

## Scientology's Tax Exemption Should be Rescinded

by Jeff Jacobsen

On October 1, 1993, the U.S. Internal Revenue Service formally announced that the Church of Scientology and its myriad corporate entities had been granted tax exemption. This was a stunning announcement considering that the IRS had been in almost constant battle with Scientology since 1966, had several court (and even a Supreme Court) rulings in its favor, and had compelling evidence of Scientology fraud, misrepresentation, and even harassment against IRS officials. The ruling, however, stopped thousands of lawsuits [\[1\]](#) against the IRS and individual IRS auditors filed by or on behalf of Scientology. [\[2\]](#)

"THE WAR IS OVER!" trumpeted International Scientology News magazine, showing the huge rally Scientology held to celebrate their "victory" over the IRS which had created "false reports disseminated overseas." [\[3\]](#) "...of all the many agencies that barked at Scientology's heels in the ensuing years, the most persistent – and the most dangerous – was the IRS... Its ultimate stated purpose: to destroy the Church of Scientology." [\[4\]](#)

Did Scientology win a moral victory over the IRS that was illegally attacking a religion, or did the properly acting IRS cave in to the attacks of Scientology in the "war" Scientology had waged against the IRS?

This article will review the history of the IRS regarding Scientology, the October 1, 1993 tax-exemption for Scientology, and the reasons why this ruling should be rescinded.

### I. HISTORY

In 1894 Congress passed a law granting religious tax exemption to some organizations. In 1953 L. Ron Hubbard, founder of Dianetics and Scientology, wrote his co-worker Helen O'Brien a letter stating "I await your reaction on the religion angle" regarding their for-profit Dianetics centers. In June of 1953 Hubbard wrote of Scientology that "this is the science of knowing how to know. It is a science..." [\[5\]](#) In 1957 the Church of Scientology was granted exemption as a religious organization. [\[6\]](#) In 1967 the IRS revoked the exemption. From the time the audit of that revocation began in 1965, Scientology was at war with the IRS. L. Ron Hubbard wrote in 1965 (the year the IRS audit began) that "Taxes exist only to destroy business. Be impudent. Get rich and to hell with them. Governments are just a reactive bank we have to live with for a while." [\[7\]](#)

In early 1970 IRS agent Woodrow Wilson began an audit of Scientology's records for the years 1968-69. [\[8\]](#) In the summer of 1970, Martin Greenberg, Scientology's accountant, stated that he deliberately disorganized and confused the documentation provided to the IRS for the audit. [\[9\]](#) In February 1973, Henning Heldt, vice president of Church of Scientology of California, was ordered to bring documents for an IRS audit. Heldt came to the meeting empty handed on February 20, and lied, saying he had resigned and therefore had no control over the asked for documents. [\[10\]](#) On April 20 of that year, L. Ron Hubbard created the "Snow White" program, which was designed to rid governmental agencies of any "false data" regarding Scientology and Hubbard. [\[11\]](#)

In the summer of 1974 Scientology's Guardian's Office began looking for a suitable candidate to infiltrate the IRS. [\[12\]](#) By October 21, 1974, Jane Kember – 2<sup>nd</sup> in command of the GO - wrote Guardian's Order 1361, which included:

10. Immediately get an agent into DC IRS to obtain files on LRH, Scientology, etc. in the Chief Council's [sic] office, the Special Services staff, the intelligence division, Audit Division, and any other areas.

16. Collect data on the Justice Dept. Tax Division for the org board, the current terminals, and the people handling Scientology.

17. When the correct areas are isolated, infiltrate and get the files. [\[13\]](#)

On November 1, Scientologist Mitchell Hermann planted a bugging device in the conference room of the IRS' chief counsel. Scientologists in a car outside recorded the transmission of an IRS meeting about Scientology. [\[14\]](#) On November 18, Gerald Wolfe, a Scientology operative, got a job as a clerk typist in the IRS. [\[15\]](#) On December 4, Scientologists Hermann and Michael Meisner illegally entered the IRS exempt organizations office using fake passes and stole a 10" thick document on Scientology. [\[16\]](#)

On February 14, 1975, the Church of Scientology of California (CSC) and Department of Justice had a conference to work out issues. They agreed to 1) temporarily suspend litigation, 2) examine the Hawaii Scientology organization from 1965-1974 to determine its tax exempt qualifications, 3) the Hawaii results would apply to all Scientology organizations, 4) CSC and any other non-standard churches would be reviewed. [\[17\]](#) Between January and July of that year, Gerald Wolfe stole the equivalent of documents stacked 10 feet high from the IRS offices. [\[18\]](#) In May, Greg Willardson devised Project Thorn which was designed to "provide a cover for PR [Public Relations] and legal for the way they obtained IRS docs." [\[19\]](#) The plan also called for stealing documents about other organizations in order to hide their specific interest in Scientology. Gerald Wolfe accomplished this mission.

On May 27, 1975 Mary Sue Hubbard (L. Ron Hubbard's wife and head of the GO) wrote Jane Kember that:

Our overall strategy with the IRS shall be as follows:

1. To use any method at our disposal to win the battle and gain our non-profit status.

2. To buy all the time we can in terms of years ... So we work to win, but also to delay as time works on our side, not theirs... [\[20\]](#)

In July Scientology filed a Freedom of Information Act suit against the IRS. The goal was to get Scientology documents placed in a location easier to infiltrate. [\[21\]](#)

On July 31, the IRS granted the Church of Scientology of Minnesota (Minneapolis) tax exemption. [\[22\]](#) In November, Scientology planned to use United Churches of Florida and Southern Land Development Corporation to hide money from the IRS. [\[23\]](#) On December 5, L. Ron Hubbard ordered that dozens of Scientology operatives be placed in governmental offices to watch for any activity against Hubbard himself. A new Guardian Order:

"Place a separate agent into the IRS Office of International Organizations (OIO) (as this office has a case preparation or investigative action going on LRH personally for income tax evasion or something similar)." [\[24\]](#)

On June 11, 1976, Michael Meisner and Gerald Wolfe were questioned by the FBI after a security guard became suspicious of their forged IRS badges. Meisner talked his way out and escaped. [\[25\]](#)

On November 19, U.S. News and World Report reported that contributions to Scientology would now be tax exempt. [\[26\]](#)

In January of 1977 CSC and the IRS held a conference to discuss audits so far. [\[27\]](#) In June Gerald Wolfe was sentenced to probation and community service for forged federal credentials.

On July 8 the FBI raided the offices of Scientology in Washington DC and Los Angeles, based on information from Michael Meisner who had turned himself in to the FBI. [\[28\]](#) Sometime in July a typewriter case was found in a parking lot with Scientology documents that were turned over to the FBI because they appeared to

show illegal activity. [29]

On December 20, the IRS met with CSC to give a final offer of settlement. [30] On December 28, the IRS issued notice of deficiency to CSC. [31]

In 1978 IRS Rev. Rul. 78-189, 1978-1 C.B. 68 was published, stating that Scientologists cannot deduct auditing expenses from their taxes. [32] In August, 9 Scientologists were indicted and 2 others sought for extradition in the theft of government documents in the "Snow White" case. [33]

In December 1979, five Scientology leaders - Mary Sue Hubbard, Greg Willardson, Henning Heldt, Duke Snider and Richard Weigand - were convicted of conspiracy to steal government documents and sentenced to between two and six years. [34]

June 30, 1980, Scientology attorneys attempted to force Judge Richey to recuse himself in the Snow White case. [35] On October 3 in a lawsuit by Scientology to gain tax exemption, the U.S. argued that Scientology should be denied tax exemption because of 1) conspiracy to obstruct the IRS, 2) abuse of religious confidence, 3) infliction of psychic harm, 4) blackmail and "fair game", 5) disconnection policy, 6) false imprisonment, 7) false statements to immigration officials, 8) removal of large amounts of money from US, 9) false registration of yachts, 10) drastic punishment of staff and members. [36] On Nov. 9, CSC's president signed a false affidavit claiming the UK church is not a part of CSC, even though it is. [37] On December 19, Jane Kember and Morris Budlong were sentenced to 2 to 6 years for burglarizing the IRS. [38]

In October 1982, David Miscavige, new head of Scientology, and his staff called a Mission Holder's Conference in San Francisco. At that conference Lymon Spurlock stated "prior to the end of 1981, a few of us *from the CMO* got together and took a look at the corporate structure of the Church with the view in mind of making it more defensible and more regular *and particularly not understandable by the traditional enemies of the Church such as the IRS*, and to make an overall improvement." The phrases in italics were omitted in the transcript, but exist in the tape of the Conference. [39]

In January 1983, Mary Sue Hubbard was ordered to turn herself in in 3 weeks to begin her sentence in the Snow White case. [40]

In July 1984, the Criminal Investigation Division of the IRS (Los Angeles District) began investigating L. Ron Hubbard's tax returns for the tax years 1979 through

There is no need at all for them to be the Board of Directors in order for them to run the Church, but the authority of the Church has to lie somewhere, and on some basis. And since the Church has always chosen a corporate entity, eventually the authority is going to have vest with the Board of Directors. The only reason it's worked so long without that occurring is because everyone has effectively been bound by the authority of LRH and have ignored corporate lines....

[Charles Parcellle] We could say that the RRF, [Religious Research Foundation], and CSC are part of the same church, even though they are corporately different. I mean if anything was a sham corporation, it's RRF.

[Allen Wertheimer attorney for L. Ron Hubbard answers.] As I understand it RRF receives monies that would otherwise be due to the California Church for services rendered by the California Church to people outside of the country who decide to pay the Church from outside the country.

[CP] That's right.

[AW] So that's basically right?

[CP] That's right. Foreign non-US Scientologists pay RRF, they go to Flag [the flag Ship Org, FSO] and take the services. RRF was originally supposed to hold the money until the service was rendered and then pay it to CSC. But in fact it has not really done that and so CSC has rendered much service to many foreign Scientologists and RRF has got the money. Fortunately for us RRF wasn't incorporated until 1973 and we're litigating 1972. So I haven't really tried to sort this one out but it obviously is the classic case (loud laugh) of inurement, if not fraud (several laughs).

[Laurel Sullivan] Well put.

[Speaker unidentified] It's all privileged.

[Dick Sullivan] The tape recorder is going here Charles....

Now when you talk around a table like this and there is no internal revenue agent present, (whispered: I hope so), bugged or otherwise, one can work out solutions. But when you are a few weeks away from a trial and everything you say is going to be rammed down your throat, then you have to start looking at what actually happened. And it's very difficult to assign significances to things other than what was actually being done at the time. [42]

On September 24, 1984, the US Tax Court ruled against Scientology's tax exemption in a lengthy and scathing decision:

"When we consider all the facts spread across the voluminous record in this case, we are left with the inescapable conclusion that one of petitioner's [Scientology] overriding purposes was to make money. We also conclude that criminal manipulation of the IRS to maintain its tax exemption (and the exemption of affiliated churches) was a crucial and purposeful element of petitioner's financial planning. We need not repeat in detail our findings regarding petitioner's efforts to block the IRS from investigating, determining and collecting taxes from petitioner and affiliated churches. The highlights of the conspiracy show its nature and scope.

The conspiracy spanned 8 years beginning in 1969 and continuing at least until July 7, 1977 when the FBI, pursuant to a warrant, searched petitioner's premises for evidence of the conspiracy and related crimes. The scheme involved manufacturing and falsifying records to present to the IRS, burglarizing IRS offices and stealing Government documents, and subverting Government processes for unlawful purposes. For example, Freedom of Information Act requests were planned for the purpose of having the IRS amass records in one central place where they would be easier to steal. At first, petitioner's FBO network masterminded the conspiracy, developing plans to conceal that OTC was a sham by falsifying and manufacturing records. Later petitioner's Guardian Office, whose top officials served on petitioner's board of directors during the docketed years, directed the conspiracy. The Guardian Office developed plans to infiltrate the IRS and steal documents. Later it monitored the implementation of these plans." [43]

In response to the loss in court, Scientology president Heber Jentsch stated that "This decision has only strengthened our iron determination to work with other churches, human rights organizations and concerned American taxpayers to bring about the reform of America's Gestapo (IRS) and, if necessary, to bring about its dismantling." [44] Jentsch told the Wall Street Journal that Scientology would sue the IRS for \$750 million in damages for violation of their First Amendment rights. [45] On October 10, Scientology's Freedom magazine placed an ad in the Los Angeles Times seeking IRS employees who would tell critical stories about the IRS. [46]

Other retaliation against the IRS began. In January 1985, Scientology and former congressman George V. Hansen (R- Idaho) formed an organization to uncover corruption in the IRS. [47] On January 30 a large anti-IRS ad was placed in the Los Angeles Times by the Church of Scientology International. [48] Further such ads appeared in the Los Angeles Times on February 13 and May 1, and in the Oregonian on April 26. [49] Scientology held an anti-IRS forum in Clearwater Florida on November 4. [50] In late 1985 Scientology shredded thousands of documents requested in an IRS investigation. [51]

In 1987 several Appeals Court cases against the IRS were filed by Scientologists trying to deduct their courses on their tax returns. In the US 8<sup>th</sup> Circuit Court in St. Louis, auditing fees were ruled deductible, while in the 1<sup>st</sup> Circuit Court in Boston, they were ruled nondeductible. [52] On July 18<sup>th</sup> the 9<sup>th</sup> Circuit Court in San Francisco ruled that auditing fees were not deductible. These contrary rulings of course pushed the issue inevitably to the US Supreme Court.

In July the 9<sup>th</sup> Circuit Court of Appeals upheld the revocation of Scientology's tax-exempt status. [53] President Heber Jentsch, vowing to fight on, declared "We're the only group in America with the guts to stand up against the IRS." [54] In another blow, the Supreme Court ruled in November that the IRS did not have to release some documents Scientology was demanding the IRS release. [55]

In May of 1988 the Supreme Court refused to review Scientology's loss of tax-exemption, but put on its calendar the issue of whether auditing fees could be deducted. [56] In July the IRS ruled the Church of Spiritual Technology (a Scientology corporation) was not tax-exempt. [57]

The March/April 1989 issue of Scientology's Freedom magazine spent several pages criticizing the IRS and requesting IRS whistleblowers to send them information. In June the U.S. Supreme Court ruled in the Hernandez case that Scientology auditing fees were not tax deductible. [58] On June 21 the US Supreme Court ruled that the "Zolin tapes" could be used by the IRS to determine a probability of fraud on Scientology's part. [59] That summer, Scientology hired private investigators to look into the private lives of IRS officials involved in the investigation of Scientology's tax status. [60] The July/August Freedom issue devoted 9 pages ridiculing the IRS. The December/January issue devoted 11 pages.

In January 1990 the IRS sent a summons to Scientology to review records of the Church of Scientology Flag Service Organization in Clearwater Florida on suspicion that activities of this group were commercial in nature. [61] In February the IRS went to federal court in Tampa to obtain this information. [62] In April David Miscavige, de facto head of Scientology, wrote an editorial in USA Today calling for the abolition of the IRS. [63] Also in April, the U.S. District Court in Tampa Florida ruled that Scientology should turn over most documents requested by the IRS. [64] On June 20 the U.S. Court of Appeals, Ninth Circuit, ruled that the "Zolin tapes" could be used by the IRS to show illegal intent, specifically stating that

We must therefore examine the transcripts and determine whether they, along with the independent evidence already reviewed, demonstrate sufficient evidence of i

In October it was reported that Scientologists had been successfully pressuring their congressional representatives to inquire as to the IRS "harassment" of Scientology. [66] Scientologists even protested in front of IRS offices and offered \$10,000 rewards for any IRS agent's whistleblowing. [67]

In June, 1991 Scientology won against the IRS in Boston federal court, preventing the IRS from viewing some Scientology documents. [68] Scientology won another case in which it claimed the IRS had denied Scientology was a religion. [69] In August Scientology sued 17 IRS officials charging them with harassment and illegal activities. [70] Scientology placed more anti-IRS full page ads in USA Today [71] and the Wall Street Journal. [72] In October Scientology leader David Miscavige and cohort Marty Rathbun reportedly had an impromptu meeting with IRS commissioner Fred T. Goldberg Jr. in which Miscavige allegedly offered to drop thousands of lawsuits against the IRS in exchange for exemption. Goldberg set up a commission to handle the Scientology case, bypassing normal IRS channels. [73]

In June of 1992, the US Claims Court rejected Church of Spiritual Technology's attempt to gain tax-exemption. The court stated that Scientology's corporate structure is "something of a *deceptus vitus*. Real control is exercised less formally, but more tangibly, through an unincorporated association, the Sea Organization..." [74] In August, however, the church won against the IRS in federal court in Los Angeles, winning a \$16,881 judgment against the IRS for its refusal to allow Scientology to view certain documents. [75]

Scientology won again in March of 1993 when the district court in Boston ordered the IRS to pay Scientology \$80,787 in legal costs over unjustified positions the IRS held against Scientology. In March the Church of Spiritual Technology was again denied tax exemption, [76] but then in August the IRS inexplicably granted tax exemption to every Scientology entity in the U.S., including Church of Spiritual Technology, [77] whereupon Scientology filed new applications as instructed. On October 1 the ruling was formally placed into effect (but its contents kept secret), and on October 8 Scientology held a rally of over 10,000 members to celebrate the victory. In his 2 hour speech there, David Miscavige announced that Scientology had defeated a plot by psychiatry to destroy Scientology by using the IRS as a tool. [78]

Former IRS Commissioner Donald Alexander voiced concerns about the IRS's decision... "I hope that the IRS did not give in to intimidation... I have great reservations, based on public record and published stories, about this organization's activities and whether this was, is, or remains a money-making cult." [79] In November, the IRS issued Rev. Rul. 93-79, 1993-34 I.R.B. 7, which declared Rev. Rul. 78-189 obsolete (see 1978) and now allowed auditing to be deductible (despite contradicting the Supreme Court's Hernandez ruling). No reason was ever given. [80] On November 10, The consumer affairs group Tax Analysts submitted a Freedom of Information request to obtain the exemption agreement. [81] In February 1994, the IRS refused the FOI request, and Tax Analysts filed suit. [82]

In March 1996, Tax Analysts successfully sued the IRS for the right to see their field service advice memorandums (FSAs) concerning the Scientology agreement of October 1993. [83]

In March 1997 the New York Times ran an extensive coverage of Scientology's road to tax exemption. [84] On March 19 Scientology responded with a large ad touting the IRS ruling. [85] That same day, Scientology denied its own previous accounts that David Miscavige had an impromptu meeting with the IRS commissioner. [86] On December 30, the Wall Street Journal published the secret IRS/Scientology agreement on its web page. [87] In their print article on the settlement, the Journal delineated aspects of the agreement:

- Scientology to pay \$12.5 million in settlement
- Scientology to set up a compliance committee to monitor the church's adherence to the agreement
- Scientology would drop "thousands of lawsuits filed against the IRS in courts around the country and to stop assisting people or groups suing the agency..."
- The IRS cancels payroll taxes and penalties against Scientology entities and officials, and drops the liens and levies based on these charges
- The IRS drops auditing 13 Scientology organizations
- The IRS drops litigation seeking documents from Scientology

"The IRS normally settles on tax issues alone," said Robert Fink, a New York tax lawyer who reviewed the agreement. "What the IRS wanted was to buy peace from the Scientologists. You never see the IRS wanting to buy peace." [88]

## II. THE SECRET I.R.S. AGREEMENT WITH SCIENTOLOGY

Were it not for some anonymous whistleblower, the secret IRS/Scientology Agreement would still be unknown. There are many strange and disturbing aspects of the secret agreement reached on October 1, 1993. The most obvious perhaps is the weak position Scientology was in to ask for such an agreement. As the history related above shows, the IRS was more successful than not in court despite the many suits brought against it by Scientology. The US Supreme Court sided with the IRS in the Hernandez case, as the Circuit court did just months before the Agreement in Church of Spiritual Technology's suit to gain exemption.

The IRS granted tax-exemption to Bridge Publications, which in fact was actually a for-profit corporation. [89]

The IRS suddenly chose to ignore court rulings in its favor and even common sense. There was ample and well-documented evidence of Scientology's abuse of the law, the courts, and the IRS. Yet all this was set aside in one sudden submission to Scientology's desires.

Why did the IRS decide to abandon its position of strength? Could it have been to purge itself from the thousands of lawsuits Scientology had then against the IRS and individual auditors, the anti-IRS articles and actions, and the flood of FOIA requests by Scientology? The answer is unknown at this time, but as one magazine pointed out:

“The Church of Scientology settlement represents a new precedent that may come back to haunt the IRS. While most taxpayers will not lose sleep worrying about our national tax collector’s problems, it could mean that, if a taxpayer is wealthy enough and aggressive enough to file a legion of lawsuits over the course of many years, the IRS may cut its losses and throw in the towel to avoid the time and expense of defending a huge number of cases.” [90]

Scientology was required by the Agreement to pay the IRS \$12.5 million, an apparent arbitrary settlement amount not related to any actual judgment or previous IRS ruling. Tax Analyst’s attorney William J. Lehrfeld stated that “the Service apparently thinks it has authority just by the mere power to execute a closing agreement to assert a dollar sum as the equivalent of a fine or cost without regard to whether it is a tax, a penalty, or an interest payment... The implications are enormous.” [91] Where did this figure come from? How did it compare to what Scientology would have owed in back taxes had it’s exemption been denied?

It is also clear from the history that Scientology was indeed treating its disputes with the IRS as war. They attacked the IRS consistently on many fronts; suing and investigating individual IRS agents, deliberately obscuring their records, constantly suing the IRS directly, taking out anti-Scientology advertisements, funding anti-IRS groups, lying, infiltrating, stealing, bugging, offering rewards for IRS whistleblowers, pressuring congressmen to investigate the IRS, filing countless Freedom of Information Act requests, creating a corporate maze, publishing anti-IRS articles in their own magazines, and other methods. The attacks worked.

The IRS acquiesced to an unusual desire of Scientology in the Agreement. As reported in a Scientology magazine, the IRS itself sent Scientology promotional literature out to other countries:

“The IRS has agreed to send out leaflets to the governments of every nation. These letters will state that they have done a thorough review of all Scientology activities from top to bottom and having found nothing wrong - fully recognize us as a bona-fide and qualified tax exempt organization to the full extent of the law.

Furthermore, they will be attaching to each of these letters a printed fact sheet on Scientology that explains what Scientology really is. Who LRH is, and what all of our organizations are. It is very complete and very accurate. How do I know?

We wrote it!

And the IRS will be sending it out to every government in the world!” [92]

The IRS did indeed send out this literature along with a cover letter, thus using taxpayer funds to promote a specific religion.

The IRS also does not allow public access to most of Scientology’s 1023 forms. These are the documents an organization provides the IRS in order to obtain tax exemption. According to IRS rules, most documents supplied by the organization seeking exemption and most IRS related documents “shall be open to public inspection at the national office of the Internal Revenue Service.” [93] The 3 exceptions to this open documents rule are “information from which the compensation... of any individual may be ascertained,” disclosure of a trade secret, patent, or other intellectual property that would be harmful to the organization if disclosed, and names of contributors. [94] In May of 1995 this writer went to the Exempt Organizations Reading Room of the IRS in Washington DC to view the Scientology documents relating to their application for tax exemption. These forms, called 1023 forms, should be public, as the rules just listed explain. However, there was approximately 10 linear feet of material made available for viewing. This writer asked to see a contract mentioned in the documents but not in the available material. This writer was told that there were two roomfuls of other material, but that it would take a Freedom of Information Act request to see them. Therefore, in Scientology’s case, MOST of the 1023 forms are unavailable for public inspection, contrary to the IRS’ own rules.

This issue is raised in the Agreement in a long section where an apparent agreement was reached between Scientology and the IRS over which documents would be considered disclosable and which would not. [95] It seems strange that the IRS did not simply apply their own rules concerning such documents, but instead apparently held detailed negotiations over what would or would not be publicly accessible.

The Agreement required that Scientology close their corporate entity World Institute of Scientology Enterprises (WISE). The Agreement states “The members of the CTCC shall, no later than December 31, 1995, effectuate the dissolution of WISE, Inc. and the transfer of all of its assets, including but not limited to its rights to the Scientology religious marks, to the Inspector General Network.” As of June 30, 2001, the California Secretary of State still lists WISE as an active corporation. [96] WISE still has an active web page. [97] WISE is still active in the United States and abroad. David Miscavige in his October 8, 1993 victory speech stated that “Over the last several years we have been expanding our efforts to get LRH’s admin tech into full use. WISE Int. has now set up a new college to train people in this tech. It is called the Hubbard College of Administration and as you can see here, it too is recognized by the IRS!” Apparently, there was no written penalty for not complying with this portion of the Agreement, but obviously, WISE was not dissolved.

Another Scientology corporation granted exemption is Bridge Publications. This is particularly unusual since Bridge was created as a for profit corporation. An internal Scientology document stated at Bridge’s creation that “because of the change, BRIDGE can also expand tremendously into the commercial publishing world, which it could not do before. BRIDGE will be able to distribute its books to commercial book stores all over the country, and will not be limited to Church and Mission book stores only.” [98] Bridge was therefore created from the beginning to be a commercial enterprise to sell Hubbard’s secular writings to secular book stores. However, to the IRS in their documentation seeking tax exemption, the story was quite different. “Bridge and NEP have always operated exclusively for religious purposes.” [99]

“NEP and Bridge sell introductory Scriptural texts such as Dianetics: The Modern Science of Mental Health and Scientology: The Fundamentals of Thought and Mr. Hubbard’s fictional works through commercial retailers, but sales are limited. The objective of these limited sales through commercial retailers is to create interest in Mr. Hubbard’s works and thereby to disseminate the religion. Since readers tend to follow the works of authors they enjoy, crossover readership often interests the reader in Scientology.” [100]

Once again, Scientology is trying to claim that a commercial enterprise is in fact a religious activity. If this is so, then any commercial enterprise could gain non-profit status simply by calling itself a religion, and tax-exemption would simply be a farce. It appears, then, that Scientology intentionally misrepresented Bridge Publications to the IRS.

While Scientology in the above reference claimed that the sales of Hubbard’s fictional books “are limited,” on Bridge Publication’s web site they claim that both Battlefield Earth and the Mission Earth dekalogy have sold over 5 million copies, and the Mission Earth dekalogy “continues to appear on bestseller lists in countries throughout the world.” [101] These are hardly limited sales.

The Agreement has some aspects that apply only to Scientology and no other exempt religious organization. According to Tax Notes, the Revenue Ruling 93-73, which allows deductibility of Scientology auditing sessions, is unique among tax exempt religions. Catholic religious training, for instance, is not deductible. Why would the IRS grant an exemption to one particular religious organization?

### III. SCIENTOLOGY’S VIEW OF THE I.R.S.

On October 8, 1993, 10,000 Scientologists packed the Los Angeles Sports Arena for an announcement from Scientology leader David Miscavige. “Tonight you are here to get word of what has been promoted as our biggest breakthrough on the fourth dynamic [a Scientology term for society] ever! Let me begin by assuring you that is not an overstatement!” [102] Miscavige spoke for about 2 hours, outlining a peculiar view of history that had psychiatrists running the world and using the

IRS to attempt to destroy Scientology. The "psychs," he declared, "had formulated a plan to infiltrate all levels of society so that they - and they alone - were the decision makers as to what was right and wrong." The psychs felt that Hubbard's Dianetics had become too great a competitive practice against psychiatry:

So the psychs turned to the modern day, 20th century inquisitors. The creatures of the night. That's right, the vampires. And not little vampires, but the ones who suck the blood from the whole country, and so the villain of this plot came on the scene - the Internal Revenue Service. [\[103\]](#)

It was extremely important that the IRS not be allowed to deny Scientology's tax exemption, declared Miscavige, because "a tax exempt organization is not subject to the myriad complexities of the Internal Revenue Code which can be used to harass and destroy organizations the IRS does not like. But most importantly - because all bona-fide religions and churches in the United States do have tax exemption, and if the IRS refused to grant such to Scientology that fact alone could be used to black PR the Church internationally." From Miscavige's world view, the IRS could simply not be allowed to deny Scientology exemption.

The IRS did deny Scientology's exemption, according to Miscavige, and caused Scientology havoc throughout the world, "IRS-created false reports were at the bottom of such infamous attacks as the Australian inquiry, the UK and South African inquiries, and attacks on the Flagship Apollo." Comparing the IRS to Hitler, Miscavige stated "Don't forget - the IRS hadn't found the Church doing anything wrong. They just wanted to get us. So they had to resort to pure lies. Picking up a technique from their mentor, Adolf Hitler, in his book, "Mein Kampf", they subscribed to the theory that "the bigger the lie - the more easily it would be believed."

In October 1991, Miscavige was in Washington, D.C. and decided to make an unannounced call on the IRS Commissioner,

"In October of 1991, while this war was raging at its apex, Marty Rathbun and I were in Washington DC. to attend one of these court hearings I mentioned. It was to be the next day... Off we proceeded to 1111 Constitution Avenue - which if you didn't know is the address of the national headquarters of the IRS. We presented ourselves to security at the front door, signed the visitors log and informed them we were there to see Fred. They asked - Fred who? We answered, Fred Goldberg of course, the Commissioner of the IRS. "Is he expecting you"" they asked. "No", was our response. "but if you phone him on the intercom and tell him we are from the Church of Scientology, I am sure he'd love to see us." Have you ever wondered whether we were really impinging, when we have spoken of the IRS at previous events? Well - if so - shame on you.

We did meet with the commissioner, and, as the saying goes - the rest is history."

Later, Scientology would deny this account and claim there was no impromptu meeting.

In this speech, Miscavige heaped scorn on the IRS continuously. He called them liars, puppets of psychiatry, "vampires," haters, and thieves. He claimed they paid reporters to write false stories, infiltrated Scientology, and spread false information to other countries. It was this paranoid fantasy view of the IRS that partially fueled the "war" by Scientology. Also, Scientology felt the need for approval by the IRS so badly that Miscavige and his predecessor fought a constant battle with the IRS for years.

Miscavige's predecessor, L. Ron Hubbard, was the founder of Scientology. He wrote policy letters that are considered scriptures and that must be followed. Some of these concern how to deal with the government, what to do about taxes, and other pertinent topics.

As was quoted earlier, Hubbard had said "Taxes exist only to destroy business. Be impudent. Get rich and to hell with them. Governments are just a reactive bank we have to live with for a while." [\[104\]](#) Hubbard's view was that government was an enemy. "The governments are in the business of falsifying other people's records so as to collect more tax," [\[105\]](#) said Hubbard, who at the time was under investigation by the tax authorities in the U.S. and the U.K. Hubbard's solution to taxes was:

The thing to do is to assign a significance to the figures before the government can. The whole thing is a mess only because arithmetic figures are symbols open to ANY significance. So I normally think of a better significance than the government can. I always put enough errors on a return to satisfy their bloodsucking appetite and STILL come out zero. The game of accounting is just a game of assigning significances to figures. The man with the most imagination wins. BUT there must be correct figures and there must not be gross misassignment of debts as profits or the whole thing won't hang together. [\[106\]](#)

#### IV. SCIENTOLOGY'S METHODOICAL TRIP TO EXEMPTION

There is strong evidence that Scientology became a religion in order to gain the exemption and protection that religions have in the United States. Hubbard at first created Dianetics as a business. After a few years he wrote his co-worker Helen O'Brien about whether to set up their organization in a different manner, such as a clinic or counseling center, or "I await your reaction on the religion angle." [\[107\]](#) The religion aspect of Scientology came on gradually. In 1960 he wrote "Scientology 1970 is being planned on a religious organization basis throughout the world. This will not upset in any way the usual activities of any organization. It is entirely a matter for accountants and solicitors." [\[108\]](#)

"Visual evidences that Scientology is a religion are mandatory on the PES [Public Executive Section]," wrote Hubbard in 1969, apparently attempting to make sure Scientology looked religious. [\[109\]](#) The appearance of religiosity was not enough for the IRS, however, since the IRS still found problems enough to disallow exemption.

Since the IRS would not grant exemption, Scientology fought back. Scientology's actions against the IRS are consistent with policies written by L. Ron Hubbard in handling enemies of the organization. The constant lawsuits, use of private investigators, anti-IRS advertising, organizations, forums and articles, all come directly from Hubbard policies:

"Don't ever tamely submit to an investigation of us. Make it rough, rough on the attackers all the way." [\[110\]](#)

"If attacked on some vulnerable point by anyone or anything or any organization, always find or manufacture enough threat against them to cause them to sue for peace... Don't ever defend. Always attack." [\[111\]](#)

"7. If we do the above as our pattern, we will successfully bring the following facts into public consciousness:

- (a) People who attack Scientology are criminals.
- (b) That if one attacks Scientology he gets investigated for crimes.
- (c) If one does not attack Scientology, despite not being with it, one is safe." [\[112\]](#)

"However, if anyone is getting industrious trying to enturbulate Scientology or its activities, I can make Captain Bligh look like a Sunday school teacher. There is

probably no limit on what I would do to safeguard man's only road to freedom against persons who, disdain processing, seek to stop Scientology or hurt Scientologists." [113]

"When we need somebody haunted we investigate... When we investigate we do so noisily always. And usually mere investigation damps out the trouble even when we discover no really pertinent facts..." [114]

"Never spook if investigated. And don't co-operate. Sit tight. Be silent. Make the investigator talk. Gradually put him into session if you can." [115]

These policies were followed against the IRS, as history proves. They are still in force today and still in practice. And, as the Agreement shows, they can be a successful method in dealing with perceived enemies.

#### V. SCIENTOLOGY POLICIES INCONSISTENT WITH IRS EXEMPTION

It should be noted that Scientology and Dianetics were created by L. Ron Hubbard, who was the power directly or indirectly until approximately 1982, when David Miscavige wrestled absolute control. Miscavige has been the leader of Scientology ever since. Miscavige was under Hubbard's direct tutelage before taking control of the Scientology organization. There is a continuity throughout Scientology's leadership of the key players. Even some of the people that Scientology claimed to have kicked out after the Snow White trial are still in the organization. Mary Sue Hubbard is listed as a Patron of the church in a 1994 Scientology magazine. [116] Henning Heldt has continued taking Scientology training and is listed as a Patron. [117] Duke Snider has continued taking courses. [118] , Richard Weigand has helped spread Scientology in Columbia and the United States, [119]. Unindicted co-conspirator Kendrick Moxon is now one of Scientology's lead attorneys.

Unlike any other religious organization with exemption, and against exemption rules, Scientology uses its Doctrine of Exchange in court to try to show that courses must have fixed fees, providing a quid pro quo for any courses or items from Scientology. According to this doctrine, there should never be a one-way exchange between people or groups. [120] One should always give something of approximate value in exchange for an item or service. A 1992 tax case describes this doctrine:

During the administrative process, the IRS questioned CST regarding the

doctrine of exchange. The doctrine of exchange requires that in order to

receive, it is also necessary to give. A Scientologist is obligated to

exchange something he values for anything he acquires. Thus, he must exchange cash for auditing services. He must exchange cash for Scientology books. He must with outflow. [121]

Scientology argues in its requests for tax exemption that Scientology courses must have fixed fees – a practice that otherwise goes against the prohibition of quid pro quo transactions in exempt organizations - because of this religious doctrine. However, the Doctrine of Exchange actually instead shows that Scientology by its own doctrine should not even be seeking tax exemption. Scientology utilizes the services of the federal government as well as state and local governments. By the Doctrine of Exchange, Scientology must in return give something for these services and benefits. So, on the one hand, the Doctrine of Exchange is used by Scientology itself to try to seek tax exemption, yet on the other hand the Doctrine actually precludes them from not paying their fair share of taxes.

The Doctrine of Exchange in fact is an attempt to create a religious doctrine out of commercialism. If it is possible for the IRS to grant exemption to a Church of Commercialism, then any business could designate itself a church.

Besides the Doctrine of Exchange and fixed fees, Scientology is organized and run as a business in most aspects. Those who proselytize for the organization are called Field Staff Members, or FSMs. FSMs make a percentage (generally 10%) on any sale made to the new recruit, be it a book, an e-meter, or a course. [122] Ken Pirak made \$407,000 in 1991 as an FSM. [123] The contract with Pirak for his proselytizing activities says all taxes required by any government "with respect to the business of Pirak... shall be made, filed, and paid by Pirak." Note that Scientology's own contract labels FSM work as "business." Scientology therefore uses a commercial method of salesman compensation in order to gain converts.

Scientology's exorbitant costs are contrary to that of a charitable religious organization. Books, some written 50 years or more ago, are priced by policy at 5 times the cost to produce plus twice the postage cost to the farthest church. [124]

Courses cost up to hundreds of dollars per hour at a fixed rate, depending on what level the Scientologist is working on. Since Scientology staff makes only \$50 per week, course work can be extremely lucrative for the organization. Prices are reasonably consistent in course prices at the Clearwater Florida organization. Lower level courses, such as the Clear Certainty Rundown, cost \$616 per hour, while OT VIII Eligibility, one of the highest courses, costs \$572 per hour. [125] The justification for this price scheduling is again the Doctrine of Exchange.

If a parishioner is unsatisfied with a course taken, there is a policy where refunds for course costs will be given. [126] This is another aspect of Scientology much more like a business than a religion:

**DONATIONS PROMPTLY REFUNDED TO ANY DISSATISFIED STUDENT OR PRECLEAR IN ACCORDANCE WITH THE POLICIES OF THE CLAIMS VERIFICATION BOARD. IF THE PRECLEAR OR STUDENT IS DISSATISFIED AND DEMANDS IT WITHIN THREE MONTHS AFTER THE TRAINING OR PROCESSING, THE ONLY CONDITION BEING THAT HE MAY NOT AGAIN BE PROCESSED OR TRAINED. [127]**

Scientology is blatant about its actual goal, which the IRS seems to have decided is religious:

**"A. MAKE MONEY.  
J. MAKE MONEY.  
K. MAKE MORE MONEY.  
L. MAKE OTHER PEOPLE PRODUCE SO AS TO MAKE MONEY." [128]**

"Let me also teach you to make tons of money for the organization." [129]

"Taxes exist only to destroy business. Be impudent. Get rich and to hell with them. Governments are just a reactive bank we have to live with for a while." [130]

"When you move off a point of power, pay all your obligations on the nail, empower all your friends completely and move off with your pockets full of artillery, potential blackmail on every erstwhile rival, unlimited funds in your private account and the addresses of experienced assassins and go live in Bulgravia and bribe the police." [131]

It should be clear that Scientology is designed as a business, run as a business, it's goals are business goals, and its founder profited handsomely by skimming Scientology funds while simultaneously seeking tax exemption.

It has been assumed that Scientology is in fact religious. Almost any organization desiring tax exemption and willing to practice some deception could create a religious trapping to their activities. As was related in the history above, Scientology indeed seems to have begun as a business and then gradually took on religious cloaking. Dianetics, the precursor and still Siamese twin of Scientology, was first made public in 1950. Hubbard has never claimed that Dianetics is religious, yet all the course work and books on Dianetics obtain the same tax exemption as the religious Scientology. All Scientology course work before a member goes "clear" is in fact Dianetics training and processing. Dianetics training must be completed before the religious Scientology materials can be studied.

L. Ron Hubbard constantly makes the claim that dianetics is a "scientific fact." In fact, he makes that claim 35 times in Dianetics, the Modern Science of Mental Health. "It is only after man is sufficiently exteriorized to become a spirit that we depart from the field of Dianetics; for here, considering man as a spirit, we must enter the field of spirit." Generally, Dianetics is still presented today as a "modern science of mental health" by the Church of Scientology. And specifically, despite the bifurcation between

What does Scientology do with its money? According to IRS rules, the activities of a religious tax exempt organization are supposed to be of benefit to society. However, much of Scientology's funds go to attack anyone who dares speak out against Scientology. Their cadre of attorneys and pool of private investigators continuously and aggressively pummel anyone Scientology decides is an enemy. This writer has been followed by private investigator Christopher E. Nelson, Florida investigator's license #A9400076, intermittently since moving to Clearwater in May 2000. Several private investigators seem to be assigned to staff and members of the Lisa McPherson Trust.

Scientology follows the religious scripture of L. Ron Hubbard: "The law can be used very easily to harass, and enough harassment on somebody who is simply on the thin edge anyway, well knowing that he is not authorized, will generally be sufficient to cause his professional decease. If possible, of course, ruin him utterly." [137] Funds for this activity are large. Brian Raftery, a private investigator for Scientology, stated in court that he is paid \$187,200 per year to surveil critics of Scientology in the Clearwater Florida area.

Scientology's 1023 forms state that their "projected expenditures for defense" which include legal and professional fees, was \$30 million in 1987-88. In 1990 Bowles and Moxon was paid \$2,172,515.76 and in 1991 \$3,678,259.18. Kendrick Moxon was an unindicted co-conspirator in the Snow White case. He provided false handwriting samples to the FBI, according to the Stipulation of Evidence in that case. In 1990 Moxon and fellow attorney Robert Brennan were fined \$27,000 for filing a frivolous case involving a school dispensing Ritalin. [138] Helena Kobrin, another Scientology attorney, was fined \$17,775 for filing a frivolous civil RICO claim in 1994 against a former Scientologist. [139]

Scientology has created a corporate maze that rivals any organization on earth. The purpose of such a creation is left to the reader. Below are most of the Scientology corporate entities:

Scientology Corporations granted exemption with Agreement

- Applied Scholastics International
- Association for Better Living and Education
- Bridge Publications
- Building Management Services
- Church of Scientology Flag Service Org., Inc.
- Church of Scientology International
- Church of Scientology Western United States
- Church of Spiritual Technology
- Citizens Commission on Human Rights
- Dianetics Centers International
- Dianetics Foundation International
- Flag Ship Trust Saint Hill Manor
- Foundation Church of Scientology Flag Ship Service Organization
- Foundation International Membership Services Administration
- Hubbard College of Administration
- Hubbard Dianetics Foundation
- Inspector General Network
- International Association of Scientologists
- International Hubbard Ecclesiastical League of Pastors
- Membership Services Administration (U.K.) Ltd.
- New Era Publications International Aps
- Religious Technology Center
- Scientology International Reserves Trust
- Scientology Missions International

U.S. IAS Members' Trust

The Way to Happiness Foundation

Other Scientology corporations

Author Services, Inc.

Church of Scientology Freewinds Relay Office, Inc.

Church of Scientology Religious Education College, Inc.

Church of Scientology Religious Trust

FSO Oklahoma Investments Corporation

FSS Organization, N.V. (Netherlands Antilles)

Golden Era Productions

International Publications Trust

Majestic Cruise Lines, Inc.

MCL Services, N.V. (Netherlands Antilles)

Mastertech

National Commission on Law Enforcement and Social Justice

Nesta Investments

Publications Int. Limited

San Donato Properties Corporation

Scientology Defense Fund Trust

Scientology Publications Limited

Sea Organization Reserves Services LTD

Theta Management

Transcorp Services S.A.

Trust for Scientologists

United States Parishioners Trust

Way to Happiness Foundation

Scientology considers anyone who speaks out or criticizes Scientology to be an enemy. L. Ron Hubbard wrote that an enemy is to be handled by being “tricked, sued or lied to or destroyed.” [\[140\]](#) This policy is often administered by Scientology attorneys and private investigators as listed earlier.

Scientology is anti-family through its “disconnection” policies. This is a requirement for a Scientologist in good standing to stop communication and interaction with a family member who has become critical of Scientology:

“A Scientologist can become PTS [Potential Trouble Source, a low condition in Scientology] by reason of being connected to someone that is antagonistic to Scientology or its tenets. In order to resolve the PTS condition he either HANDLES the other person’s antagonism (as covered in the materials on PTS handling) or, as a last resort when all attempts to handle have failed, he disconnects from the person. He is simply exercising his right to communicate or not to communicate with a particular person.” [\[141\]](#)

In practice within Scientology, spouses have disconnected from spouses, children from parents, and parents from children. By policy, a Scientologist must choose Scientology over their family member.

Scientology has its own prison system called the RPF, for Rehabilitation Project Force. The religious explanation is that if a parishioner becomes disenchanted or uncertain of their allegiance to Scientology, they can “voluntarily” be in the RPF and do manual labor until they have a cognition on why they had doubts about Scientology. The essential ramification is that the RPF is a penal system designed to pummel recalcitrant or doubting members into submission.

The RPF began in 1974 while Hubbard was commodore of a flotilla of ships. A member on the RPF loses all rights to any activities besides work assignments and study. He is restricted in movement and is housed separate from the rest. His pay is reduced to ¼. He may speak only when spoken to. If married, one night per week visits are allowed unless the spouse is also on the RPF. Children may be visited during meal time (30 minutes per meal), but the child must first express a desire to see the parent. Meal time is separate from the rest. Number 17 of the rules states “And if dismissed from the Sea Org is to sign a confession of his crimes before leaving the Base.” [\[142\]](#) “The RPF has been created so redemption can occur. This is basically its only purpose.” [\[143\]](#)

On one RPF assignment order, the reason given was that the person “committed a suppressive act by blowing [leaving without permission] two days ago... this resulted in the DCO E&I MAA SHF going out to her house to recover her.” [\[144\]](#) This is the type of activity that is now tax exempt.

Scientology course work is similar to a Catholic confessional in that it is a review of the person’s past to find and correct what is causing problems in the present. However, unlike the Catholic confessional, Scientology “auditors” write down what the parishioner confesses and stores it in the person’s “pc folder.” Thus, there is a written record of deeply personal and private confessions kept on each member. There have been complaints by many ex-members that the privacy of these folders is breached if Scientology decides to turn against a former member. Detrimental items from a church’s “enemy” are culled and used against the “enemy.”

Peter Alexander wrote that during a protest of Scientology in May of 2000, a Scientologist came up to him as he was protesting:

After a few words back and forth, the OSA guy started making comments based upon my PC folder. Now, for those of you who don't know, I was a Scientologist for

I explained that while much of what was in my PC folder turned out to be past life false memory syndrome, I had expected some level of confidentiality. In fact, the

The FBI raid in 1977 uncovered internal Scientology documents that included references to utilizing pc folders as intelligence sources against ex-members. This activity is now also tax exempt.

#### VI. CONCLUSION

The Agreement expired December 31, 1999. A new agreement was reached, but this also is kept secret by the IRS. The IRS has little to do now concerning Scientology since exempt organizations are exempt also from much of the scrutiny non-exempt organizations are subject to.

This exemption has ripples throughout the government. Many laws and regulations handle religious organizations differently than non-exempt ones. For instance, minimum wage laws may not apply to certain religious workers. Scientology pays its Sea Org members \$50 per week plus room and board.

International relations have come into play as well. The U.S. government has condemned both Germany and France for their "religious discrimination" of Scientology. Germany considers Scientology to be a business rather than a religion, while France considers it a dangerous sect. The U.S., largely because of the IRS exemption ruling, officially treats Scientology as a religion.

If any organization's history shows a need for monitoring, Scientology's certainly does. The exemption hampers investigation, provides cover for the organization, and gives it status and privilege that it does not deserve. The exemption should be immediately rescinded.

Lisa McPherson Trust

July 19, 2001

For further reading:

Kent, Stephen PhD Affidavit January 6, 2000, on whether Scientology is a religion. Found at <http://www.lermanet.com/kent.htm>

[1] The number of lawsuits Scientology had against the IRS at the time of the agreement is not clear. The number ranges from "as many as 100" (St. Petersburg Times, October 24, 1993) to 2500 (International Scientology News, issue 32). I assume Scientology's own figure is correct.

[2] St. Petersburg Times, October 24, 1993 "IRS examined Scientology dollars, not dogma"

[3] International Scientology News issue 32, 1993

[4] *ibid.*

[5] Journal of Scientology, Issue 16-G, mid-June 1953 "This is Scientology: The Science of Certainty"

[6] Church of Scientology of California v. Commissioner of Internal Revenue, United States Tax Court, No. 3352-78, ruling September 24, 1984

[7] HCOPL of 28 January, 1965, "How to Maintain Credit Standing and Solvency"

[8] Church of Scientology of California v. Commissioner of Internal Revenue, United States Tax Court, No. 3352-78, ruling September 24, 1984

[9] CSC v. IRS 3352-78

[10] CSC v. IRS 3352-78

[11] Guardian Order 732, 20 April 1973

[12] Stipulation of Evidence, United States of America vs Mary Sue Hubbard et al, Oct 1979, p. 18

[13] Stipulation of Evidence, United States of America vs Mary Sue Hubbard et al, Oct 1979, pp. 19-21

[14] Stipulation of Evidence, United States of America vs Mary Sue Hubbard et al, Oct 1979, pp. 23-24

[15] Stipulation of Evidence, United States of America vs Mary Sue Hubbard et al, Oct 1979, p. 18

[16] Stipulation of Evidence, United States of America vs Mary Sue Hubbard et al, Oct 1979, p. 38

[17] CSC v. IRS 3352-78

[18] Stipulation of Evidence, United States of America vs Mary Sue Hubbard et al, Oct 1979, p. 53

[19] Stipulation of Evidence, United States of America vs Mary Sue Hubbard et al, Oct 1979, pp. 48-49

[20] Stipulation of Evidence, United States of America vs Mary Sue Hubbard et al, Oct 1979, pp. 65-66

[21] "A Piece of Blue Sky", Jon Atack (1992), p. 233

- [22] IRS letter July 31, 1975, EIN 41 6056342
- [23] Clearwater Sun, November 27, 1979 "Cult sought to shield \$8 million from IRS"
- [24] Guardian Order 158, 5 Dec 1975
- [25] "A Piece of Blue Sky", Jon Atack (1992), p. 237
- [26] US News and World Report, November 19, 1976
- [27] CSC v. IRS 3352-78
- [28] CSC v. IRS 3352-78
- [29] Church of Scientology of California v. Commissioner of Internal Revenue, Docket No. 3352-78, United States Tax Court, Filed September 24, 1984.
- [30] ibid.
- [31] ibid.
- [32] Tax Notes, June 27, 1994, page 1783
- [33] San Francisco Examiner, August 16, 1978 "indicted Scientologists facing extradition"
- [34] San Jose Mercury News, December 7, 1979 "Five Scientology leaders handed prison sentences, \$10,000 fines"
- [35] Washington Post, July 1, 1980 "Scientologists reveal transcript to show that judge is prejudicial"
- [36] CSC v. IRS Docket No. 3352-78
- [37] CSC v. IRS 3352-78
- [38] CSC v. IRS 3352-78; San Jose Mercury News, December 20, 1980 "2 Scientology leaders given prison terms"
- [39] Tape recording of the Mission Holders' Conference, San Francisco, 1982
- [40] Washington Post, January 8, 1983, "Scientology Founder's Wife Gets Prison Term"
- [41] US v. Zolin, Nos. 85-6065, 85-6105 US Court of Appeals 9<sup>th</sup> Circuit, Decided Feb. 9, 1987
- [42] U.S. v. Zolin, 905 F.2d 1344 (9th Circ. 1990)
- [43] Church of Scientology of California v. Commissioner of Internal Revenue, United States Tax Court, #3352-78, filed September 24, 1984
- [44] Clearwater Sun, September 26, 1984 "Sect vows to fight tax 'setback'"
- [45] Wall Street Journal, September 27, 1984 "Scientology church in California denied tax exemption as religious organization"
- [46] Los Angeles Times, October 10, 1984 "An Open Letter to current and former employees of the Internal Revenue Service"
- [47] Los Angeles Times, January 30, 1985
- [48] Los Angeles Times, January 30, 1985 "Scientologists Reveal IRS Abuses"
- [49] The Oregonian, April 26, 1985 "Scientologists Expose IRS Crimes and Abuse"
- [50] Clearwater Sun, November 5, 1985 "Sect Forum blasts IRS tactics"
- [51] Time magazine, May 6, 1991 "The Thriving Cult of Greed and Power"
- [52] Los Angeles Times, July 3, 1987 "Fees Paid by Scientologists to Church Held Deductible"
- [53] Los Angeles Times, July 29, 1987 "Scientologists' Loss of Tax-Exempt Status Upheld by U.S. Court"
- [54] ibid.
- [55] Wall Street Journal, November 11, 1987 "IRS Has Broad Discretion to Refuse To Release Tax Data, High Court Rules"
- [56] San Francisco Chronicle, May 17, 1988 "Church of Scientology Loses Appeal on Tax-Exempt Ruling"
- [57] IRS ruling against Church of Spiritual Technology, July 8, 1988, Employer ID # 95-3781769
- [58] Hernandez v. Commissioner of IRS, US Supreme Court 87-963 and 87-1616, June 5, 1989
- [59] United States v. Frank S. Zolin, 491 US 554, 105 L Ed 2d 469, 109 S Ct 2619 [No. 88-40]
- [60] New York Times, 9 March 1997 "Scientology's Puzzling Journey From Tax Rebel to Tax Exempt"
- [61] St. Petersburg Times, circa January 22, 1990 "IRS is seeking church's records"
- [62] St. Petersburg Times, February 4, 1990 "Scientologists, IRS in dispute over millions"

- [63] [USA Today](#) April 16, 1990 “Abolish income tax; we’d all benefit”
- [64] [St. Petersburg Times](#), April 18, 1990 “Ruling on Scientology case favors IRS”
- [65] [U.S. v. Frank S. Zolin](#), Nos. 85-6065, 85-6105. U.S. Court of Appeals, Ninth District, June 20, 1990
- [66] [Mesa \(Arizona\) Tribune](#), October 20, 1990 “Scientologists claim harassment by IRS”
- [67] [Mesa Tribune](#), December 7, 1990 “Scientologists protest at IRS office”
- [68] [USA Today](#) 6/6/91 “Scientology Church wins”
- [69] [Washington Times](#), June 7, 1991 “Scientology Wins ruling against IRS”
- [70] [Los Angeles Times](#), August 13, 1991 “Scientologists Sue 17 IRS Officials”
- [71] [USA Today](#), September 25, 1991 “Abuses, Misconduct, Special Favors – LA IRS”
- [72] [Wall Street Journal](#), 10/13/91, page B10, “What he didn’t know about the IRS could affect you, too”
- [73] [New York Times](#), 9 March 1997
- [74] [US Claims Court](#), *Church of Spiritual Technology v. United States*, No. 581-88T, filed June 29, 1992
- [75] [Los Angeles Times](#), August 20, 1992 “IRS Must Pay Scientologists \$16,881”
- [76] [Church of Spiritual Technology v. United States](#), No. 92-5155 (Fed. Cir. Mar. 29, 1993)
- [77] [New York Times](#), 9 March 1997
- [78] [78] [Speech of David Miscavige to the International Association of Scientologists](#), 8 Oct 1993
- [79] [St. Petersburg Times](#), October 24, 1993 “IRS examined Scientology dollars, not dogma”
- [80] [Tax Notes](#) June 27, 1994 page 1783
- [81] [Tax Analysts press release](#), 26 June 1995
- [82] [Tax Analysts press release](#), 26 June 1995
- [83] [Tax Analysts v. IRS No. 94-923 \(GK\)](#), United States District Court for the District of Columbia, summarized in [Tax Notes Today](#), March 21, 1996
- [84] [NY Times](#), March 9, 1997 “Scientology’s puzzling journey from tax rebel to tax exempt”
- [85] [New York Times](#), March 19, 1997 “The Church of Scientology’s Hard-Won Tax-Exempt Recognition”
- [86] [New York Times](#), March 19, 1997 “Scientology denies account of impromptu I.R.S. meeting”
- [87] [Wall Street Journal](#), December 30, 1997 “Scientologists and IRS settled for \$12.5 million”
- [88] [ibid.](#)
- [89] [Listed as a for-profit corporation in Scientology’s 1023 forms](#) “Question 11”
- [90] [Maricopa Lawyer](#), April 1998, page 20...(Maricopa County, Arizona)
- [91] [Tax Notes Today](#), December 31, 1997 “Scientology paid government \$12.5 million under terms of agreement”
- [92] [International Scientology News Issue 32](#), 1993
- [93] [IRS Statute Section 6104\(a\)\(1\)\(A\)](#). See also [IR Manual Chapter 910](#), section 1
- [94] [IRS Statute Section 6104 \(a\)\(1\)\(C\), \(a\)\(2\), and \(b\)](#)
- [95] [IRS/Scientology Agreement October 1, 1993](#), section V. Treatment of the Code Section 6104 Public Inspection
- [96] [from a search on http://kepler.ss.ca.gov/list.html](#)
- [97] <http://www.wise.org>
- [98] [HCOPL of 23 May 1981 Issue I](#), “Bridge Publications, Inc”
- [99] [Scientology 1023 forms](#), page 8-2, answering question 8 about Bridge Publications and New Era Publications Int.
- [100] [Scientology 1023 forms](#) page 8-2,3 answering question #8 concerning Bridge Publications and New Era Publications
- [101] <http://www.bridgepub.com/catpg9.html>
- [102] [David Miscavige speech at Los Angeles Sports Arena](#), October 8, 1993
- [103] [ibid.](#)

- [104] HCOPL of 28 January, 1965, "How to Maintain Credit Standing and Solvency"
- [105] HCOPL of 25 June 1967, "Scientology Orgs Tax and Balance Sheets"
- [106] *ibid.*
- [107] L. Ron Hubbard letter to Helen O'Brien April 10 1953, page 2
- [108] HCOPL of 29 October, 1962 "Religion"
- [109] HCOPL of 12 Feb. 1969 "Religion"
- [110] HCOPL of 25 February 1966, "Attacks on Scientology"
- [111] HCOPL 15 August 1960, "Dept of Govt Affairs"
- [112] L. Ron Hubbard Executive Directive, 2 December 1966 "Branch 5 Project: Project Squirrel"
- [113] HCOPL of 15 August 1967, Issue I "Discipline: SPs and Admin: How Statistics Crash"
- [114] Manual of Justice, by L. Ron Hubbard, 1959
- [115] *Ibid.*
- [116] Impact issue #53
- [117] Source magazine issue #67
- [118] Source magazine issue #91
- [119] TNX mailing list, February 22, March 3, March 8, 1995. TNX is a mailing list for Scientologists.
- [120] HCOPL of 10 September 1982 "Exchange, Org Income and Staff Pay"
- [121] Church of Spiritual Technology v. United States, No. 581-88T, United States Claims Court, June 29, 1992
- [122] HCOPL June 5, 1968, issue III "F.S.M. Commissions"
- [123] St. Petersburg Times, October 15, 1993 "SCIENTOLOGISTS PROFIT FROM NEW MEMBERS"
- [124] Church of Scientology of California v. Commissioner of Internal Revenue, Docket No. 3352-78, United States Tax Court, filed September 24, 1984
- [125] "Service donation rates for Dianetics and Scientology Training and Processing at Flag, effective 1 January – 28 February 1998"
- [126] HCOPL 31 July, 1966 "Refund Notice", HCOPL 1 August 1966 "Refund Addition"
- [127] *Ibid.*
- [128] HCOPL of 9 March 1972 "Income Flows and Pools: Principles of Money Management"
- [129] HCOPL of 2 June 1959 "A comment on Finance"
- [130] HCOPL of 28 January, 1965, "How to Maintain Credit Standing and Solvency"
- [131] L. Ron Hubbard, HCOPL 12 February 1967, "Admin Know-how; The Responsibilities of Leaders"
- [132] DIANETICS, (1987 edition) p. 96
- [133] DIANETICS, p.143
- [134] Professional Auditors Bulletin No. 42, 24<sup>th</sup> December 1954 "Six Basic Processes"
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