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Ruling may cost Pinellas millions

■ The IRS' exemption of the Church of Scientology may doom the county's effort to collect a tax bill exceeding \$7.9-million.

By WAYNE GARCIA
Times Staff Writer

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

The two sides are headed back to mediation that likely will result in many, if not all, of the Scientology properties being removed from the property tax rolls.

"We have to look at what we can win and what we can't win," Smith said. "If a group the size of the IRS with all its resources and staff couldn't find something on Scientology that stuck, I don't know what I can come up with."

At stake is more than \$7.9-million in back taxes and penalties.

Smith said the IRS decision came as a complete surprise, forcing him to change his position on Scientology's 11-year-old request to drop \$24-million worth of property in Clearwater from the tax rolls. Another \$1-million in Scientology property is on the tax rolls without protest from church officials.



Appraiser Jim Smith: "We have to look at what we can win."

Hillsborough County Property Appraiser Ron Alderman likewise said the IRS decision is forcing him to re-examine the status of a small Church of Scientology property in Tampa.

"This really puts a fly in the ointment," Alderman said Wednesday.

Scientology's lawyer, Paul Johnson, said he thinks the years of litigation and high legal costs are just about over.

"If we were to try this case now, it would cost thousands and thousands of dollars," Johnson said. "Both the county and my client benefit."

Tuesday, IRS officials said they gave tax-exempt status to 153 Scientology churches, missions and corporations after two decades of investigations that showed that Scientology revenues were being used for church purposes and not private gain.

After meeting with county attorneys Wednesday morning, Smith said it's very likely that parts or all of some Scientology properties, including the former Fort Harrison Hotel and the Sandcastle building on the waterfront, will be taken off the property tax rolls because they are used for religious purposes.

The IRS exemption takes away Smith's ability to argue whether the Church of Scientology is a bona fide religious organization. The only distinction that remains for exemption purposes is the use of the properties, Smith said.

If Pinellas County settles the case, "I know some people out there will be upset with me for not taking this thing further," Smith said.

State law allows charitable and religious organizations to be exempt from paying property taxes on land they own if they use that land for non-profit activities. A church-owned parcel rented to a convenience store, for instance, would not qualify for the property tax exemption because the store is a profit-making business.

Scientology will simply have to show that its properties in Clearwater and Tampa are for religious purposes to gain the exemption now, Johnson said.

"We can demonstrate very clearly the religious use of the properties," Johnson said.

In Pinellas County, more than 3,000 parcels already qualify for a similar exemption, taking more than \$1.2-billion in land and buildings off the tax rolls.

In Clearwater, Scientology owns 20 parcels of land that are grouped in 11 properties. They are used for housing Scientology staff, delivering counseling services, hotel rooms and office space. The centerpiece of their property is the former Fort Harrison Hotel, on the tax rolls at \$10-million.

In Tampa, the related Church of Scientology Tampa Inc. this year asked for an exemption on its Dianetics center at 3617 Henderson Blvd. The Tampa group bought the center for \$437,000 in September 1992, Alderman said. It is on Hillsborough tax rolls at \$336,369, with an estimated annual tax of \$8,900.

Alderman's office has denied the exemption, and Scientology officials appealed. A hearing in the case is set for Nov. 3.

Alderman said he had planned to fight the exemption but now is not sure how he'll proceed.

"That was before I got this bombshell dropped on me today," Alderman said Wednesday about the IRS ruling.

Church of Scientology Tampa officials tried unsuccessfully in 1977 and 1984 to get a property tax exemption for a home at 2522 Palm Drive, calling it a parsonage. Alderman said the recent Henderson Boulevard request is the first exemption effort by the Church of Scientology since then.

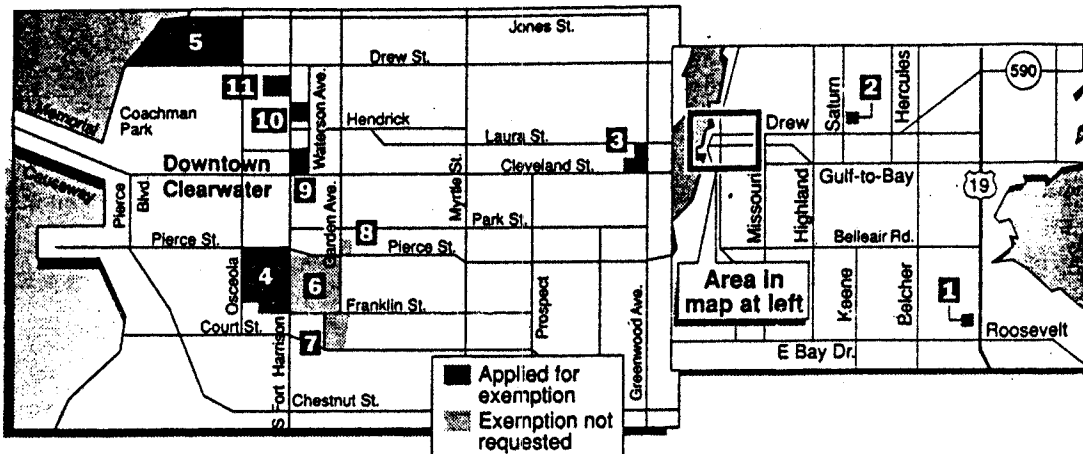
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Church of Scientology land holdings



SITE ON MAP, ADDRESS	ASSESSED VALUE	SITE ON MAP, ADDRESS	ASSESSED VALUE
1. 16432 U.S. Highway 19: Former Quality Inn. Day-care facilities and school for Scientology children and housing for staff	\$1,745,200	(6-7-8) Former Gray Moss Inn and related properties; Future site of \$40-million religious training center	(Exemption not requested on these properties)
2. 551 N Saturn Ave.: Hacienda Gardens. Housing for Scientology staff.	\$4,850,000	6. 516 Franklin St. Vacant (Washburn part of lot 7)	\$209,100
3. 1024 Cleveland St.: Heart of Clearwater Motel. Lodging for Scientologists.	\$928,800	Vacant (Washburn part of lot 8)	\$49,100
4. 210 S Fort Harrison Ave.: Fort Harrison Hotel.	\$10,061,500	Vacant (Washburn part of lot 9)	\$43,700
5. 200 N Osceola Ave.: Sandcastle Motel. Lodging, dining, high-level training for visiting Scientologists.	\$5,016,000	Vacant (Washburn part of lot 11)	\$22,900
		7. Vacant (Court Square lots 1-5)	\$37,500
		531 Franklin St.	\$96,500
		319 S Garden Ave.	\$321,400
		8. 115 S Garden Ave.	\$122,300
			\$317,900
		9. 500 Cleveland St.	\$341,500
		15 N Fort Harrison Ave.	\$196,000
		25 N Fort Harrison Ave.	\$182,700
		Former Bank of Clearwater Building, adjacent property. Future home of Scientology museum, dining hall for staff.	
		10. 109 N Fort Harrison Ave.	\$154,800
		11. Vacant (W Coast Bldg.)	\$104,400

by: Pinellas County Property Appraiser

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