

Question 9

9. Will the advance donation trusts continue to exist if the United States churches of Scientology are recognized as tax-exempt?

In accordance with the Scientology Scriptures, Church of Scientology parishioners often make fixed donations to their churches in connection with specific religious services or religious materials in advance of the time they participate in the services or obtain the religious materials. Such donations are referred to as "advance donations" or "advance payments."

Trust for Scientologists ("TFS") and United States Parishioners Trust ("USPT") are the two trusts presently used to hold and safeguard parishioners' advance donations to CSFSO and CSWUS. These advance donation trusts were created and used for two purposes: (1) to protect parishioners' advance donations from specious damage claims against the churches, and (2) in the event that CSFSO and/or CSWUS were held taxable, to allow them to defer income taxation on parishioner advance donations until earned through the ministry of religious services.^{1/}

Church management believes that if settlement of all outstanding IRS matters is reached, specious damage suits will no longer be a significant problem for the simple reason that recognition of exemption will serve to weaken existing damage cases and to deter future cases. As part of the settlement of all outstanding Church of Scientology matters with the IRS, the trustees and churches are willing to dissolve TFS and USPT and distribute amounts held therein to CSFSO and CSWUS, to be held, subject to their obligation to minister religious services to the contributing parishioners, as part of those churches' own separate reserves.

TFS can be dissolved immediately upon recognition of exemption. Pursuant to article 20 of the USPT declaration of trust, however, USPT cannot be dissolved until December 16, 1993, five years after its creation; upon recognition of exemption CSFSO, CSWUS and the trustees of USPT will agree to dissolve USPT promptly in December 1993 and to implement whatever reasonable safeguards the Service believes may be necessary in the interim.

^{1/} In the CSC case, the Tax Court held that CSC was taxable on unused parishioner advance donations, relying principally on the absence of a method, like the trusts, to segregate these sums from other church assets. Church of Scientology of California v. Commissioner, 83 T.C. 381, 481-483 (1984) aff'd, 823 F.2d 1310 (9th Cir. 1987), cert. denied 486 U.S. 1015 (1988).