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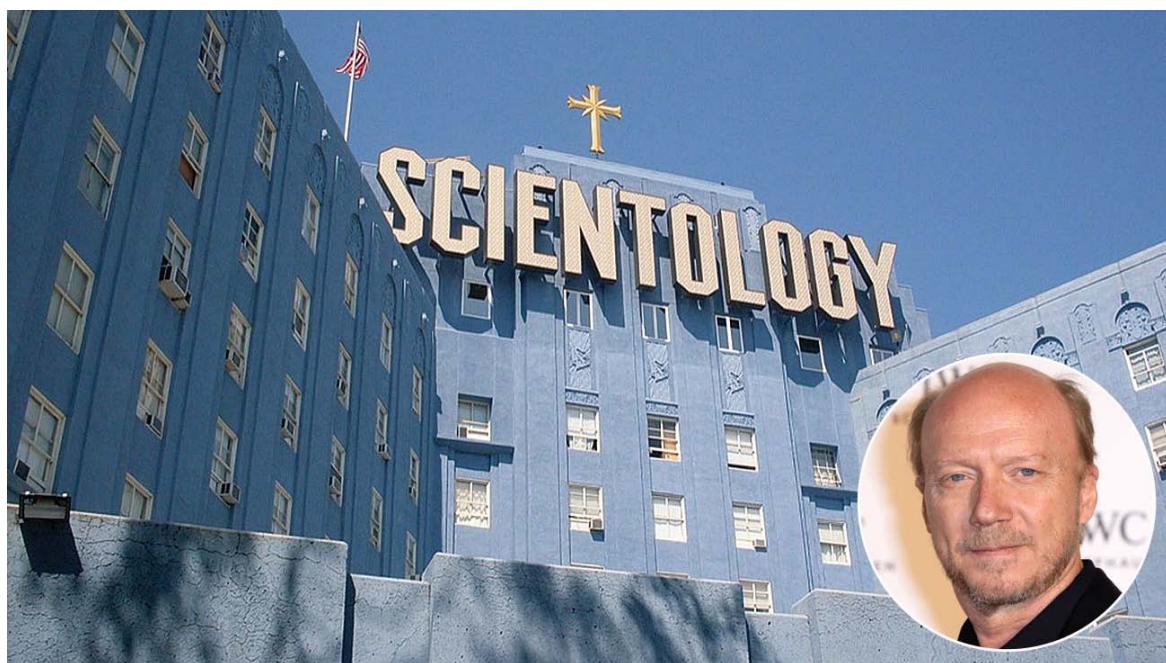
THE TAX LAWYER

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### HBO's Going Clear Exposes Scientology Tactics, Wealth, And IRS Church Status

[Going Clear](#), from HBO and director [Alex Gibney](#), is a stark expose of the Church of Scientology. The documentary is riveting, and the grip the cult church has on its followers is nothing short of astounding. Whether one finds solace or horror in the sharp tactics used to recruit and keep adherents, the billions of dollars in the Scientology gravy train are impressive.

That burgeoning wealth is enabled by Scientology's classification as a tax-exempt church. That topic too is covered in the film, though the film itself is [triggering new scrutiny](#). Viewers may feel less tolerant of the organization than the IRS. Actress [Mia Farrow](#) tweeted that, "#Scientology is a thuggish, dangerous, cruel cult. Sign petition to revoke their tax exempt status <https://petitions.whitehouse.gov/petition/revoke-scientologys-tax-exempt-status...#GoingClear>."



Scientology has long been accused of sharp practice, harassment, even abuse. But the highly disciplined and closed-ranks organization portrayed in Going Clear operates at a fever pitch. The

take-no-prisoners attitude extends to nearly all phases of the worldwide mega-business Scientology has become.

Founder L. Ron Hubbard was against paying taxes, and famously dodged the IRS for years. The film shows his pursuit of the brass ring that an IRS church exemption would mean to his empire. After years of unsuccessful IRS exemption applications, the film says Scientology Chairman David Miscavige (who succeeded Hubbard) ordered rank and file Scientologists to file individual lawsuits against the IRS for failing to recognize it as a church.

In 1993, the IRS was literally overwhelmed by 2,400 suits and the prospect of defending itself against all of them, the IRS agreed to grant Scientology tax-exempt status in exchange for the withdrawal of the cases. Since then, Scientology has flourished, as this [2011 tax filing](#) reveals.

**Update:** In a statement emailed to *Forbes*, a Scientology representative asserted that “Gibney’s claim that the Church of Scientology harassed and intimidated the IRS to obtain tax exemption to which it was not entitled is as absurd as it is false,” and that he “paints as sinister, perfectly legal and eminently justified actions” such as FOIA and Tax Court suits. The IRS, the statement adds, “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.”

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 the 2400 lawsuits caused the IRS to [rule](#) Scientology was a church. [The New York Times](#) claimed the IRS reversed 30 years of precedent to grant Scientology [Section 501\(c\)\(3\)](#) status.

Over the past few years, many have said that the [IRS should reconsider Scientology’s tax-exempt status](#). Some claim to have seen coercive fundraising efforts, suggesting the IRS had the wool pulled over its eyes when it granted church status in 1993. The HBO film is fueling those comments, as a [St. Petersburg Times series](#) did a few years ago.

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. Now, 22 years after the IRS gave in, there are new outcries for the IRS to examine Scientology and to [end its tax-exempt status](#).

It isn't a far-fetched idea. [The Nonprofit Risk Management Center](#) reports that over one hundred 501(c)(3) organizations lose their tax-exempt status each year. The reasons can vary, but in the case of Scientology, many wonder how it could have collected the church status in the first place.

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