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Changes foreseen from ruling

SECTION B

Pinellas County's property tax lawsuit with the Church of Scientology is badly wounded by an Internal Revenue Service ruling that the organization is exempt from federal income taxes, Property Appraiser Jim Smith said Wednesday.

By NED SEATON and WAYNE GARCIA
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CLEARWATER — Now that the Church of Scientology has been granted IRS approval as a tax-exempt religion, downtown Clearwater could be in for some major changes.

Scientology has no immediate plans to buy more property downtown, the home of the organization's international spiritual headquarters, said spokesman Richard Haworth. But he said the IRS decision will allow the organization to become much more involved in downtown-related causes.

"It speeds it all up," Haworth said. "We can expand everything we do."

That prospect makes some city officials and downtown business owners nervous.

The IRS decision "is a green light for Scientologists to buy more downtown property," said Gordon C. Williamson, owner of the Workbench, a downtown woodworking shop.

"In 10 years, you might as well call this Hubbardville," Williamson said, referring to Scientology founder L. Ron Hubbard. "It's obvious that if the city of Clearwater can't pursue back taxes and the tax base is sucked out — goodbye downtown."

County officials conceded Wednesday that the IRS decision makes it likely that Scientology property will be tax-exempt.

The city has not received property taxes from Scientology during the 11-year battle over whether the group's property should be tax exempt, and

any tax money the city would have gotten would have been an unexpected bonus, said Finance Director Dan Deignan.

But Deignan figures that if the IRS decision had gone the other way, the city would have been in line for nearly \$2-million in back taxes on the more than 11 Scientology-owned properties, valued at \$25.4-million.

Anything that cuts revenues to city coffers limits the city's ability to fund projects to upgrade downtown, said Peter Gozza, executive director of the Community Redevelopment Agency.

"It could have a major negative impact on Clearwater," said City Commissioner Fred Thom-

Please see **SCIENTOLOGY** Page 10

Exemption, redemption



■ Martin Dyckman

Jaws sagged over many a breakfast table Wednesday at the news that the Internal Revenue Service has finally thrown in the towel and

conceded the Church of Scientology to be a religion. Since its secretive arrival in Clearwater 18 years ago, Scientology has not been the best of neighbors. Nor has it managed to live down its wider reputation for exploiting vulnerable followers. In a memorable editorial, the *Clearwater Sun* — now defunct, for other reasons — once said that for a Scientologist, "the only unforgivable sin is running out of money."

Yet the same could have been said, at one time or another, of many so-called major religions. It was financial abuse — the sale of indulgences — that aroused Martin Luther. Some of today's televangelists come across the tube about as greedy as those medieval popes. Even mainstream religions can play tough at times in raising money. Guilt is an awesome weapon.

But if anything could cost us more in the long run than to forgo taxes from Scientology or Jimmy Swaggart, it is to have the government deciding what is religion and what is not. That road leads to dismal places where the founders of this Republic wisely determined America should not go: the strangulating clericalism of an Iran or the aggressive atheism of a Red China. From that perspective, the IRS decision is eminently correct.

This begs a larger question, though: Why should *any* religion enjoy tax exemptions? Why should people who don't choose to belong be forced to subsidize those who do? Contrary to widespread belief, nothing in the state or federal

constitutions requires government to exempt the income or the property of religious organizations or to grant income tax deductions to their contributors. The choice is for Congress and the legislatures to make, so long as they don't single out religion for benefits or burdens.

The U.S. Supreme Court went one way in a 1970 decision that rejected a challenge to New York's law exempting religious property.

"The grant of a tax exemption is not sponsorship," wrote Chief Justice Warren Burger, "since the government does not transfer part of its revenue to churches but simply abstains from demanding that the churches support the state." In a concurring opinion, Justice William J. Brennan found it "significant" that no record existed of either Thomas Jefferson or James Madison objecting to exemptions of their time. But the better sense was made in Justice William O. Douglas' dissent. "A tax exemption," he wrote, "is a subsidy." As for Madison, he noted, a proposed Virginia law to collect taxes for the church of the citizen's choice — or for public education if the citizen chose no church — inspired Madison to such outrage that Virginia lawmakers killed the bill.

Four years ago, however, the court held 6-3 that it was unconstitutional for Texas to establish an exclusive sales tax exemption for religious publications. Here, the court said directly that exemptions are not required by the First Amendment's "free exercise" clause. And if an exemption applies only to religions — rather than to a wide range of non-profit organizations — it is "impermissible state sponsorship of religion."

Put together, those two decisions

seem to say that if you want the Scientologists to pay taxes, you have to agree that the Methodists, the Catholics, the Jews, the Boy Scouts and the United Way should pay them, too.

Their incomes might never be taxed if only because their bottom lines would show no profits. Taxing their property is a livelier question, at least from the standpoint of fire and police protection. It can be argued that some of them do good things for the public at large.

It's the tax deduction for contributors that's hardest to defend. I don't kid myself that Congress will ever repeal it, and the selfish part of me hopes that it will not. I welcome the tax subsidies for our family's contributions to the congregation and charities of our choice. But the truth is that the whole process is unfair. *All* deductions are unfair to the three taxpayers out of four who don't have enough to itemize. And for each \$100 that the low-bracket family takes in itemized deductions for charities or mortgage interest, the government refunds only \$15, while the high bracket filer gets back at least \$36.

A fair compromise would be to limit the tax benefit of all deductions to 15 percent. The Congressional Budget Office says this would net more than \$264-billion over five years; a nice way, surely, to help pay for health care reform. But hell has no fury, Congress knows, like that which the churches, the charities and the real estate industry reserve for that idea, which is why nobody but the CBO has much to say about it. The same furies would be loosed if Rep. Sam Gibbons ever got a hearing on replacing the income and payroll taxes with a value-added tax.

The more you think about how this would make deductions moot, the better the VAT looks. Also, alas, the more remote.

■ Martin Dyckman is associate editor of the St. Petersburg Times. ■

Scientology

from Page 1

as, who added that other residents and businesses essentially subsidize city services like police and fire protection that cover Scientologists. "The citizens of Clearwater are going to pay through the nose for this."

Haworth countered that Scientology adds substantially to the area economy by bringing in about 12,000 visitors per year. He pointed to a 1989 Scientology-funded study that showed an economic impact of about \$113-million per year. That dwarfs any potential loss in annual property tax revenue, he said.

Williamson was one of the few downtown business owners willing

to talk on the record about Scientology. Many said they feared that criticizing the organization could hurt their businesses, which are patronized by Scientologists.

One business owner tried to rip pages out of a reporter's notebook after a discussion about the effect of the IRS decision.

Downtown Development Board member Lillian Trickett, who owns a jewelry store downtown, called the IRS decision "what we don't need."

Business owners who identified themselves as Scientologists also declined to give their names.

Asked about the potential impact of the IRS decision on downtown, one said: "I think it's a great decision . . . but I don't see why it's an issue."