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Man Gets Prison For Inventing His Own Church, And It's Not Scientology

A Utah man has been sentenced to two years in prison over a church the feds say was a tax avoidance scheme. Paul Ben Zaccardi plead guilty to one count of tax evasion, and five counts of filing false claims for income tax refunds. He transferred his house to a church he formed, and even tried to pay his tax bill with fictitious U.S. Treasury bonds. He isn't the first taxpayer to figure out that church status is pretty good.

Churches don't pay tax, and donations to churches are tax deductible. But what qualifies as a church can be debated. The stakes are high, as a Mississippi physician found out when he was sentenced to more than 6 years in prison. Prosecutors, the judge, and jury agreed that his church was a scam. Dr. Timothy Dale Jackson from Pass Christian, Mississippi was [found guilty of four counts of felony tax evasion](#) and one of obstruction of due administration of the internal revenue laws.

The orthopedic physician funneled his practice income through the "Church of Compassionate Service." Dr. Jackson took a vow of poverty, claiming that as a minister, he was tax exempt. He had a successful practice but hadn't filed tax returns or paid taxes since 2003.



Compassionate Service Church members “donate” to the church, renouncing all worldly possessions. They also hand over their assets to a Church trust. Ministers even sign over their paychecks to the Church. In return, the Church provides debit cards for living expenses. The Church even made mortgage payments on the homes it received where ‘minister’ were housed.

In reality, 90 percent of Dr. Jackson’s income was returned to him. On \$1.8 million of income just between 2006 and 2009, the doc owed the IRS \$650,000. When he was sentenced, the 50-year-old Dr. Jackson received 75 months of incarceration, and was ordered to pay taxes and interest of \$806,983, plus a \$12,500 fine.

The interaction of taxes and religion is strange. Take the so-called parsonage allowance, a tax break allowed by [Section 107](#) of the tax code, dating to the 1920s. That was the era of my favorite fictitious minister, [Elmer Gantry](#), a shallow, philandering hypocrite portrayed by [Burt Lancaster](#) in the movie. The parsonage allowance says an ordained member of the clergy can live tax-free in a home owned by his or her religious organization.

Alternatively, the clergy member can receive a tax-free annual payment to buy or rent a home. The parsonage allowance makes being in the clergy sound pretty good, as does this list of [top ten clergy tax deductions](#). Yet religion doesn’t necessarily protect you from criminal tax charges. Also consider [Phil Driscoll](#), an ordained minister and Grammy Award-winning trumpet player. He, too, went to prison for tax evasion.

Later, because of the parsonage allowance, the [Tax Court](#) ruled he didn't owe federal income taxes on \$408,638 provided to him by his ministry. The [IRS appealed and the Eleventh Circuit](#) reversed. Mr. Driscoll asked the Supreme Court to review it, but the [Supreme Court refused to hear it](#).

The Church of Compassionate Service that got Dr. Jackson into such trouble is discussed in [U.S. v. Hartshorn](#). There, the IRS got an injunction to silence Head Minister Kevin Hartshorn. Mr. Hartshorn had 50 ministers under his wing, telling them not to pay the IRS. When the IRS had enough it went to court to enjoin the Head Minister from preaching his no-tax mantra.

Mr. Hartshorn lost, appealed, and lost again when the appeals court ruled for the IRS. Thus, Mr. Hartshorn failed to [shake the injunction](#). Mr. Hartshorn's claims about free speech didn't help him either. 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.

There are many tax advantages of church status and an IRS [determination letter](#). Even compared to other tax-exempt organizations, church status is the crème de la crème. For years, the IRS denied that [Scientology](#) was a church until lawsuits caused the IRS to [rule](#) that Scientology was a church. [The New York Times](#) claimed that the IRS reversed 30 years of precedent to grant Scientology its [Section 501\(c\)\(3\)](#) status.

Since then, some say the [IRS should reconsider Scientology's tax-exempt status](#), suggesting that the IRS had the wool pulled over its eyes when it granted church status in 1993. The film [Going Clear, from HBO](#) and director [Alex Gibney](#) is fueling those comments, as did a [St. Petersburg Times series](#) a few years ago. Scientology maintains that the Going Clear movie is false and that the IRS "recognized Scientology as a tax-exempt religious and charitable organization because it provided substantive proof on the merits, following a two-year examination, that it was entitled to that recognition."

If the IRS decides to take on Scientology for round two, the bout could be noisy. Churches reap a vast array of tax advantages. They even include [special rules limiting IRS authority to audit a church](#). A "church" is not specifically defined in the tax code, but the IRS lays out buzzwords in its [tax guide for churches and religious organizations](#), including these characteristics:

1. Distinct legal existence;
2. Recognized creed and form of worship;
3. Definite and distinct ecclesiastical government;
4. Formal code of doctrine and discipline;
5. Distinct religious history;
6. Membership not associated with any other church or denomination;

7. Organization of ordained ministers;
8. Ordained ministers selected after completing prescribed study;
9. Literature of its own;
10. Established places of worship;
11. Regular congregations;
12. Regular religious services;
13. Sunday schools for religious instruction of the young; and
14. Schools for preparing its members.

The IRS considers all facts and circumstances in assessing whether an organization qualifies. But unlike other exempt organizations, a church need not actually [apply for tax exemption](#). Most churches do, but it is not technically required. [The Nonprofit Risk Management Center](#) reports that over one hundred 501(c)(3) organizations lose their tax-exempt status each year. The reasons vary, but in the case of Scientology, many wonder how it could have collected its church status in the first place.

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