

Medicolegal

Scientologists Lose Tax-Exempt Status

The Founding Church of Scientology of Washington, D.C. (*The AMA News*, Sept. 2, 1968) has lost its tax-exempt status because a federal court says its activities were too commercial.

Donald E. Lane, trial commissioner of the U.S. Court of Claims in Washington, ruled that the church received substantial income from its "processing and auditing" services, and that the value of these services was over and above the organization's religious and spiritual aspects.

Government officials have indicated the decision would signal the end of the tax-exempt status which has been granted to various alleged "personality development" centers for Scientology across the country.

Refund Sought: The federal claims court ruling resulted from a suit filed by the Founding Church of Scientology seeking a tax refund for 1956.

A review by the full claims court is scheduled, with arguments expected

in 1969.

Commissioner Lane's opinion rejected the tax-exempt arguments of the organization, noting that the Founding Church was organized in 1955 and incorporated "to act as a parent church for the propagation of a religious faith known as 'Scientology,' and to act as a church for the religious worship of faith."

Spirit Immortal: Lane added that Scientologists "believe that the spirit is immortal and that it receives a new body upon the death of the body in which it resides. They also believe

that in the course of various lives the spirit is inhibited by 'detrimental aberrations' or 'engrams' which result from misdeeds or unpleasant experiences."

The commissioner explained that the objective of Scientology is to counteract this burden through processing, also called auditing. He said the goal of Scientology "is for the individual to advance through various levels of accomplishment leading to the state of 'clear,' and ultimately to become an 'operating thetan' (spirit)."

The report states that founder L. Ron Hubbard was paid a salary of \$125 a week and an additional fee of \$125 a week, plus 10% of the gross income of the "church."

"Persons coming to plaintiff (the Founding Church) for processing were usually required to sign a contract for a stated amount of processing," the commissioner said. "The normal contract covered 25 hours of processing at a rate of \$20 per hour."

6% Interest: He said when a person was unable to pay cash, the center often would have the individual sign a note bearing 6% annual interest plus 25% service charge.

There was advertising under "Personality Development" and "Personnel Consultants" in the yellow pages of telephone directories, the opinion said, in addition to newspaper advertisements.

The Hubbard E-Meter, described by Lane as essential to the practice of Scientology, costs \$12.50 to manufacture, but the selling price was \$125 to \$144, the opinion said. Lane said every auditor was expected to acquire the meter.

A federal court jury ruled in 1967 that the meter was a misbranded medical device, and a federal judge ordered destruction of the devices.

A U.S. Treasury Dept. spokesman said the legal action in the Washington claims court was the first U.S. litigation from a tax standpoint involving Scientology.

California previously had permitted a tax exempt status to Scientologists in that state, but this has been revoked.