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### IRS Stirs The Kabbalah Pot

Kabbalah is not a new way to make risotto, a new Gordon Ramsey restaurant, or a gourd-like vessel for carrying water across the desert. It is a new-old religion, popularized by Madonna and other A-list celebs who include Ashton Kutcher and the now singing Gwyneth Paltrow. I can't claim to be religious and don't emulate celebrities.

Yet as a tax lawyer for [30 years](#), I've seen IRS scrutiny on churches wax and wane, especially with [Scientology](#). For years the IRS denied it was a church, but after multiple years of litigation and administrative harangues, the IRS abruptly [ruled](#) Scientology was a church after all in 1993. [The New York Times](#) claimed the IRS reversed 30 years of precedent to grant Scientology [Section 501\(c\)\(3\)](#) status when Scientology dropped numerous lawsuits against the IRS.

Now the IRS has leveled its sights on Los Angeles' Kabbalah Centre. Significantly, though, the current query is apparently not whether Kabbalah is a legitimate church entitled to that IRS tax status. Rather, this is a **criminal** investigation into tax evasion. So says the [LA Times](#).

[Kabbalah](#) is a Jewish movement tracing its roots to the Zohar, a holy book allegedly 2,000 years old. Evidently begun in Jerusalem in 1922, Kabbalah claims 4,000 regular participants around the world. Many criticize it for not requiring followers to leave other faiths.

**Private Inurement?** Although the scope of the IRS questions is not yet clear, the LA Times suggests the IRS is querying whether funds inured to the Berg family, which has controlled the Kabbalah Centre for

over 40 years. Tax lawyers know this issue as “private inurement,” something that can spell disqualification of church tax benefits. In fact, private inurement can disqualify **any** charitable organization.

Questions are being asked on both coasts, since the Kabbalah Centre has holdings in New York too. A federal grand jury in Manhattan is gathering evidence, while in Los Angeles, IRS agents are interviewing people connected to the organization. One of Madonna’s charities, [Raising Malawi](#), is cooperating with the IRS.

Former Kabbalah Centre Chief Financial Officer Nicholas Vakkur has raised accusations about tax fraud. Vakkur implicates the Centre’s Chief Executive Karen Berg, whose husband was appointed head rabbi in 1969. Since his 2004 stroke, Mrs. Berg runs the Kabbalah Centre with two sons, Michael and Yehuda.

Another former CFO, Nicholas Boord Jr., has suggested the Centre had annual revenue of \$60 million, a \$200-million real estate portfolio and a \$60-million investment fund. But as a tax qualified church, the Kabbalah Centre doesn’t make public tax filings. Churches and nonprofits usually don’t have complex corporate structures.

Yet here the IRS confronts over a dozen nonprofit and business entities leading to the Bergs. A 1993 filing seeking tax-exempt status for the Centre claimed the Bergs don’t receive salaries, although they apparently live in Beverly Hills in homes owned by the Kabbalah Centre.

Lawsuits have plagued the Kabbalah Centre and the Berg family. Some of the filings flatly accuse the Bergs of running the organization primarily for their own benefit, something that in the tax-exempt-church world is clearly a no-no.

For more, see:

[L.A. Kabbalah Centre Under IRS Scrutiny](#)

[Our Lady of Malawi](#)

[Madonna’s Kabbala Center Faces IRS Investigation](#)

## [L.A. Kabbalah Center To Help With Tax Probe](#)

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