

Scientology gets appeal on tax case

FROM COMBINED DISPATCHES

The Supreme Court Monday expanded its study of whether payments made to the Church of Scientology by members may be claimed as federal income tax deductions.

The justices, who last month agreed to review the issue, added other test cases and appeals to their study of the Scientology appeal and are expected to make a ruling next year.

Their decision will determine whether fees for educational services of the Church of Scientology can be considered deductible contributions.

Scientologists call the payments for their special auditing and training sessions "fixed donations," but the Internal Revenue Service said the payments are not charitable contributions that can be counted as tax deductions.

The announcement of the expanded review came a week after the court let stand an appeals court ruling that denied Los Angeles' Church of Scientology of California federal tax-exempt status for 1970 through 1972 — making the church liable for back taxes.

In both cases, the church argued that the IRS singled it out for unfair treatment that interferes with its religious freedom. In the Los Angeles case, the church said the IRS ruling "threatens the rights of all churches to proselytize through the sale of religious literature."

The religion of Scientology was founded by L. Ron Hubbard, who died in 1986.

Scientologists believe they can progress toward spiritual awareness through private "auditing" sessions in which members' skin responses to questions are monitored by an electronic device called an E-meter, which Mr. Hubbard invented.

Mr. Hubbard's collected writings comprise the religion's scriptures.

The IRS in 1957 officially recognized the Church of Scientology of California as a tax-exempt religious organization but revoked the exemption in 1967.

The IRS ruled in 1977 that the California church owed \$1.43 million in taxes and late-filing penalties for the years 1970, 1971 and 1972, years when it was considered the "mother church" of all Scientology churches in the United States.

Mr. Hubbard, who also was a successful science fiction writer, based much of his activity in the Los Angeles church, and from 1970 to 1972 some of the church's revenues "inured to the benefit of" Mr. Hubbard and his wife, Susan, according to the IRS.

The Tax Court and the appeals court supported the IRS ruling. Under IRS regulations, tax-exempt funds cannot inure to private individuals, but payment of reasonable salaries to church officials is not inurement.

The Church of Scientology in the United States has 44 independent churches, 42 of which are tax exempt. The Los Angeles and Washington churches are not exempt because of rulings on Mr. Hubbard's book royalties or inurement, according to the church's district office.

Federal law allows taxpayers to deduct money given to charity or religious groups, but not when something of financial value is received in return. The IRS said that Scientology training and auditing sessions almost never waive the payment requirement.