Forbes



Robert W. Wood THE TAX LAWYER

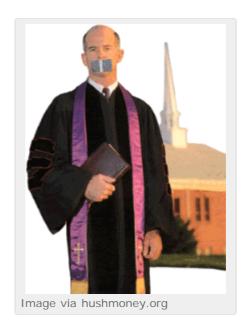
Mar. 24 2012 — 7:16 am

IRS Gives Tax Sermons Vow of Silence

You may think free speech means you can say *anything* you want. How about proselytizing to your flock about not paying taxes? It turns out *that* kind of speech is frowned on. In *United States v. Hartshorn*, the IRS actually got an injunction to silence Head Minister Kevin Hartshorn.

Wasn't Hartshorn harmless? Maybe, but as the founder and Head Minister of the <u>Church of Compassionate Service</u>, Hartshorn had 50 ministers under his

wing. He told them not to pay taxes to the IRS.



Ministers took a vow of poverty, renounced all worldly possessions and transferred title to all their assets to a Church trust. Ministers even signed over paychecks from their employers. Ministers might work at Home Depot or the local hospital but all paychecks went to the Church.

In return, the Church provided Church debit cards for living expenses. After signing over their assets, ministers signed an agreement to manage their former home now owned by the Church. The Church paid the mortgage and other home expenses.

Was this a scam? The IRS sure thought so. When the IRS had enough it went to court to enjoin the Head Minister from preaching his no-tax mantra. Hartshorn routinely told ministers they weren't required to pay tax even on their paychecks.

The court ruled that the ministers were still taxable on their earnings despite trying to assign the pay to the Church. The Church had no contract with the employers. Employed ministers received fringe benefits like sick leave and medical insurance which they continued to enjoy. Ministers continued doing the same work for the same pay, the only difference being that paychecks went to the Church.

As to free speech, the court reviewed the rules for evaluating injunctions. Even if the church was legit, the court said, Hartshorn's plan wasn't. What's more, Hartshorn's knew his "you-don't-have-to-pay-taxes" mantra was false. Even if he didn't, he **should** have known.

For more, see:

A Non-Whitney Grammy Tale of Clergy Tax Greed

IRS vs. Scientology: Here We Go Again

Christian Crusade For Tax Benefits

Don't Like Taxes? Form A Church

Pulpit Freedom and Taxes

Robert W. Wood practices law with <u>Wood LLP</u>, in San Francisco. The author of more than 30 books, including Taxation of Damage Awards & Settlement Payments (4th Ed. 2009 with 2012 Supplement, <u>Tax</u> <u>Institute</u>), he can be reached at <u>Wood@WoodLLP.com</u>. This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.