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Doctor Appeals Tax Evasion Conviction Over Alleged Fake Church

A Mississippi orthopedic surgeon, Dr. Timothy Dale Jackson of Pass Christian, Mississippi, has appealed his conviction for income tax evasion to the Fifth Circuit Court of Appeals. He is serving more than six years in prison. In addition to prison, he was ordered to pay the taxes, a fine, and interest totaling more than \$800,000.

He was [found guilty of four counts of felony tax evasion](#) and one count of obstruction of due administration of tax laws. He used a would-be 'church' as a tax shelter. Starting in 2003, Jackson did not file tax returns or pay taxes. Prosecutors showed how the successful 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. Compassionate Service Church members "donate" to the church, renouncing all worldly possessions. They also hand over their assets to a Church trust. Ministers sign over their paychecks, but the Church provides debit cards for living expenses.



The Church even made mortgage payments on the homes where ministers were housed. In reality, 90 percent of Dr. Jackson's income was returned to him. On \$1.8 million of income he earned between 2006 and 2009, the doc owed the IRS \$650,000, plus interest, penalties, and more. The Church of Compassionate Service is also discussed in [U.S. v. Hartshorn](#), where 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. The IRS went to court to enjoin him from preaching his no-tax mantra. Mr. Hartshorn lost, appealed, and lost again, failing 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. The court said Hartshorn's knew his "you-don't-have-to-pay-taxes" mantra was false. Even if he didn't, he should have known.

For tax-exempt organizations, church status is the crème de la crème. Churches reap a vast array of tax advantages. They even include [special rules limiting IRS authority to audit a church](#). Surprisingly, a "church" is not specifically defined in the tax code. 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 that must get an IRS [determination letter](#), a church need not actually [apply for tax exemption](#). Sometimes there is controversy, as there was over [Scientology](#). In 1993, the IRS [ruled](#) 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. Recently, some people say the [IRS should reconsider Scientology's tax-exempt status](#). The film [Going Clear, from HBO](#) and director [Alex Gibney](#) fueled those comments. 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.”

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