



## Robert W. Wood

THE TAX LAWYER

---

TAXES 12/22/2014

### Willful Tax Evader Jailed Despite Cloak Of Religious Observance

Death and taxes may both be inevitable, but the church is unique in seeming to help people with both. Churches don't pay tax, and donations to churches are tax deductible. But what qualifies as a church can be debated. The stakes involve taxes, penalties, and even jail. A Mississippi physician was just sentenced to more than 6 years in prison over a church that prosecutors, judge and jury agreed was a scam.

Dr. Timothy Dale Jackson is from Pass Christian, Mississippi, which seems fitting for a tax case about a church the feds labeled as bogus. The doctor was [found guilty of four counts of felony tax evasion](#) and one of obstruction of due administration of the internal revenue laws. Prosecutors showed how the 50-year-old orthopedic physician funneled his practice income through the "Church of Compassionate Service," a church the feds have targeted.

It works like this. 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 any 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.

Depending on how religious you are and on your dislike for taxes, this may sound slick or stupid. 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 note that religion doesn't necessarily protect you from criminal tax charges. Apart from Dr. Timothy Dale Jackson, also consider [Phil Driscoll](#), an ordained minister and Grammy Award-winning trumpet player. He 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. Harshorn 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. To the IRS, this kind of speech is a little like yelling fire in a crowded theater.

*For alerts to future tax articles, follow me on Forbes. You can reach me at [Wood@WoodLLP.com](mailto:Wood@WoodLLP.com). This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.*