotel and Transient Guest for Sales Tax and Occupancy Tax Notice Deficiency

Civeo USA, LLC v. Howard, BTA Docket No. L02026 (4/7/26).

Sun Towing, LLC (Sun), as lessor, entered into a development and lease agreement with LACC, LLC, as lessee. The lease provided that the lessor would construct and install living quarters within a mobile home park in Sulphur, Louisiana, which became known as Acadian Acres. The purpose of the lease was to secure temporary housing for employees and contractors near a worksite.

Sun sold Acadian Acres to Lakeland LLC, and then Civeo USA, LLC acquired Acadian Acres from Lakeland. When Civeo acquired Acadian Acres, there were 100 housing units on the premises. Each unit consisted of four bedrooms and a common area, for a total of 400 beds. Civeo assumed the lease and stepped into the shoes of the lessor. As lessor, Civeo was required to make a minimum number of beds per night available to LACC for use by LACC's employees and contractors.

The units were manufactured homes. Outside each unit was a parking lot with four parking spaces. Each unit's common area served as a consolidated living, dining, kitchen and utility space. Civeo supplied the units with utilities, air conditioning and an internet connection. Civeo also supplied the units with appliances and furnishings, such as bedding, televisions, microwaves, coffee makers, mini fridges, desks, chairs, towels and silverware. The lease required that LACC pay a rate of \$51.81 per bed-night utilized (i.e., occupied).

Hollie Howard, in her capacity as

director for the Calcasieu Parish School Board Sales and Use Tax Department, the Calcasieu Parish School Board Sales and Use Tax Department, and the Southwest Louisiana Convention and Visitors Bureau conducted an audit for the sales-tax periods Dec. 1, 2017, through Dec. 31, 2020. Howard issued a notice of assessment for additional sales tax due attributable to the lease payments. Civeo filed an appeal with the Louisiana Board of Tax Appeals (BTA). In addition, Howard issued a notice of assessment for additional occupancy (hotel/motel) tax attributable to the amounts paid by Civeo pursuant to the lease for the same tax periods. Civeo paid under protest and filed suit at the BTA.

Civeo moved for summary judgment, which Howard opposed. Civeo argued that it neither operated a hotel nor furnished sleeping rooms to transient guests. As a result, Civeo maintained that it was not required to collect sales or occupancy tax on the rental of the units, or the payments made pursuant to the lease.

Civeo operated the physical establishment where visitors were lodged. Civeo checked in new guests, provided them with room keys, hired full-time employees, established facility policies and provided on-suite services such as cleaning and security. Based on these facts, the BTA found that Civeo operated a hotel at Acadian Acres.

LACC's employees physically occupied the rooms at Acadian Acres. The hotel roster showed that none of the employees resided at Acadian Acres for more than a year. The facts showed that the people who stayed at Acadian Acres would not be permanent guests. The BTA held the rooms were occupied by transient guests.

Civeo argued that the occupancy tax notice was statutorily deficient for failing to include notice of Civeo's right to appeal to the BTA as required by the Uniform Local Sales Tax Code (ULSTC), specifically La. R.S. 47:337.51(A)(1). The BTA found that the occupancy tax notice satisfied the criteria to operate and in effect was a sales tax to be subject to the notice requirements imposed under the ULSTC. The ULSTC required that the taxpayer be notified of its right to file an appeal

with the BTA. The occupancy tax notice did not strictly adhere to the statutory requirement and did not have the effect of interrupting prescription. The BTA held the occupancy tax notice was not a final assessment. Despite holding the occupancy tax notice was deficient, the BTA held Civeo failed to demonstrate that the occupancy taxes for the tax period were prescribed.

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Courts Address Property Tax Sales and Ad Valorem Tax Exemption

In *Pung v. Isabella County, Michigan*, 146 S.Ct. 1590 (2026), the U.S. Supreme Court held that “just compensation” required by the Takings Clause of the Fifth Amendment is measured by the surplus of the price obtained at a tax sale (and not the fair market value) over the property-tax debt.

At issue was the tax sale of the Pung family residence under the Michigan General Property Tax Act, which requires counties to give public notice of the tax sale, to sell the property to the highest bidder and to obtain a judgment of foreclosure from a Michigan court. The home, valued at \$194,400, was sold at a tax sale for \$76,008 to settle a \$2,241.93 debt. Following a suit by Pung, the district court held that the Takings Clause entitled Pung to “the amount of the sale above his debt and no more” and rejected Pung's Eighth Amendment Excessive Fines Clause claim. The 6th Circuit affirmed.

The Supreme Court vacated and remanded the case, with Justice Alito writing the majority opinion for a court that was unanimous in its decision. The

court held that the baseline for measuring “just compensation” following a tax sale is the price fetched at auction rather than the hypothetical fair market value, at least where the sale is fairly conducted in light of the nation’s history of tax sales. Tracing the roots of the surplus-proceeds rule from the Magna Carta to present day, the court reasoned that delinquent owners may be able to take alternative steps such as refinancing the property or selling it themselves to avoid foreclosure and that a fair market rule would render these kinds of tax-enforcement efforts impractical by placing unprecedented burdens on such jurisdictions. Pung’s Excessive-Fines Clause claim was also rejected for the same reasons.

In *Northwestern Louisiana Cancer Center, LLC v. Louisiana Tax Commission*, BTA Docket No. L01968 (5/14/26), the Board of Tax Appeals (BTA) held that a cancer center titled in the name of a wholly owned private subsidiary of a public hospital service district and used for the hospital service district’s public purpose is exempt from ad

valorem taxes as “other public property” under Louisiana Constitution article VII, section 21(A).

In August 2021, the Natchitoches Regional Medical Center (NRMC), a hospital service district and political subdivision of the state, purchased and became the sole owner of Northwestern Louisiana Cancer Center, LLC (NLCC), a private entity. NLCC’s only business activity is the lease of its cancer center and medical equipment to NRMC. On Dec. 27, 2023, NLCC paid its 2023 ad valorem taxes under protest and timely filed a legality challenge before the BTA. Both sides moved for summary judgment.

NLCC argued that it is exempt from ad valorem taxes because it is “owned and used by a political subdivision of the state of Louisiana to carry out a public purpose.” The assessor and sheriff argued that the direct ownership of the cancer center by NLCC subjects it to ad valorem taxes.

The BTA granted NLCC’s motion for summary judgment and denied the mo-

tions filed by the assessor and sheriff, finding that NLCC was exempt because (1) it qualifies as “any other unit of local government” and is therefore a political subdivision under Louisiana Constitution article VI section 44(2), and (2) NLCC and NRMC used the cancer center exclusively for their public purpose of providing medical services and treatment.

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