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### Should America Tax Churches?

With all the talk of tax reform, should we tax churches? It is a sensitive topic for Americans, inviting questions about the separation of church and state. Perhaps we can learn from Zimbabwe, where the question [is it fair to tax churches](#) is at least being asked. Of course, Zimbabwe's tax system isn't exactly a model of fairness or competitiveness, but then neither is ours. It's wasn't long ago that our [U.S. tax system tanked 94th out of 100, right below Zimbabwe](#). For now, Zimbabwe's tax agency explains the tax issues [for churches and religious organizations](#).

In the U.S., it may be worth shaking up conventional wisdom. For generations, churches have been exempt from income taxes. What's more, all 50 states and the District of Columbia give them a pass on property taxes too. Ever since our founding fathers, it's hands-off for federal income taxes, property taxes and more. Reexamining the tax exemption afforded churches might be liberating.



We get tax deductions when we donate to churches, and that encourages them to grow bigger and wealthier. Consider debt-ridden and cash strapped Europe, where churches hold enormous assets.

The Catholic Church in particular is a treasure trove ripe for the tax collector. Property taxes were seen as an easy opening of the door with big potential benefits. It was former Italian Prime Minister Mario Monti who called for assessing taxes on church properties, which the church started paying in 2013.

Now, it is the current Prime Minister Matteo Renzi who seems to be benefiting. But what about in the U.S.? Churches reap a vast array of tax advantages, including [special rules limiting IRS authority to audit a church](#). And what of the controversial and important classification decision? What constitutes a legitimate church? With church status being so desirable, how does the IRS police it? The term “church” isn’t even defined in the tax code, although the IRS does have a [tax guide for churches and religious organizations](#). The IRS looks for:

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 generally considers all facts and circumstances in assessing whether an organization qualifies. It is part of the [tax basics for exempt organizations](#). But unlike other exempt organizations, a church does not even need to [apply for tax exemption](#). The church can just operate that way and essentially operate that way without the IRS’s explicit blessing. Most churches do as the IRS for exemption, but they are not actually required to.

This may be part of the proof that for a tax-exempt organization, church status is truly the gold standard. And that is one reason the Church of [Scientology](#) fought against the IRS for so long. After many years of sparring with the IRS over whether Scientology was a church, there were numerous

lawsuits and eventually the IRS ruled that Scientology was a church. But not everyone was happy. [The New York Times](#) claimed that the IRS reversed 30 years of precedent to grant Scientology [Section 501\(c\)\(3\)](#) status.

Will churches get taxed here? In the case of property taxes, it seems possible. Income taxes are another matter and seem beyond the reach of the federal government. For now.

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