

Daily News

Monday, May 14, 1984

Scientology church pays \$500,000 in back taxes

McClatchy News Service

SACRAMENTO — The Church of Scientology paid the state \$500,000 in back taxes last week and agreed to pay another \$500,000 in five monthly installments, the Employment Development Department said.

The payment from the organization, which claims tax immunity as a religion, was made as state authorities prepared to seize between 70 and 80 bank accounts belonging to the church.

The wealthy church, which claims to teach self-awareness and fulfillment of human potential, was founded in the 1950s by science fiction writer L. Ron Hubbard.

California has asserted a right to collect taxes from the church and its affiliated entities ever since the U.S. Internal Revenue Service, in a decision made retroactive to

1957, revoked its federal tax exemption.

According to state authorities, the federal action automatically triggered the application of state laws requiring the church to pay withholding, disability, unemployment insurance and employment training taxes.

But the church, which is contesting the IRS ruling, has balked.

As the result of an audit by EDD, which collects some employer taxes for the Franchise Tax Board, EDD on April 30 assessed the church and 26 of its affiliates for taxes owed from Jan. 1, 1981, through the end of this calendar year, EDD said.

The next day EDD issued notices of levies on banks holding church funds.

The organization and its affiliates owed \$900,000 plus penalties bringing the total over \$1 million, EDD said.